

Financial Information  
As of March 31<sup>st</sup>, 2019

(The English translation of the  
“有価証券報告書”  
(*Yuukashoken-Houkokusho*)  
For the fiscal year ended March 31<sup>st</sup>, 2019)

Tokyo Seimitsu Co., Ltd.

Disclaimer:

- 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.
- This English-translated document is not subject to review under any laws nor audit. In the event of any discrepancy between this translated document and the Japanese original, the Japanese original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Abbreviations (Unless otherwise noted)

- FY: Fiscal Year
- SSR: Share Subscription Rights
- BS: Statements of Balance Sheet
- SO: Stock Option(s)
- JPY: Japanese Yen, mainly with prefix M (Million)
- USD: US dollars, mainly with prefix K (Thousand)
- EUR: Euro, mainly with prefix K (Thousand)
- KRW: Korean Won, mainly with prefix M (Million)
- CNY: China Yuan, mainly with prefix K (Thousand)
- TWD: Taiwan New Dollars, mainly with prefix K (Thousand)
- MYR: Malaysian Ringgit, mainly with prefix K (Thousand)
- THB: Thailand Baht , mainly with prefix K (Thousand)

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## [Cover]

[Submitted document]	Securities Report (" <i>Yuukashoken-Houkokusho</i> ")
[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 26 <sup>th</sup> , 2019
[Business year]	96 <sup>th</sup> Fiscal Term (from April 1 <sup>st</sup> , 2018 to March 31 <sup>st</sup> , 2019)
[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		92 <sup>nd</sup>	93 <sup>rd</sup>	94 <sup>th</sup>	95 <sup>th</sup>	96 <sup>th</sup>
Fiscal Year (FY) ended		March,2015	March,2016	March,2017	March,2018	March,2019
Net sales	(MJPY)	66,445	70,274	77,792	88,194	101,520
Recurring profit	(MJPY)	12,791	13,232	13,864	17,316	20,805
Net profit attributable to owners of the parent	(MJPY)	8,993	9,704	9,909	12,717	14,665
Comprehensive income	(MJPY)	10,969	7,199	10,371	15,124	12,240
Net assets	(MJPY)	74,371	79,418	87,194	99,354	107,403
Total assets	(MJPY)	98,457	101,933	114,463	132,893	157,573
Net assets per share	(yen)	1,787.05	1,903.29	2,083.40	2,367.92	2,551.20
Net profit per share	(yen)	217.97	234.58	239.32	306.41	352.92
Diluted Net profit per share	(yen)	216.93	233.29	237.80	304.02	350.23
Equity ratio	(%)	75.0	77.3	75.5	74.0	67.3
Return on equity	(%)	13.0	12.7	12.0	13.8	14.4
Price earnings ratio	(Times)	12.6	9.4	14.6	14.0	8.0
Cash flow from operating activities	(MJPY)	10,820	7,210	12,809	10,931	12,932
Cash flow from investing activities	(MJPY)	- 2,958	- 3,823	- 3,486	- 4,649	- 13,952
Cash flow from financing activities	(MJPY)	- 1,762	- 2,851	- 2,953	- 3,163	5,443
Cash and cash equivalents at end of FY	(MJPY)	26,775	27,308	33,825	37,090	41,290
Number of Employees		1,447	1,559	1,784	1,933	2,119
(Average number of part-time employees, not included in the above figure.)	(Person)	(620)	(690)	(720)	(820)	(980)

Notes:

1. "Net sales" are presented exclusive of consumption tax.
2. Upper number in "Employees" indicates the number of full-time employees.
3. Tokyo Seimitsu applied the "Partial Amendments to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16<sup>th</sup>, 2018) from the beginning of the FY96<sup>th</sup>. Accordingly, management indicators for FY95<sup>th</sup> shown above have been adjusted to that Standard retroactively.

## (2) The Trends in the Parent company management indicators and related data

Fiscal term		92 <sup>nd</sup>	93 <sup>rd</sup>	94 <sup>th</sup>	95 <sup>th</sup>	96 <sup>th</sup>
FY ended		March, 2015	March, 2016	March, 2017	March, 2018	March, 2019
Net sales	(MJPY)	54,577	59,159	64,223	72,635	84,655
Recurring profit	(MJPY)	10,048	10,051	10,786	12,450	14,895
Net profit	(MJPY)	7,497	7,851	8,183	9,628	11,110
Common stock	(MJPY)	10,295	10,374	10,462	10,561	10,591
Number of shares issued	(shares)	41,340,681	41,423,381	41,495,581	41,575,881	41,598,381
Net assets	(MJPY)	57,000	61,806	67,527	74,930	80,992
Total assets	(MJPY)	78,157	81,641	92,543	104,110	125,784
Net assets per share	(yen)	1,370.62	1,482.79	1,616.53	1,788.82	1,929.86
Cash dividends per share	(yen)	55.00	59.00	72.00	92.00	125.00
(Interim cash dividends herein)	(yen)	(22.00)	(26.00)	(34.00)	(41.00)	(59.00)
Net profit per share	(yen)	181.72	189.80	197.65	231.99	267.37
Diluted Net profit per share	(yen)	180.86	188.76	196.39	230.18	265.33
Equity ratio	(%)	72.4	75.2	72.4	71.4	63.8
Return on equity	(%)	14.1	13.3	12.7	13.6	14.4
Price earnings ratio	(Times)	15.2	11.6	17.7	18.5	10.5
Dividend payout ratio	(%)	30.3	31.1	36.4	39.7	46.8
Number of Employees		637	679	726	809	868
(Average number of temporary employees, not included in the above figure).	(Person)	(380)	(440)	(445)	(500)	(620)
Total Shareholder's return	(%)	154.6	127.7	203.1	251.7	177.2
(compared with TOPIX, include dividend)	(%)	(130.7)	(116.6)	(133.7)	(154.9)	(147.1)
Highest share price	(yen)	2,985	2,987	3,965	5,130	4,690
Lowest share price	(yen)	1,610	1,970	2,038	3,165	2,430

## Notes:

1. "Net sales" are presented exclusive of consumption tax.
2. Upper number in "Employees" indicates the number of full-time employees.
3. The above share prices are those quoted on the First Section of the Tokyo Stock Exchange.

## 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	Tokyo Seimitsu successfully developed Japan's first high pressure flow-type micrometer.
October, 1957	Tokyo Seimitsu successfully developed Japan's first LVDT-type electric micrometer.
April, 1962	Tokyo Seimitsu was renamed Tokyo Seimitsu Co., Ltd.
August, 1962	Tokyo Seimitsu'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.
May, 2016	Construction for expansion of the Hachioji Plant (No. 6 plant building) was completed.
February, 2019	Tokyo Seimitsu purchased a majority shareholding in Fujitsu Telecom Networks Fukushima Limited which provides Charge/Discharge testing systems and became a subsidiary to enable expansion of the Group's business to include electrical measuring.

### 3 [Business overview]

The Tokyo Seimitsu Group (“the Group”) is composed of Tokyo Seimitsu Co., Ltd. (“the Parent Company”), 31 subsidiary companies and 1 affiliated company, 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 (SPE)

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 Parent Company is responsible for the primary production elements. Our subsidiary Tosei Engineering Corp is responsible for production of other related products, and our subsidiary Accretech Adamas (Thailand) Co., Ltd is responsible for production of other consumable parts. Sales and post-sales service are carried out primarily by the Parent Company and software is provided by our subsidiary Tosei Systems Co., Ltd.

For overseas sales, in addition to exports by the Parent 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., Accretech (Malaysia) Sdn Bhd., and Accretech Adamas (Thailand) Co., Ltd.

Metrology business (Metrology)

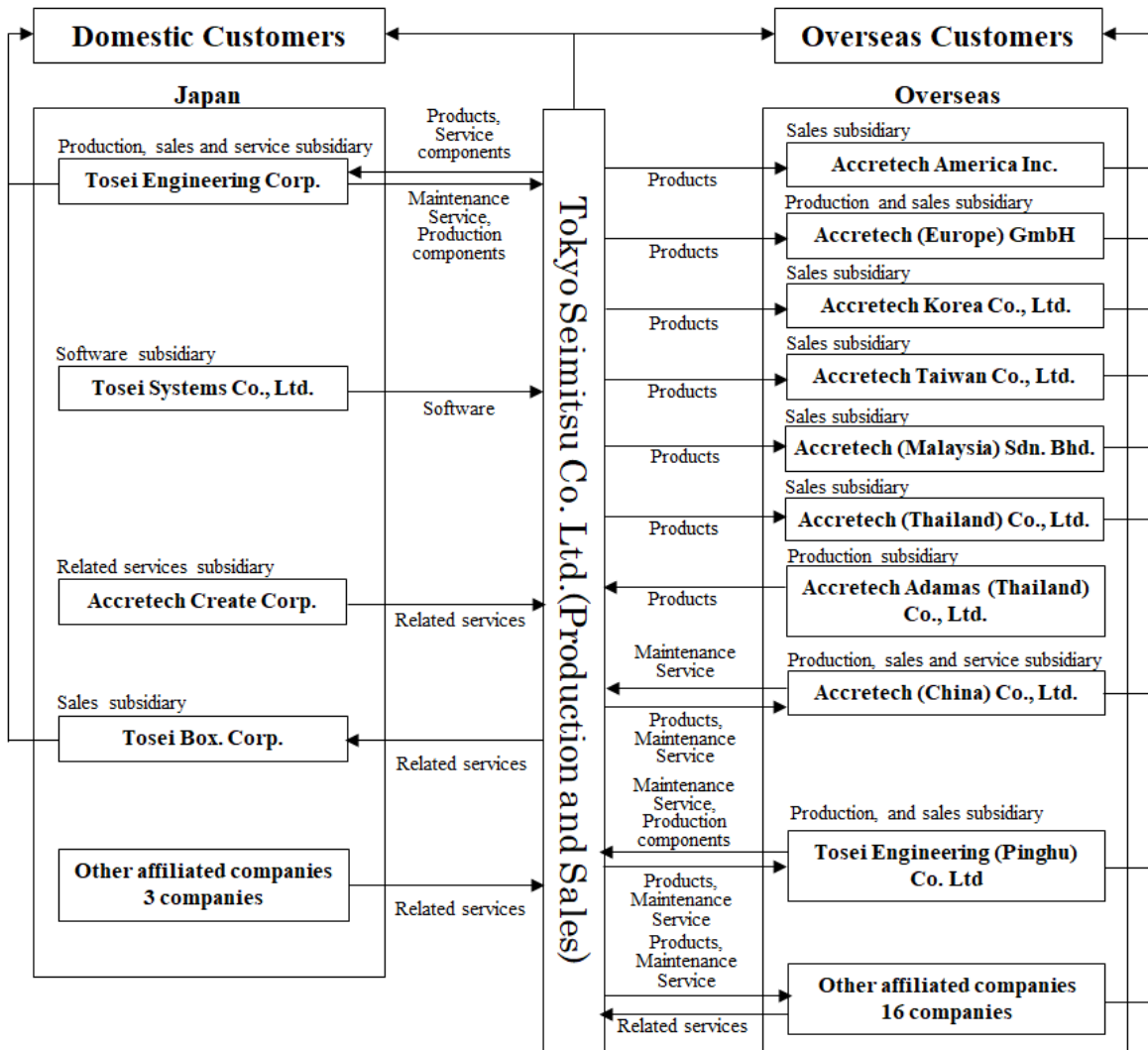
This business handles 3D coordinate measuring machines, surface texture and contour measuring systems, and other precision measuring systems. For this business, the Parent Company and Tosei Engineering Corp. are responsible for primary elements of the production and sales and our subsidiary Tosei Systems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

For overseas sales, in addition to exports by the Parent 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 Korea Co., Ltd, Accretech (China) Co., Ltd., Accretech (Thailand) 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 Fujitsu Telecom Networks Fukushima Ltd. 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 Accretech Adamas (Thailand) Co., Ltd Accretech (Thailand) Co., Ltd Tosei Engineering (Pinghu) Co., Ltd Tosei (Thailand) Co., Ltd Tosei America., Inc.	Accretech (Singapore) Pte. Ltd Accretech Vietnam Co., Ltd PT Accretech Indonesia Accretech-Tosei 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 Ltd. Tosei Canada Measuring Inc. Tosei Mexico S.A. De.C.V Accretech-Tosei Hungary Kft Accretech (Pinghu) Co., Ltd	On-chip Biotechnologies Co., Ltd.

#### 4 [Overview of affiliates]

Name of company	Location	Capital or investment	Description of Principal business	% of voting rights held by Company (holding Company)		Relationship with the Parent 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	(MJPY) 988	SPE, Metrology	100.0	-	2	-	Supply of products for SPE to the Parent Company, and maintenance and services for products related to the Parent Company's metrology instruments	No	Yes
Tosei Systems Co., Ltd	Hachioji, Tokyo	(MJPY) 50	SPE, Metrology	100.0	-	3	-	Provision of software to the Parent Company's products	No	Yes
Accretech Create Corp.	Hachioji, Tokyo	(MJPY) 10	SPE, Metrology	100.0	-	1	1	Transit insurance services to the Parent Company's products	No	Yes
Tosei Box Corp	Hachioji, Tokyo	(MJPY) 10	Metrology	100.0 (30.0)	-	1	-	Provision of office facilities to the Parent Company	No	Yes
Fujitsu Telecom Networks Fukushima Ltd.	Furudono, Fukushima	(MJPY) 415	Metrology	80.0	-	1	3	-	No	No
Accretech Finance Co., Ltd	Hachioji, Tokyo	(MJPY) 50	SPE, Metrology	100.0	-	1	1	Provision of short-term loans to the Parent Company	No	No
Accretech America Inc.	Richardson, Texas, USA	(KUSD) 4,500	SPE	100.0	-	2	1	Sales of the Parent Company's SPE	No	No
Accretech (Europe) GmbH	Munich, Bavaria, Germany	(KEUR) 1,500	SPE, Metrology	100.0	-	3	-	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech Korea Co., Ltd.	Seongnam-si, Gyeonggi-do Korea	(MKRW) 1,000	SPE, Metrology	100.0	-	3	1	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech (China) Co., Ltd.	Shanghai, China	(KCNY) 15,211	SPE, Metrology	100.0	-	3	2	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech Taiwan Co., Ltd.	Jhubei, Hsinchu, Taiwan	(KTWD) 60,000	SPE, Metrology	100.0	-	4	-	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech (Malaysia) Sdn Bhd.	Petaling Jaya, Selangor Malaysia	(KMYR) 1,000	SPE, Metrology	100.0	-	1	2	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech Adamas (Thailand) Co., Ltd	Klongluang, Pathumthani, Thailand	(KTHB) 250,000	SPE	64.2 (34.4)	-	2	1	Provision of parts to the Parent Company's SPE	Yes	No
Accretech (Thailand) Co., Ltd	Bangplee, Samutprakarn Thailand	(KTHB) 10,000	SPE, Metrology	49.0	-	2	1	Sales of the Parent Company's SPE and metrology instruments	Yes	No
Tosei Engineering (Pinghu) Co., Ltd.	Pinghu, Zhejiang, China	(KCNY) 39,480	SPE, Metrology	100.0 (100.0)	-	1	-	-	No	No
Tosei (Thailand) Co., Ltd	Muang Chonburi, Thailand	(KTHB) 6,000	Metrology	49.0 (49.0)	-	-	-	-	No	No
Tosei America, Inc.	Cincinnati, Ohio, USA	(KUSD) 1	SPE, Metrology	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 both Accretech (Thailand) Co., Ltd. and Tosei (Thailand) Co., Ltd., however, these are listed as subsidiaries because the Parent Company substantially controls these company.
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>, 2019

Name of business segment	Number of employees (person)
SPE business	1,112 (550)
Metrology business	866 (380)
Company-wide (corporate staff)	141 (50)
Total	2,119 (980)

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 Parent Company

At March 31<sup>st</sup>, 2019

Number of employees (person)	Average age (years)	Average years of continuous service (years)	Average annual salary (yen)
868 (620)	40.4	11.6	7,582,169

Name of business segment	Number of employees (person)
SPE business	583 (450)
Metrology business	226 (140)
Company-wide (corporate staff)	59 (30)
Total	868 (620)

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 the Parent 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 [Management policy, Management Strategies and Issues]

Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2019/3.

#### (1) Management Policy

1. As a manufacturer of SPE and precision Metrology instruments, The Group has consistently focused on developing state-of-the-art products that contribute to improving our customers' productivity and on providing good customer support. While meeting the commitments that are the requirements of a growing company; Occupational Health and Safety, Quality Control, Environmental Sustainability, and employment equity, The Group will contribute to society including customers, shareholders, employees and regional/international society through developing/supplying innovative SPE and Metrology Equipment.
2. The Group's philosophy is "Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products.", and the Group has adopted as a corporate motto "Win-Win Relationships Create the World's No. 1 Products." and a corporate brand "ACCRETECH". The Group is striving to establish a structure that is capable of creating world-leading products. To do this, we apply the core technologies we have developed, and build cooperative Win-Win relationships with domestic and overseas companies and individuals that share the common goal of creating the world's best products. Behind all our efforts is the goal of being a truly global company.
3. Tokyo Seimitsu implements an internal company system under which the entire company has been divided into three internal companies – the Semiconductor Company, the Metrology Company and the Administration Company and an executive officer system. These internal companies, as fully functioning organizations with appropriate responsibilities and authority, are positioned to improve the level of customer satisfaction and business performance by responding to each customer more flexibly and promptly.

#### (2) Key performance indicators for corporate management

Under a business environment that requires high levels of technological innovation with high speed, the Group aims to establish higher profitability and structural efficiency by providing world No.1 products with advanced technology into growing markets, and continuously improve capital efficiency by effectively using funds for investment for growth. The Group aims to maintain a business structure with at least 10% ROE as a long-term target to underpin sustainable growth in earnings per share and corporate value. The Group also aims to attain ¥22.000 billion of consolidated annual operating profits as a mid-term target (by FY2021/3).

#### (3) Medium to Long-term Management Strategies and Issues

##### 1. Ongoing growth strategy and increase in business performance

The Group has promoted further quality improvement and product innovation, and established a profitable operational structure to continuously provide world leading products with advanced technology. These efforts have obtained reliable results after several years. The Group will further be engaged in expanding its business by taking advantage of its solid company structure.

##### 2. Sustainable Profit Distribution

Company management believes that increasing corporate value and sustainable profit distribution remains a key indicator of business success and thorough business growth.

##### 3. Governance

The Group holds that corporate governance is essential to improve corporate value and to conduct fair and transparent business activities as a global corporate citizen, and has established a "Core policy for corporate governance."

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

(4) Globalization

Since the Sales organization has been fully localized and the Group's overseas sales have exceeded domestic sales, the Group has also commenced local manufacturing such as in China and Thailand. With this continuing outlook, the 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.



## 2 [Business and other risks]

Risk factors that may affect the 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 FY2019/3.

### (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 acquires customer confidential information or personal information, and the Group's confidential information related to technologies, sales and other business matters. The Group pays special attention to this confidential information to prevent the leak of information and falsification. However, it could be possible to have information leak or falsification due to 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.

### 3 [Analysis of financial position, business results and cash flows by Corporate executives]

#### (1) Overview of business results

##### [Financial Position and business results]

In the FY 2019/3 ended March 2019, the US and Japanese economies continued to recover, led by strong private consumption and corporate capital investment and therefore the global economy maintained gradual growth. On the other hand, there were the potential risks of economic slowdown due to trade friction led by protectionism, and complications from the withdrawal of the United Kingdom from the EU.

Under these business conditions, expanding demand both in Semiconductor and Automotive related industries increased both Group Sales and Profits. Consolidated sales in the term were ¥101.520 billion (up 15.1% YoY), Operating profit was ¥20.221 billion (up 17.0% YoY),

Recurring profit was ¥20.805 billion (up 20.1% YoY) and Net profit attributable to owners of the parent was ¥14.665 billion (up 15.3% YoY).

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

##### SPE business segment

There was a fluctuation in investment for memory devices; however, investment for power management ICs, display drives and sensors were stable during the entire year. In addition, equipment demand from China, where related emerging enterprises grow rapidly, kept firm.

Accordingly, Sales for our SPE segment was ¥69.117 billion (up 16.1% YoY), and Operating profit was ¥13.195 billion (up 16.8% YoY).

##### Metrology business segment

The automotive industry has continued to invest for production innovation to improve world-wide production efficiency and in-line measurement. While demand for Machine Tools showed a slowdown in the 2<sup>nd</sup> half, the demand from the mechanical components and the aircraft-related sectors remained steady.

As a result, Sales for our Metrology business segment was ¥32.403 billion (up 13.0% YoY) and Operating profit was ¥7.025 billion (up 17.3% YoY).

Note: The above amounts are exclusive of consumption tax.

The financial position of the Group at the end of FY2019/3 consisted of total assets in the amount of ¥157.573 billion (¥110.094 billion in current assets and ¥47.478 billion in fixed assets), liabilities in the amount of ¥50.169 billion, and total net assets of ¥107.403 billion.

##### [1] Assets

Assets as at the end of FY2019/3 increased mainly due to increases in inventory through an expansion of manufacturing and in tangible/intangible assets through purchase of the land for new plant and renewal of the Core system. Total assets at the end of FY2019/3 have increased ¥24.680 billion from the end of FY2018/3.

##### [2] Liabilities

There were increases in Trade payables through expansion of manufacturing. In addition, Proceeds from long-term loans payable for further capital investment increased liabilities. Liabilities as at the end of FY2019/3 have increased by ¥16.331 billion from the end of FY2018/3.

##### [3] Net assets

Although "Accumulated other comprehensive income" decreased mainly by stock price decline, an increase of Net profit attributable to owner of the parent increased Shareholder's equity. Net assets as at the end of FY2019/3 have increased by ¥8.049 billion from the end of FY2018/3.

[Cash Flows]

Cash and cash equivalents as at March 31<sup>st</sup>, 2019 amounted to ¥41.290 billion, an increase of ¥4.200 billion from the end of FY2018/3. The status of cash flows and factors behind them are given below.

Net cash earned from operating activities increased from ¥10.931 billion in FY2018/3 to ¥12.932 billion in FY2019/3 due mainly to an increase in Income before income taxes and minority interests from ¥17.318 billion to ¥20.443 billion.

Net cash used in investment activities increased from ¥4.649 billion in FY2018/3 to ¥13.952 billion in FY2019/3. This mainly reflected capital investments (tangible and intangible assets) such as purchase of the land for new plant and renewal of the Core system.

Net cash earned from financing activities were ¥5.443 billion (positive cash flow) in FY2019/3. In FY2018/3, it was negative cash flow of ¥3.163 billion. This is mainly from a placement of new long term loans payable of long-term loans payable of ¥10.000 billion.

[Production, orders, and sales]

(1) Actual Production

The production results for each business segment in FY2019/3 are shown below.

Business segment	Production (MJPY)	YoY (%)
SPE business	67,351	19.0
Metrology business	30,459	13.3
Total	97,811	17.2

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 FY2019/3 are shown below.

Business segment	Orders received (MJPY)	YoY (%)	Order backlog (MJPY)	YoY (%)
SPE business	65,335	- 10.9	27,670	-12.0
Metrology business	33,573	9.5	9,165	14.6
Total	98,909	- 4.9	36,836	- 6.6

Note: The above amounts are exclusive of consumption tax.

(3) Actual Sales

The sales amounts for each business segment in FY2019/3 are shown below.

Business segment	Sales (MJPY)	YoY (%)
SPE business	69,117	16.1
Metrology business	32,403	13.0
Total	101,520	15.1

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.

(2) Analysis and Evaluations from Corporate Management regarding financial performance

The conclusions of management reviews and evaluation of the Group's business performance in each of our business segments are as follows. Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2019/3.

i. 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 FY, and income and expenses during the consolidated FY. These estimates were performed for inventories, allowance for bad debts, deferred tax assets, investment securities, cost of goods sold, 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.

ii. Analysis and evaluation of financial position for FY2019/3

Details of the financial position of the Group are set out on page 15, showing that Group assets and liabilities have both increased significantly. In this situation, Management aims to keep a profitable structure through improving total assets turnover as a priority.

iii. Analysis and evaluations of operating results for FY2019/3

[1] Sales

Sales for FY2019/3 were ¥69.117 billion for the SPE business and ¥32.403 billion for the Metrology business, with a combined total of the two businesses of ¥101.520 billion. The increase resulted not only from buoyant demand from the market, but also from a successful Sales and production strategy. Management believes that to continue developing best-fit products within often volatile markets is an essential strategy.

[2] Cost of goods sold, and Selling, general and administrative expenses

Cost of goods sold for FY2019/3 was ¥60.430 billion and the Selling, general and administrative expenses were ¥20.869 billion. The ratio of the Cost of goods sold to Total sales was 59.5% in FY2019/3 (61.0% in FY2018/3), and the ratio of the Selling, general and administrative expenses to Total sales was 20.6% in FY2019/3 (19.4% in FY2018/3).

[3] Operating profit

As a result of the above, operating profit FY2019/3 was ¥20.221 billion, driven by significant segment profit increases in both segments due to the positive market situation (¥13.195 billion in SPE segment and ¥7.025 billion in Metrology segment). The Group has set its business target to ¥22.000 billion in Operating profits by FY2021/3. The Group plans to achieve this through parallel actions targeting Sales performance increases and margin improvements.

[4] Non-operating income and expenses

Non-operating income for FY2019/3 was ¥688 million mainly from Dividend income and Foreign exchange gains, and Non-operating expenses for the same term was ¥104 million mainly due to interest expenses.

[5] Recurring profit

As a result, Recurring profit for FY2019/3 was ¥20.805 billion.

[6] Extraordinary gains and losses

Extraordinary gains in FY2019/3 were ¥58 million mainly from a Gain on sales of investment securities. Extraordinary losses were ¥419 million from Losses on valuation of investment securities and shares of affiliates.

[7] Profit before income taxes and minority interests

As a result, Profit before taxes and minority interests for FY2019/3 was ¥20.443 billion.

[8] Income taxes

Income taxes and other taxes in FY2019/3 were ¥5.719 billion and the ratio to Profit before income taxes and minority interests was 28.0%.

[9] Net profit attributable to non-controlling interests

Net profit attributable to non-controlling interests for FY2019/3 was ¥58 million.

[10] Net profit attributable to owners of the parent

Net profit attributable to owners of the parent for FY2019/3 was ¥14.665 billion.

iv. Analysis of Cash Flow for FY2019/3

Details of the financial position of the Group are set out on page 16. Management is of the view that the Group can continue to achieve a positive cash flow position from its operations and that earned cash can be effectively used for investment and financing. In addition, retained cash can be used for product development R&D, and capital expenditures. The Group accommodates fluctuations in long-term finances based on forecasts of Group investments mainly by internal cash flows within the Group and loans payable. Management nonetheless recognizes the importance of maintaining good relationships among the Group and with financial institutions.

v. Factors having important effects on 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.

## 4 [Important business contracts]

<The Parent 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.

## 5 [R&D Activities]

The R&D activities of the Group are carried out primarily at the Parent 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 FY2019/3 was ¥7.469 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 pattern-shrinkage 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 FY2019/3 include, mostly continued from FY2018/3, Probing machine performance improvement (such as Chuck and Chiller), Blade Dicing machine performance improvement (Application improvement), and next generation Polish Grinder.

The total amount of R&D costs for this business area in FY2019/3 was ¥6.154 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. The Group is working to develop and improve a range of products to meet these needs.

The major research and development results from FY2019/3 include, mostly continued from FY2018/3, Analysis software ACCTee usability and performance enhancement and high-end Rondcom development.

The total amount of R&D costs for this business area in FY2019/3 was ¥1.314 billion.



## 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 FY2019/3 was ¥13.872 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 in FY2019/3 were ¥9.189 billion for purchase of the land and buildings of *Hino* plant and ¥1.614 billion million for preparation expenditures for the ERP system in the Parent Company. Total capital expenditures in this business during FY2019/3 were ¥12.235 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 in FY2019/3 were ¥536 million for preparation expenditures for the ERP system in the Parent Company and ¥104 million for Grinders for in-house parts manufacturing by the Parent Company's subsidiary, Tosei Engineering. Total capital expenditures in this business during FY2019/3 were ¥1.636 billion.

## 2 [Major equipment and facilities]

### (1) The Parent Company

At March 31<sup>st</sup>, 2019

Location	Business segment	Description	Book value (MJPY)							Number of employees (person)
			Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Construction in Progress	Total	
Hachioji Headquarters, Plant (Hachioji, Tokyo)	SPE	Production equipment, others	9,252	950	1,762	3,436 (37)	32	124	15,558	604
Tsuchiura Plant (Tsuchiura, Ibaraki)	Metrology	Production equipment, others	1,500	47	368	151 (17)	1	85	2,155	156
Hino Plant (Hino, Tokyo)	SPE	Production equipment, others	1,861	-	-	7,306 (22)	-	-	9,168	0
Sales offices and satellite offices	SPE, Metrology	Air conditioning system, others	17	2	54	- (-)	6	6	87	108
Others	SPE, Metrology	Guest houses, others	13	-	-	50 (3)	-	-	63	0

Notes:

1. Currently there is no idle equipment.
2. The above amounts are exclusive of consumption tax.

### (2) Domestic subsidiaries

At March 31<sup>st</sup>, 2019

Company	Location	Business segment	Description	Book value (MJPY)							Number of employees (person)
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Construction in Progress	Total	
Tosei Engineering Corp.	Head Office & Plants (Tsuchiura, Ibaraki, others)	SPE, Metrology	Production equipment, others	1,766	380	107	2,035 (42)	-	-	4,289	332
Tosei Systems Co., Ltd.	Head Office (Hachioji, Tokyo)	SPE, Metrology	Instrument supplies, others	1	-	4	- (-)	-	-	6	111
Accretech Create Corp.	Head Office (Hachioji, Tokyo)	SPE, Metrology	Instrument supplies, others	0	0	0	- (-)	-	-	0	1
Tosei Box Corp.	Head Office (Hachioji, Tokyo)	Metrology	Head office building, others	99	-	0	125 (1)	-	-	224	24
Fujitsu Telecom Networks Fukushima Ltd	Head Office (Furudono, Fukushima)	Metrology	Head office building, others	36	17	48	75 (56)	-	1	180	117

Notes:

1. Currently there is no idle equipment.
2. The above amounts are exclusive of consumption tax.

## (3) Overseas subsidiaries

At March 31<sup>st</sup>, 2019

Company	Location	Business segment	Description	Book value (JPY)						Number of employees (person)	
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Construction in Progress		Total
Accretech America Inc.	Head Office (Richardson, Texas, USA)	SPE	Head office building, others	2	-	3	- (-)	-	-	6	37
Accretech (Europe) GmbH	Head Office (Munich, Bavaria, Germany)	SPE, Metrology	Head office building, others	47	15	55	- (-)	-	-	117	67
Accretech Korea Co., Ltd.	Head Office (Seongnam-si, Gyeonggi-do, Korea)	SPE, Metrology	Instrument supplies, others	-	15	17	- (-)	-	-	32	52
Accretech (China) Co., Ltd.	Head Office (Shanghai, China)	SPE, Metrology	Instrument supplies, others	-	14	81	- (-)	-	-	96	160
Accretech Taiwan Co., Ltd.	Head Office (Jhubei, Hsin-chu, Taiwan)	SPE, Metrology	Instrument supplies, others	0	-	7	- (-)	-	4	12	92
Accretech (Malaysia) Sdn Bhd.	Head Office (Petaling Jaya, Selangor, Malaysia)	SPE, Metrology	Instrument supplies, others	10	24	7	- (-)	-	-	42	36
Accretech Adamas (Thailand) Co., Ltd	Head Office (Klongluang, Pathum-thani, Thailand)	SPE	Production equipment, others	495	232	5	213 (18)	9	-	956	81
Accretech (Thailand) Co., Ltd	Head Office (Bangplee, Samutprakarn, Thailand)	SPE, Metrology	Instrument supplies, others	1	2	2	- (-)	32	-	39	30
Tosei Engineering (Pinghu) Co., Ltd.	Head Office (Pinghu, Zhejiang, China)	SPE, Metrology	Production equipment, others	240	30	2	- (-)	-	-	273	59
Tosei (Thailand) Co., Ltd	Head Office (Muang Chonburi., Thailand)	Metrology	Production equipment, others	95	27	14	50 (4)	-	-	188	45
Tosei America., Inc.	Head Office (Cincinnati, Ohio, USA)	SPE, Metrology	Instrument supplies, others	-	1	1	- (-)	-	-	2	7

## Notes:

1. Currently there is no idle equipment.
2. The above amounts are exclusive of consumption tax.

### 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 (MJPY)	Amount already invested (MJPY)		
The Parent Company	Hachioji Plant (Hachioji, Tokyo)	SPE business	Buildings and structures	Plant repair work, others	301	-	April, 2019	Feb., 2020
			Machinery	CNC compound cylindrical grinding machine, others	740	71	Sep., 2018	March, 2020
			Vehicles	Forklift, others	8	-	April, 2019	June, 2019
			Tools, instruments	Jigs for capacity expansion, others	507	53	Feb., 2018	March, 2020
			Software	Dicing blade system capable of SAP, others	76	-	April, 2019	March, 2020
					1,632	124		
	Hino Plant (Hino, Tokyo)	SPE business	Buildings and structures	Plant repair work, others	758	-	April, 2019	March, 2020
					758	-		
	Tsuchiura Plant (Tsuchiura, Ibaraki)	Metrology business	Buildings and structures	New Plant construction, others	2,559	86	Feb., 2019	May, 2020
			Machinery	Precision surface grinding machine, others	219	-	August, 2019	July, 2020
			Vehicles	Forklift, others	30	-	April, 2019	August, 2019
			Tools, instruments	3D CMM, auto measuring cells, others	122	-	April, 2019	Dec., 2019
			Software	Repair of peripheral systems, others	36	-	April, 2019	March, 2020
					2,966	86		
	Head Office (Hachioji, Tokyo)	SPE business, Metrology business	Tools, instruments	Server Hardware renewal, others	129	-	April, 2019	Nov., 2019
			Software	ERP system, others	3,547	3,179	June, 2017	March, 2020
					3,676	3,179		
Osaka branch (Suita, Osaka)	SPE business, Metrology business	Buildings and structures	New office construction, others	691	6	Oct., 2019	Feb., 2020	
		Tools, instruments	Office electronics, others	1	-	April, 2019	June, 2019	
				692	6			
			Total	9,724	3,395			
Tosei Engineering Corp.	Head Office, plants, and others (Tsuchiura, Ibaraki-ken, and elsewhere)	SPE business, Metrology business	Buildings and structures	Renewal of air conditioner, others	16	-	June, 2019	Sep., 2019
			Machinery	Precision surface grinding machine, others	75	-	July, 2019	Oct., 2019
			Vehicles	Sales vehicles	65	-	July, 2019	Sep., 2019
			Tools, instruments	3D CAD, others	178	-	June, 2019	Dec., 2019
				Total	334	-		

#### Notes:

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 FY (As of March 31 <sup>st</sup> , 2019)	Number of shares issued on the filing date of the securities report (As of June 26 <sup>th</sup> , 2019)	Stock exchanges on which the Parent Company is listed	Description
Common stock	41,598,381	41,666,481	Tokyo Stock Exchange (First Section)	Unit amount of stocks is 100.
Total	41,598,381	41,666,481	-	-

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) (hereinafter referred to as SSR) during the period from June 1<sup>st</sup>, 2019, through the filing date of this report.

## (2) Status of share subscription rights (SSR)

## (a) Detail of Stock option plans

	The 9 <sup>th</sup> SSR	The 10 <sup>th</sup> SSR
Date for resolution	June 25 <sup>th</sup> , 2012 (Annual general meeting of the shareholders)	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 Parent Company:8 Employees of the Parent Company:235 Directors of subsidiaries:9 Employees of subsidiaries:74	Directors of the Parent Company:8 Employees of the Parent Company:235 Directors of subsidiaries:9 Employees of subsidiaries:71
Number of SSR **	111 [74] *Note 1	257 [249] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 11,000 [7,400] *Note 1	Common Stock , 25,700 [24,900] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1,428 per share *Note 2	2,162 per share *Note 2
Exercise period for SSR **	July 24 <sup>th</sup> , 2014-June 30 <sup>th</sup> , 2019	July 23 <sup>rd</sup> , 2015-June 30 <sup>th</sup> , 2020
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1,428 Amount to be credited to common stock *Note 3	Issue price 2,162 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	The 11 <sup>th</sup> SSR	The 12 <sup>th</sup> SSR
Date for resolution	June 24 <sup>th</sup> , 2014 (Annual general meeting of the shareholders)	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 Parent Company:9 Employees of the Parent Company:250 Directors of subsidiaries:11 Employees of subsidiaries:80	Directors of the Parent Company:9 Employees of the Parent Company:256 Directors of subsidiaries:13 Employees of subsidiaries:89
Number of SSR **	241 [234] *Note 1	488 [488] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 24,100 [23,400] *Note 1	Common Stock , 48,800 [48,800] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1,876 per share *Note 2	2,825 per share *Note 2
Exercise period for SSR **	July 23 <sup>rd</sup> , 2017-June 30 <sup>th</sup> , 2021	July 23 <sup>rd</sup> , 2017-June 30 <sup>th</sup> , 2022
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1,876 Amount to be credited to common stock *Note 3	Issue price 2,825 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	The 13 <sup>th</sup> SSR	The 14 <sup>th</sup> SSR
Date for resolution	June 21 <sup>st</sup> , 2016 (Annual general meeting of the shareholders)	June 26 <sup>th</sup> , 2017 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:9 Employees of the Parent Company:258 Directors of subsidiaries:13 Employees of subsidiaries:92	Directors of the Parent Company:8 Employees of the Parent Company:172 Directors of subsidiaries:12 Employees of subsidiaries:22
Number of SSR **	696 [695] *Note 1	773 [773] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 69,600 [69,500] *Note 1	Common Stock , 77,300 [77,300] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	2,527 per share *Note 2	3,950 per share *Note 2
Exercise period for SSR **	July 22 <sup>nd</sup> , 2018-June 30 <sup>th</sup> , 2023	July 25 <sup>th</sup> , 2019 - June 30 <sup>th</sup> , 2024
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 2,527 Amount to be credited to common stock *Note 3	Issue price 3,950 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	The 15 <sup>th</sup> SSR	The 16 <sup>th</sup> SSR
Date for resolution	June 25 <sup>th</sup> , 2018 (Annual general meeting of the shareholders)	June 24 <sup>th</sup> , 2019 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:8 Employees of the Parent Company:183 Directors of subsidiaries:8 Employees of subsidiaries: 8	Directors and Employees of the Parent Company (exclude external directors and/or directors serving as Audit and Supervisory Committee members) and the Directors and Employees of Subsidiaries (exclude external directors). *Note 6
Number of SSR **	745 [745] *Note 1	900 in maximum *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 74,500 [74,500] *Note 1	Common Stock , 90,000 in maximum *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	4,073 per share *Note 2	*Note 2, *Note 7
Exercise period for SSR **	July 24 <sup>th</sup> , 2020-June 30 <sup>th</sup> , 2025	From the day two years after the day following the Allocation Date to June 30 <sup>th</sup> , 2026
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 4,073 Amount to be credited to common stock *Note 3	Issue price *Note 7 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in June 2005 (stock-based compensation type)	SSR issued in July 2006 (stock-based compensation type)
Date for resolution	June 29 <sup>th</sup> , 2005 (Annual general meeting of the shareholders)	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 Parent Company:7 Employees of the Parent Company (executive officers): 11	Directors of the Parent Company:6 Employees of the Parent Company (executive officers):12
Number of SSR **	80 [48] *Note 1	55 [33]*Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 8,000 [4,800] *Note 1	Common Stock , 5,500 [3,300]*Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	June 30 <sup>th</sup> , 2005-June 30 <sup>th</sup> , 2025	July 15 <sup>th</sup> , 2006-July 14 <sup>th</sup> , 2026
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock 1	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	-	*Note 4
Matters relating to the provisions for acquisition of SSR	-	*Note 5

	SSR issued in July 2007 (stock-based compensation type)	SSR issued in July 2011 (stock-based compensation type)
Date for resolution	June 28 <sup>th</sup> ,2007 (Board of Directors)	June 27 <sup>th</sup> , 2011 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:6 Employees of the Parent Company (executive officers): 12	Directors of the Parent Company:6 Employees of the Parent Company (executive officers): 2
Number of SSR **	72 [48] *Note 1	235 [155] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 7,200 [4,800] *Note 1	Common Stock , 23,500 [15,500] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 20 <sup>th</sup> , 2007-July 19 <sup>th</sup> , 2027	July 13 <sup>th</sup> , 2011-July 12 <sup>th</sup> , 2031
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	



	SSR issued in July 2012 (stock-based compensation type)	SSR issued in July 2013 (stock-based compensation type)
Date for resolution	July 6 <sup>th</sup> , 2012 (Board of Directors)	July 5 <sup>th</sup> , 2013 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 2	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 2
Number of SSR **	235 [155] *Note 1	259 [179] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 23,500 [15,500] *Note 1	Common Stock , 25,900 [17,900] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 24 <sup>th</sup> , 2012-July 23 <sup>rd</sup> , 2032	July 23 <sup>rd</sup> , 2013-July 22 <sup>nd</sup> , 2033
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in July 2014 (stock-based compensation type)	SSR issued in July 2015 (stock-based compensation type)
Date for resolution	July 4 <sup>th</sup> , 2014 (Board of Directors)	July 7 <sup>th</sup> , 2015 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 2	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 1
Number of SSR **	289 [209] *Note 1	343 [282] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 28,900 [20,900] *Note 1	Common Stock , 34,300 [28,200] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 23 <sup>rd</sup> , 2014-July 22 <sup>nd</sup> , 2034	July 23 <sup>rd</sup> , 2015-July 22 <sup>nd</sup> , 2035
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in July 2016 (stock-based compensation type)	SSR issued in July 2017 (stock-based compensation type)
Date for resolution	July 6 <sup>th</sup> , 2016 (Board of Directors)	July 7 <sup>th</sup> , 2017 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 1	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 3
Number of SSR **	352 [291] *Note 1	419 [365] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 35,200 [29,100] *Note 1	Common Stock , 41,900 [36,500] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 22 <sup>nd</sup> , 2016-July 21 <sup>st</sup> , 2036	July 25 <sup>th</sup> , 2017-July 24 <sup>th</sup> , 2037
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in July 2018 (stock-based compensation type)
Date for resolution	July 6 <sup>th</sup> , 2018 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 3
Number of SSR **	423 [369] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 42,300 [36,900] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share
Exercise period for SSR **	July 24 <sup>th</sup> 2018-July 23 <sup>rd</sup> , 2038
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4
Matters relating to the provisions for acquisition of SSR	*Note 5

\*\* All statements above are as of the end of FY. There are no changes from ending date of FY2019/3 to as of the end of the month prior to the date this report was submitted (May 31<sup>st</sup>, 2019) except stated in parentheses [ ].

Notes:

1. The number of shares issued upon the exercise of the SSR (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.

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

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.

2. 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 SSR 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.

(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 SSR).

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

(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.

3. 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.

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 SSR remaining at the time the Structural Reorganization takes effect (hereafter referred to as “Remaining SSR”) shall be provided with SSR 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 SSR 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 SSR for the Reorganized Company to be provided

The number of provided SSR shall be the same as the number of Remaining SSR possessed by the holder of the Remaining SSR.

(2) Type of Reorganized Company shares issued upon exercise of the SSR

The issued shares shall be common stock of the Reorganized Company.

(3) Number of Reorganized Company shares issued upon exercise of the SSR

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.

For the post-reorganization paid-in amount of SSR provided as stock-based compensation, the amount shall be 1 yen per share of the Reorganized Company.

(5) Period in which the SSR can be exercised

The period shall be from either the later of the start date determined in “Exercise period for SSR” 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 SSR by transfer

The acquisition of SSR by transfer requires approval by a resolution of the Reorganized Company Board of Directors.

(7) Provisions for acquisition of the SSR

This shall be determined in accordance with “Items related to the provisions for acquisition of SSR” above.

(8) Other conditions concerning exercise of the SSR

These shall be decided in accordance with “Conditions for exercise of the SSR” 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 SSR 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 SSR, 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. Categories and numbers of persons to whom rights are granted will be separately defined and ratified at the Board of Directors meeting.

7. 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, multiplied by 1.025, or 2) closing price of the shares on the day before the day of exercise.

8. (1) The SSR can only be exercised when the holder of the SSR 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 SSR can be exercised only during the period from the date following the day on which the holder of the SSR 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 SSR dies, the heirs of the holder may exercise the SSR. However in this case, the SSR 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).

(b) Contents of the rights plan  
Not applicable.

(c) Other information about SSR  
Not applicable.

(3) Exercises of Moving strike convertible bonds and others  
Not applicable.

(4) 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 (MJPY)	Balance of common stock (MJPY)	Changes in additional paid-in capital (MJPY)	Balance of additional paid-in capital (MJPY)
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
April 1 <sup>st</sup> , 2016- March 31 <sup>st</sup> , 2017 *Note 1	72,200	41,495,581	87	10,462	87	17,834
April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018 *Note 1	80,300	41,575,881	99	10,561	99	17,933
April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019 *Note 1	22,500	41,598,381	29	10,591	29	17,963

Note:

1. 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 (MJPY)	Changes in the amount of paid-in capital (MJPY)
April 1 <sup>st</sup> , 2014 - March 31 <sup>st</sup> , 2015	Increase due to exercise of SSR	62,300	57	57
April 1 <sup>st</sup> , 2015 - March 31 <sup>st</sup> , 2016	Increase due to exercise of SSR	82,700	79	79
April 1 <sup>st</sup> , 2016 - March 31 <sup>st</sup> , 2017	Increase due to exercise of SSR	72,200	87	87
April 1 <sup>st</sup> , 2017 - March 31 <sup>st</sup> , 2018	Increase due to exercise of SSR	80,300	99	99
April 1 <sup>st</sup> , 2018 - March 31 <sup>st</sup> , 2019	Increase due to exercise of SSR	22,500	29	29

Note2: Due to exercise of SSR, the number of shares issues increased by 68,100 shares and common stock and paid-in capital increased by ¥69 million each during April 1<sup>st</sup>, 2019 to May 31<sup>st</sup>, 2019.

## (5) Details of shareholders

At March 31<sup>st</sup>, 2019

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)	-	55	43	221	224	25	17,031	17,599	-
Number of shares held (units)	-	155,033	7,488	40,929	108,524	202	103,380	415,556	42,781
Ratio (%)	-	37.31	1.80	9.85	26.11	0.05	24.88	100.00	-

Notes:

- All statements above are based on the cut-off date for Annual general meeting of the shareholders.
- Treasury stock of 36,791 shares is included in "Individuals and other" for 367 units and in "Shares under 1 unit" for 91 shares. The effective number of Treasury stock as of March 31<sup>st</sup>, 2019 was also 36,791 shares.

## (6) Principal shareholders

At March 31<sup>st</sup>, 2019

Name	Address	Number of Shares held (1,000s)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. Trust account	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	4,230	10.18
Japan Trustee Services Bank, Ltd. Trust account	1-8-11 Harumi, Chuo-ku, Tokyo	2,712	6.53
Japan Trustee Services Bank, Ltd. Trust account No.9	1-8-11 Harumi, Chuo-ku, Tokyo	2,137	5.14
The Precise Measurement Technique Promotion Foundation	3-1-6-203 Kyonan-cho, Musashino-shi, Tokyo	1,058	2.55
Tsugami Corporation	12-20 Tomizawa-cho, Nihombashi, Chuo-ku, Tokyo	1,033	2.49
SSBTC Client Omnibus Account (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)	724	1.74
Japan Trustee Services Bank, Ltd. Trust account No.5	1-8-11 Harumi, Chuo-ku, Tokyo	706	1.70
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	672	1.62
J.P. Morgan Bank Luxembourg S.A. 380578 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	European Bank and Business Center 6, Route de Treves, Sennigerberg, Luxembourg (2-15-11 Konan, Minato-ku, Tokyo)	643	1.55
The Nomura Trust and Banking Co., Ltd. Trust account	2-2-2 Otemachi, Chiyoda-ku, Tokyo	627	1.51
Total	-	14,546	35.00

Notes:

- All statements above are based on the cut-off date for Annual general meeting of the shareholders.
- 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 it was unable to verify the actual number of shares held at the end of FY2019/3, 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)
Wellington Management Company LLP (*1)	280 Congress Street, Boston, Massachusetts, United States	1,577	3.79	Sep., 20 <sup>th</sup> , 2018 (Sep., 14 <sup>th</sup> , 2018)
Nomura Securities Co., Ltd. (*2)	1-9-1 Nihombashi, Chuo-ku, Tokyo	3,008	7.23	Nov., 6 <sup>th</sup> , 2018 (Oct., 31 <sup>st</sup> , 2018)
FIL Investments (Japan) Limited	7-7-7 Roppongi, Minato-ku, Tokyo	2,797	6.72	Nov., 7 <sup>th</sup> , 2018 (Oct., 31 <sup>st</sup> , 2018)
Mizuho Bank, Ltd. (*3)	1-5-5 Otemachi, Chiyoda-ku, Tokyo	2,329	5.60	Nov., 7 <sup>th</sup> , 2018 (Oct., 31 <sup>st</sup> , 2018)

(\*1) Co-ownership between Wellington Management Company LLP (1,249 thousand shares) and Wellington Management Japan Pte Limited (328 thousand shares).

(\*2) Co-ownership among Nomura Securities Co., Ltd. (19 thousand shares), Nomura International PLC (149 thousand shares) and Nomura Asset Management Co., Ltd (2,839 thousand shares).

(\*3) Co-ownership among Mizuho Bank, Ltd. (672 thousand shares), Mizuho Trust & Banking Co., Ltd. (100 thousand shares), Asset Management One Co., Ltd. (1,505 thousand shares) and Asset Management One International Ltd. (52 thousand shares).

## (7) Status of voting rights

## [1] Shares issued

At March 31<sup>st</sup>, 2019

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: 36,700	-	-
Shares with full voting rights (others)	Common stock: 41,518,900	415,189	-
Shares under one unit	Common stock: 42,781	-	-
Total shares issued	41,598,381	-	-
Total voting rights held by all shareholders	-	415,189	-

## Notes:

- All statements above are based on the cut-off date for Annual general meeting of the shareholders.
- The common stock in the “Shares under one unit” includes 91 shares of treasury stock owned by the Parent Company.

## [2] Treasury stock, etc.

At March 31<sup>st</sup>, 2019

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	36,700	-	36,700	0.09
Total	-	36,700	-	36,700	0.09

## Notes:

- All statements above are based on the cut-off date for Annual general meeting of the 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 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 (MJPY)
Treasury stock acquired during FY2019/3	540	1
Treasury stock acquired during the period for acquisition	-	-

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>, 2019 to the filing date of this Financial Document (*Yuukashoken-houkokusho*).

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

Classification	FY2019/3		Period for acquisition	
	Number of shares	Total disposition amount (MJPY)	Number of shares	Total disposition amount (MJPY)
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	36,791	-	36,791	-

Note:

“Number of shares of treasury stock held during the period for acquisition” does not include shares under 1 unit which were sold between June 1<sup>st</sup>, 2019 to the filing date of this Financial Report (*Yuukashoken-houkokusho*) was submitted.

### 3 [Dividend policy]

The Parent Company believes the most important management task 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 Parent 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 FY2019/3, the Parent Company paid ¥125 per share as the dividend, including an interim dividend (¥59 per share) paid on December 10<sup>th</sup>, 2018. The Group considers maintaining a core policy regarding the distribution of profits linked to the business performance of the Group and aims to pay stable dividends targeting a consolidated dividend payout ratio of 35%. Also, considering the aim to provide stable and continuous dividend payments, the Parent Company deems to maintain an annual dividend of ¥20 per share regardless of consolidated profits of the Parent Company. However, it is at the discretion of the Board to review this basic policy if the Parent 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 Parent Company considers it important to strengthen our financial position and prepare for possible economic downturns.

The Parent 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 FY are as follows.

Date of resolution	Total dividend amount (MJPY)	Dividend per share (yen)
November 13 <sup>th</sup> , 2018 Resolution of the Board of Directors meeting	2,452	59.00
June 24 <sup>th</sup> , 2019 Resolution of the annual general meeting of shareholders	2,743	66.00

## 4 [Corporate governance and others]

### (1) Status of Corporate Governance

#### (1) Corporate Governance philosophy

Tokyo Seimitsu's philosophy is "Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products." The Group seeks to achieve sustainable growth and an increase of Corporate value in a context of rapidly innovating technology and a globalized economy – as reflected in its corporate brand "ACCRETECH", a combination of the words ACCRETE (grow together) and TECHNOLOGY. To realize this goal, the Group believes that strong corporate governance is essential to improving corporate value and conducting fair and transparent business activities as a global corporate citizen, and has established the following five (5) core policies for corporate governance.

- I. To let the Board of Directors strive to properly perform its roles and responsibilities to make transparent, fair, timely and committed decisions.
- II. To respect the rights of shareholders and ensure the equality of shareholders.
- III. To strive to have constructive dialogue with shareholders on investment policy that considers mid to long-term returns for shareholders.
- IV. To strive to maintain appropriate collaboration with stakeholders other than shareholders.
- V. To strive to ensure proper information disclosure and transparency.

#### (2) Overview of Corporate governing body and supervisory structures

##### I. Overview of supervisory structures

Tokyo Seimitsu applies an independent supervisory management structure across the Company Group called the Audit and Supervisory Committee, because Tokyo Seimitsu believes such governing body is the most appropriate one to realize transparent managerial discussion and resolution with external comments and advisers. This committee has the power to audit each director's managerial operations from an independent position from the Board of Directors. Its members are selected as independent Financial auditors and serve to oversee the Parent Company's Audit department to guarantee the effectiveness of internal audits.

The Board of Directors is composed of 9 directors (not serving as an Audit and Supervisory Committee member) including 2 external corporate directors, and 4 Audit and Supervisory Committee members including 3 external corporate directors. The Board of Directors holds Board Meetings once a month as routine, and may hold extraordinary Board Meetings, as necessary. At these Board Meetings, important matters stipulated among the law, article of incorporation, regulations related to Board of Directors and monthly, quarterly, and/or annually business performance are being deliberated and reviewed. In addition, each director oversees other directors' business decision making.

The Audit and Supervisory Committee cooperates with Audit dept. (mainly for internal audit) and the Financial Accountant, and audits the ratification making process of the Board of Directors and business practices of each Director.

Note that the members of the Board of Directors and the Audit and Supervisory committee are shown in (2) Status of Directors and Auditors – (1) Director's list. Chairperson of the Board of Director is Hitoshi Yoshida, and of the Audit and Supervisory Committee is Shinji Akimoto.

The Parent Company has also established the following committees and overview system to strengthen corporate governance. Names of committees/systems, numbers of members, chairpersons, and purposes and functions are shown below.

Names of committee (or the systems)	Number of members	Chairperson		Purpose and Function
		Title	Name	
Risk Compliance Committee	13 members	Representative Director	Koichi Kawamura	Maintain and evaluate status of internal organization, and educate employees to adhere to the compliance.
Risk Management Committee	13 members	Representative Director	Hitoshi Yoshida	Understand and manage risks that may affect business operations, and carry out activities against such risks.
Information Security Committee	16 members	Representative Director	Koichi Kawamura	Protect information assets from falsification, destruction and/or leakage, understand and manage countermeasures from such potential risks, educate employees and audit such systems.
CSR Committee	26 members	Representative Director	Koichi Kawamura	Evaluate entire corporate activities from the respect of human rights and/or impact to entire global environment perspective, aware of the responsibility of the Group, and to proceed with monitoring status, evaluating emerging situations, and educating necessary personnel.
Whistleblower system	-	-	-	System to accept reports or provide consultation on incorrect behaviors that are against social norms or corporate ethics. Appropriate measures are taken to protect whistleblowers and maintain transparency.

## II. Reasons for establishing overview systems and structures

Overall these systems aim to strengthen the entire Corporate Governance of the Group and to assist and improve effectiveness of the Board of Directors, to keep operations transparent, improve efficiency, and to increase corporate value.

### (3) Other systems of Corporate Governance

I. The Parent Company operates other corporate governance systems described as follows, which has been ratified by the Board of Director in May, 2006 (most recently revised in June, 2019).

#### 1. Basic corporate philosophy

The philosophy 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 Group keeps diligent and transparent operations through strengthening corporate governance and compliance.

#### 2. Systems to ensure that Directors and/or employees of the Parent Company and/or its subsidiaries’ business dealings meet laws and articles of incorporation

- i. To meet appropriate corporate governance standards, the Board of Directors of the Parent 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 Parent Company has 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. The Parent Company endeavors to spread and ratify this code to employees and directors of whole company groups.
- iii. The Parent Company has a Compliance Committee chaired by the Director in charge of the Administration Company, to maintain the internal organization for the compliance and to promotion of compliance policies, and to set up procedures that all personnel in the Parent Company and its subsidiaries must adhere to.
- iv. The Parent company has the system for reporting incidents relating to compliance, by which head of compliance director and/or the head of intercompany report details and action plans to the Board of Directors and Audit and Supervisory Committee in a timely manner.
- v. The Parent Company has the Audit dept. which is overseen directly by the President and CEO, and carries out the Parent 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.
- vi. The Parent Company has an internal whistleblower system to accept reports or provide consultation on incorrect behaviors of the Parent Company and its subsidiaries that are against social norms or corporate ethics. Appropriate measures are taken to protect whistleblowers and

- vii. maintain transparency.
  - viii. The Audit and Supervisory Committee 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 the Audit and Supervisory Committee members, this information will be made available for inspection.
- 4. Systems for the Parent Company and its subsidiaries' risk managements
  - i. The Parent Company works to prevent potential risks. If risks appear, all personnel in the Parent Company immediately carry out activities quickly and calmly.
  - ii. The Parent Company has "Regulations for risk management" for the purpose of understanding risks that may affect the business operations and its management. The Parent 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 Parent 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 Parent Company 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 Parent Company and its subsidiaries
  - i. The Boards of Directors of the Parent 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 Parent Company adopts an executive officer system. The Parent Company holds regular executive officer meetings to monitor the status of business plans.
  - iii. For the execution of routine business, the Parent Company delegate's authority and responsibility to appropriate personnel based on the Parent Company's regulations in accordance with business authorization and responsibility.
- 6. Systems to ensure the proper performance of other duties at the Parent Company and its subsidiaries
  - i. The Parent Company has "Regulations for applications and reports from Subsidiaries" on matters to be declared or reported to the Parent Company from subsidiaries, based on which important issues are reported to the Parent Company, and some require the approval of the Parent Company.
  - ii. The Management Support Dept. 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 Parent Company and the subsidiaries and properly perform duties in the interest of the Group.
  - iii. If the Management Support Dept. 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 Dept. actively shares information with the Audit Dept. and other relevant divisions of the Parent Company or subsidiaries in order to prevent improper transaction or accounting related to the Parent Company and its subsidiaries.
- 7. Systems to ensure the creditability of financial statements
  - i. The Parent Company has "Basic Policy on Internal Control over Financial Reporting" to sufficiently reduce risks against the credibility of financial reporting by the Parent Company and its subsidiaries.
  - ii. The Parent 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 Parent Company and its subsidiaries.
  - iv. For matters which are highly likely to have significant impact on the financial situation, the

- Directors, Audit and Supervisory Committee members, and Public Accountants properly share information among themselves.
8. Matters for employees who have been appointed to support the Audit and Supervisory Committee members to ensure the creditability of financial statements
 

If necessary, the Parent Company assigns around two employees belonging to the Management Support Dept. and/or Audit Dept. to assist the Audit and Supervisory Committee members.
  9. Systems to ensure the independence of employees who assist the Audit and Supervisory Committee members from the Directors, and those on the effectiveness of instructions of the Audit and Supervisory Committee members to such employees
    - i. The employees who assist the Audit and Supervisory Committee members 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 Audit and Supervisory Committee members.
    - ii. The appointment and/or transfer of employees to support Auditors shall be agreed by the Audit and Supervisory Committee.
    - iii. The assessment of employees to support the Audit and Supervisory Committee shall be referred for the Audit and Supervisory Committee's opinion.
  10. Systems for reporting from Directors, employees of the Parent Company and/or its subsidiaries, and/or Auditors of the subsidiaries to the Audit and Supervisory Committee members of the Parent Company
    - i. The Directors and employees of the Parent Company and its subsidiaries shall make report or provide information as necessary, as determined by the Audit and Supervisory Committee of the Parent Company, upon request of the Audit and Supervisory Committee members.
    - ii. Major matters to be reported on are as follows.
      - Internal Control System activities of the Audit Dept. and Management support Dept.
      - Activities of the Auditors and internal audit divisions of subsidiaries
      - Significant accounting principles and standards of the Parent 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 Parent Company and its subsidiaries shall ensure that their Directors and employees and the Auditors of subsidiaries are not treated unreasonably because of such reporting or information provision to the Audit and Supervisory Committee members.
  11. Systems to ensure effective Audit by other Audit and Supervisory Committee members
    - i. The Representative Directors hold regular meetings with the Audit and Supervisory Committee members to exchange opinions on corporate management and communicate each other, separately from the reporting of the performance of duties.
    - ii. The Board of Directors ensures that the Audit and Supervisory Committee members participate in important meetings such as Executive Management Meetings to ensure proper performance of their duties.
    - iii. The Parent Company shall bear all the necessary expenses or debts for the Audit and Supervisory Committee members 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 Parent Company and its subsidiaries do not have any relationships with anti-social forces. In a case where anti-social forces contact the Parent 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 Parent 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. Outline of the contract between the Parent Company and directors (excluding those who have executive authority over operations) 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 Parent Company holds a contract with Shozo Saito, Naomi Inoue of external corporate directors, and with Shinji Akimoto, Hirokazu Matsumoto, Yoshiro Hayashi, and Yuriko Sagara of the directors served as the Audit and Supervisory Committee members. The Outline of the contract is as follows.
1. Limited indemnity  
Where external Corporate Director and/or director served as an the Audit and Supervisory Committee member violates in Article 423, No. 1 of the Company Law of Japan, forgetting duty of external corporate director/auditors, and made loss to the Group, if it was a benevolent act and without obvious negligence and 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 Parent Company will ratify if the act of related external corporate director and/or director served as an Audit and Supervisory Committee member fulfills the limited responsibility.
  3. Approval from shareholder's meeting  
If external corporate director and/or director served as an Audit and Supervisory Committee member's acts cause loss to the Group, over the range as described by the limited liability, and if the contracts limited these director's liability, these directors shall not receive any financial benefits including, but not limited to retirement benefits from Company without approval from a shareholders meeting.
  4. Expiration of the limited liability contract  
If the external corporate director and/or director served as an Audit and Supervisory Committee member is appointed to director, executive officer, and/or employees of the Parent Company and/or its subsidiaries, the contract shall be expired thereafter.
- III. Authority for the Board of Directors to decide resolutions of the general meeting of Shareholders
1. In order for the Parent 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 Parent 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."
  2. In order to return profits to the shareholders in a flexible manner, the articles of incorporation state that "the Parent 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."
- IV. The maximum number of directors as determined by the articles of incorporation
- The Parent Company determines maximum number of directors (exclude director served as an Audit and Supervisory Committee member) as 15, and maximum number of directors served as an Audit and Supervisory Committee member as 5, by the articles of incorporation.
- V. Resolutions to appoint directors as determined by the articles of incorporation
- The articles of incorporation of the Parent 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."
- VI. Requirements for special resolutions of the general meeting of Shareholders
- In order to ensure the 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 Directors and Auditors

## (1) Directors' List

Number of Male directors: 12 Female directors: 1 (Female-to-number of Directors ratio; 8%)

Function and Position	Name	Date of birth	Career profile		Term of office	Number of shares owned (1,000s)
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 Parent Company Executive Officer of Metrology Company Director President of Metrology Company Representative Director President and CEO (to present)	*3	6
Representative Director, Vice President and COO, Head of Semiconductor Company	Ryuichi Kimura	Dec. 30 <sup>th</sup> , 1962	April 1986 April 2005 June 2005 Aug. 2007 June 2011 April 2015 April 2019	Joined the Parent Company Executive Officer of Semiconductor Company Director President of Semiconductor Company Representative Director Vice President and COO (to present) Head of Semiconductor Company (to present)	*3	2
Representative Director, CFO, Head of Administration Company	Koichi Kawamura	Oct. 5 <sup>th</sup> , 1957	April 1980  April 2008  June 2009 June 2011 April 2015 April 2019	Joined The Fuji Bank Limited. (now Mizuho Bank, Ltd.)  Joined the Parent Company, Senior Executive officer of Administration Company Director President of Administration Company Representative Director and CFO(to present) Head of Semiconductor Company (to present)	*3	6
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 Parent Company Executive Officer of Semiconductor Company General manager of Technology div. (to present) Senior executive officer of Semiconductor Company (to present) Director (to present)	*3	3
Director, Head of Metrology Company	Masahiro Tomoeda	May 4 <sup>th</sup> , 1955	April 1986 Oct. 2002 April 2005  April 2013  June 2014 April 2019	Joined the Parent Company Executive Officer of Metrology Company General Manager of Sales Division, Metrology Company Senior Executive Officer of Metrology Company(to present) Director (to present) Head of Metrology Company (to present)	*3	3
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 Parent Company Executive officer of Semiconductor Company General Manager of Test Technology Division (to present) Managing executive officer of Semiconductor Company (to present) Director (to present)	*3	1
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 subsidiary Accrettech (Europe) GmbH). Operations Manager Director President (to present) Director (part-time) of the Company (to present)	*3	2
Director (Part-time)	Shozo Saito	July 9 <sup>th</sup> , 1950	June 2007  June 2010  June 2012  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 Director (part-time) of the Company (to present)	*3	-



Function and Position	Name	Date of birth	Career profile		Term of office	Number of shares owned (1,000s)
Director (Part-time)	Naomi Inoue	Nov. 6 <sup>th</sup> , 1950	April 1974 May 1998 April 2002 April 2007 April 2008 Mar. 2010 June 2013 June 2019	Joined The Fuji Bank, Limited. (now Mizuho Bank, Ltd.,) 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.(to present) and Auditor (part-time) of the Company Director (part-time) of the Company (to present)	*3	-
Director (Audit and Supervisory Committee member)	Shinji Akimoto	Nov., 29 <sup>th</sup> , 1963	April 1987 April 2000 April 2002 April 2007 June 2018 June 2019	Joined the Parent Company General Manager, Human Resources Planning Dept., Planning Div. General Manager, Human Resources Dept., Administration Company Executive Officer Auditor Director (Audit and Supervisory Committee member ) (to present)	*4	2
Director (Audit and Supervisory Committee member) (Part-time)	Hirokazu Matsumoto	Sep. 28 <sup>th</sup> , 1947	April 1976 April 1999 April 2001 April 2008 June 2013 June 2019	Researcher, Measurement Research Center at Agency of Industrial Science and Technology Visiting Professor of Graduate School at Tokyo University of Science Deputy Director / Lengths and Dimensions Division Leader, Metrology Institute of Japan Project Professor of Dept. of Precision Engineering, School of Engineering at the University of Tokyo Director (part-time) of the Company Director (Audit and Supervisory Committee member ) (to present)	*4	-
Director (Audit and Supervisory Committee member) (Part-time)	Yoshiro Hayashi	July 2 <sup>nd</sup> , 1948	June 2003 June 2006 June 2015 June 2019	Audit & Supervisory Board Member of Toyota Motor Corporation President of Panasonic EV Energy Co., Ltd (now Primearth EV Energy Co., Ltd) Auditor (part-time) of the Company (to present) Director (Audit and Supervisory Committee member ) (to present)	*4	-
Director (Audit and Supervisory Committee member) (Part-time)	Yuriko Sagara	Sep. 6 <sup>th</sup> , 1974	Oct. 2001 Aug. 2005 Jan. 2013 April 2015 June 2017 June 2019	Admitted to the bar Joined Nakamura & Partners Registered as a patent attorney Partner, Nakamura & Partners Advisory Councilor for Unfair Competition Prevention Law, Ministry of Economy, Trade and Industry(to present) Intellectual Property Committee, The Japan Federation of Bar Associations (to present) Director (Audit and Supervisory Committee member ) (to present)	*4	-
Total						28

Notes:

1. Directors Shozo Matsumoto and Naomi Inoue are external corporate directors.
2. Directors Hirokazu Matsumoto, Yosiro Hayashi, and Yuriko Sagara are external corporate directors (Audit and Supervisory Committee members).
3. Until the conclusion of the general meeting of Shareholders for the final FY ending within 1 year following the conclusion of the general meeting of Shareholders which was held on June 24<sup>th</sup>, 2019.
4. Until the conclusion of the General Meeting of Shareholders for the final FY ending within 2 years following the conclusion of the Regular Meeting of Shareholders which was held on June 24<sup>th</sup>, 2019.

(2) External Corporate Directors

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

1. Number of external corporate directors: 5
2. The relationships between the external corporate directors and the Parent Company are as follows.

	Name	Relationship	Capital relationship (number of shares of the Company owned)	Commercial or other business relationship
External corporate directors	Shozo Saito	Not applicable	0 shares	None
	Naomi Inoue	Not applicable	0 shares	None
External corporate auditors (served as an Audit and Supervisory Committee member)	Hirokazu Matsumoto	Not applicable	0 shares	None
	Yoshiro Hayashi	Not applicable	0 shares	None
	Yuriko Sagara	Not applicable	0 shares	None

- Shozo Saito, an external corporate director, had joined Toshiba Corporation. There is a business relationship that the Parent Company sells some equipment to Toshiba Corporation.
- Naomi Inoue, an external corporate director, had joined the Mizuho Bank., Ltd. The Parent Company has loans payable from Mizuho Banking Group. He is also a President of Joban Kosan, Ltd. There is no business relationship between the Parent Company and Joban Kosan, Ltd.
- Hirokazu Matsumoto, an external corporate director (served as an Audit and Supervisory Committee member), is a researcher at the University of Tokyo and other institutions. There is no business relationship and/or interest to be stated in this report between the Parent Company and the University.
- Yoshiro Hayashi, an external corporate director (served as an Audit and Supervisory Committee member), had joined Toyota Motor Corporation. There is a business relationship that the Parent Company sells some equipment to Toyota Motor Corporation.
- Yuriko Masahiro Maeda, external corporate director (served as an Audit and Supervisory Committee member), is admitted both as a bar and a patent attorney. She is a partner of a patent law office. There is no business relationship and/or interest to be stated in this report between the Parent Company and the patent law office.

II. Coordination among audits by external corporate directors, internal audits and accounting audits, and relationships to internal control division

1. The roles and functions of external corporate directors in order to maintain the Parent Company's Corporate Governance
  - i. The external corporate directors (exclude Audit and Supervisory Committee members) 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.
  - ii. The external corporate directors (served as an Audit and Supervisory Committee member) 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.
  - iii. The external corporate directors shall carry out their functions as independent positions which shall not cause conflict of interest against general shareholders.
2. Status of appointing external corporate directors
  - i. The Parent Company has regulations defining independence between external corporate directors and the Parent Company. Based on the regulations, the Parent Company appoints persons to these roles who are independent of the general shareholders, and are available to scrutinize management from a neutral position.
  - ii. The external corporate directors (exclude Audit and Supervisory Committee member) have been appointed with the expectation that his special knowledge of finance, service, and manufacturing and their abundant experiences may positively affect the Parent Company's business operations.
  - iii. The external corporate directors (served as an Audit and Supervisory Committee member) have been appointed with expectation that their special knowledge in engineering and experience leading his organization at the companies and research institutes experiences may positively affect the Parent Company's audit.
3. Coordination among audits by external corporate directors, internal audits, and accounting audits, and relationships to internal control division
  - i. The external corporate directors (exclude Audit and Supervisory Committee member) 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.

- ii. The external corporate directors (served as an Audit and Supervisory Committee member) shall cooperate as a member of an Audit and Supervisory Committee and have mutual relationship among Board of Directors, Audit dept. and related agency and/or division.
- iii. When reviewing to determine whether or not the annual financial reports reflect the true status of the company, the Audit and Supervisory Committee receives reports and explanations from the accounting auditors. The Audit and Supervisory Committee and the accounting auditors hold meetings for reporting and reviews related to matters such as accounting audit systems, plans, and operating conditions once every 2 months, working to maintain close cooperation. The Audit and Supervisory Committee and the Audit dept. hold meetings for reporting and review once every 2 months.

(3) Status of Audits

I. Status of Audits by Audit and Supervisory Committee

The Audit and Supervisory Committee, as a parallel organization to the Board of Directors, is composed of 1 internal director and 3 external corporate directors. 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 Parent Company, checking for any actions which violate laws, regulations, or the duty of good faith.

The Audit and Supervisory Committee, especially external corporate directors who served as members, have experience in corporate management such as financial sector and have special knowledge of finance and accounting.

II. Status of Internal audits

The Audit Dept., overseen directly by the President and CEO, is composed of 1 member and 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 Parent Company's President and CEO and issue instructions for corrections.

III. Status of Financial Auditing

1. Name of Certified Public Accountant

Ernst & Young ShinNihon LLC

2. Certified Public Accountants who have carried out auditing work

Kanako Kitamoto, Designated and Engagement Partner

Masaki Mitsuji, Designated and Engagement Partner

3. Assistant to the audits

Certified Public Accountants: 6, Others: 11

IV. Status of compensation to auditors, and others

1. Compensation for public accountants

	FY2018/3		FY2019/3	
	Compensation related to Audit & assurance (MJPY)	Compensation not related to Audit & assurance (MJPY)	Compensation related to Audit & assurance (MJPY)	Compensation not related to Audit & assurance (MJPY)
The Parent Company	42	-	42	-
Consolidated Subsidiaries	12	-	12	-
Total	55	-	55	-

2. Other important compensations

FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018)

The consolidated subsidiaries, Accretech America Inc., Accretech (Europe) GmbH, Accretech (China) Co., Ltd., and Accretech Taiwan Co., Ltd., paid total ¥13 million to Ernst & Young, which belongs to the same network as the Parent Company's Public Accountant as compensation for audit & assurance for the FY. In addition, there has been compensation of ¥3 million other than for the purpose of audit & assurance.

FY2019/3 (April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019)

The consolidated subsidiaries, Accretech America Inc., Accretech (Europe) GmbH, Accretech (China) Co., Ltd., and Accretech Taiwan Co., Ltd., paid total ¥13 million to Ernst & Young, which belongs to the same network as the Parent Company's Public Accountant as compensation for audit & assurance for the FY. In addition, there has been compensation of ¥5 million other than for the purpose of audit & assurance.

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

FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018)

Not applicable.

FY2019/3 (April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019)

Not applicable.

4. Policy of determining compensation to independent auditor

Although there is no specific policy of determining compensation from the Parent 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 Parent Company.

5. Policy for selecting financial auditors

The Parent Company selects financial auditors with mutual and comprehensive criteria including the audit capability in volume and countrywide perspective to oversee the Group's multiple business sectors and global business, worldwide network with effective auditing structure, a rational and optimum term, structures and fee for audit, and with actual audit results.

6. Evaluation of financial auditors by the Audit and Supervisory Committee

The Board of Auditors (now the Audit and Supervisory Committee) evaluates financial auditors based on the procedure "Best practice for Corporate Auditors for evaluations and/or determining selection criteria for Financial Auditors" (Japan Audit & Supervisory Board Members Association) and confirms current financial audit is appropriate.

(4) Compensation/Remuneration for the Directors

I. Policy to determine amount of compensation for Company Directors

The Parent Company discloses policy, structure and process for determining the amount of compensation for the directors through its “Basic Corporate Governance Policy”. Outline is as follows.

1. Basic Structural Policy

- i. Shall be designed to ensure that it functions properly to make the corporate motto into reality.
- ii. Shall be in accordance with the roles and responsibilities of each director as well as the results achieved by them.
- iii. Shall be conducive to motivation for improvement of business results and medium to long-term corporate and shareholder value.
- iv. Shall be revised in a timely and appropriate manner based on the economic situation, business results of the Parent Company, external survey results, etc.
- v. And the decision-making process shall be highly objective and transparent.

2. Compensation structure

- i. The compensation of directors who are responsible for business execution shall consist of "basic compensation", which is fixed, and "performance-linked compensation", which is variable. In principle, it shall be paid based on a standard predetermined for each post.
  - ii. The basic compensation is the one paid in cash every month.
  - iii. The performance-linked compensation shall consist of performance-linked bonus, "SSR" and "SSR (stock-based compensation type)". It is various within the range of 0 to 200% of the basic compensation.
    - Total amount of performance-linked bonus shall be a certain percentage (within 1%) of the consolidated annual profit as linked to the single-fiscal-year business results.
    - SSR are positioned as a medium-term incentive enabling profit sharing with shareholders. It can be exercised for five years from two years after being granted.
    - SSR (stock-based compensation type) are positioned as a long-term incentive enabling profit sharing with shareholders therefore it can be exercised only after his/her retirement.
  - iv. The compensation of directors serving as an Audit and Supervisory Committee member and external corporate directors shall consist only of basic compensation in light of their responsibilities of supervising and auditing business execution.
  - v. The compensation of Directors shall be determined not to exceed the upper limit approved by the general meeting of shareholders.
3. Process to determine amount of compensation
- i. The Board of Directors delegates the task to determine the compensation structure, compensation standard for each post to the Compensation Committee, consisting of the representative directors and some other directors.
  - ii. To ensure transparency and objectivity, the proposal for director's compensation submitted by the Compensation Committee shall be deliberated by the Advisory Council and the compensation shall be determined, taking into consideration the opinions by the Advisory Council.

II. Total amount of compensation paid to directors, and amount per post, type and the number of applicable directors

FY2019/3 (from April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019)

Type	Total numbers of compensation (MJPY)	Type of compensation (MJPY)				Applicable directors and auditors (person)
		Basic	Performance linked	Stock Option	Stock Option (stock-based compensation)	
Directors (except external corporate director)	441	231	100	108	-	8
Auditors (except external corporate auditors)	17	17	-	-	-	2
External corporate director and auditors	42	42	-	-	-	6

III. Consolidated Compensation paid to each Directors/Auditors

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

IV. Important notification of salary to the director-employees

Not applicable.

(4) Shares held by the Company

I. Basic policy of classification of shares held by the Parent Company and its understanding  
The Parent Company classifies shares held by the Parent Company to realize gains from changing its value and/or from dividend income as shares for investment, and remaining shares as the shares without a purpose of net investment (cross-holdings).

II. Shares held by the Parent Company without a purpose of net investment

1. Policy of holding shares, method of ensuring reasonability, and detail of propriety assessment by the Board of Directors per each holding brand

The Board of Directors reviews propriety of holding shares without a purpose of net investment per each brand from perspectives of mid to long-term Economic rationality (including risk/return consideration) and various qualitative values. In principle, if the Board of Directors determines that holding such share is unanimous, then the Parent Company proceeds to decrease the number of such shares held. If the Board of Directors determines that holding such shares is valuable to grow corporate value in mid to long term, then the Parent Company will keep holding such shares.

2. Number of brands held by the Parent Company and the amount on balance sheet

	Number of Brands	Accounted on Balance Sheet (MJPY)
Unlisted Shares	1	0
Shares other than unlisted	26	3,651

(Brands increased number of holdings within the fiscal term)

	Number of Brands	Accounted on BS (MJPY)	Purpose of increase share holdings
Unlisted Shares	-	-	-
Shares other than unlisted	2	2	Increase in shareholders' association at customer

(Brands decreased number of holdings within the fiscal term)

	Number of Brands	Accounted on BS (MJPY)
Unlisted Shares	-	-
Shares other than unlisted	2	118

3. Number of brands held by the Parent Company and the amount on balance sheet  
Specific Shares for investment

Brand	FY2019/3	FY2018/3	Purpose of holding the shares, effect and reason of increasing number of shares holding	Holding or not-holding of the Parent Company's shares
	Number of shares hold			
	Accounted on BS (MJPY)			
Precision Tsugami (China) Co., Ltd	12,400,000	12,400,000	(Purpose): to keep and hold business relationship (Effect) *1	No
	1,548	1,905		
NSK Ltd.	296,900	296,900	Same as at above	Yes
	307	423		
Asahi Diamond Industrial Co., Ltd.	400,000	400,000	Same as at above	Yes
	305	448		
Mizuho Financial Group, Inc.	1,767,410	1,767,410	Same as at above	Yes
	302	338		
TPR Co., Ltd.	100,000	100,000	Same as at above	Yes
	210	307		
Kyocera Corporation	6,500	31,000	Same as at above	Yes
	201	186		
Yamazen Co., Ltd.	160,000	160,000	Same as at above	Yes
	186	177		
THK Co., Ltd.	60,000	60,000	Same as at above	Yes
	164	264		
Tomita Co., Ltd.	128,420	127,596	(Purpose): to keep and hold business relationship (Effect) *1 (Reason of increase) Increase in shareholder's association at holding company	Yes
	128	154		
Toa Corporation	38,000	38,000	(Purpose): to keep and hold business relationship (Effect) *1	Yes
	60	85		
Mitsubishi UFJ Financial Group, Inc.	80,000	80,000	Same as at above	Yes
	44	55		
Micron Machinery Co., Ltd.	30,000	30,000	Same as at above	No
	38	41		
Tokyo Kiraboshi Financial Group, Inc.	18,500	18,500	Same as at above	Yes
	28	46		
Eiwa Corporation	29,040	29,040	Same as at above	Yes
	27	27		
Taiho Kogyo Co., Ltd.	20,000	20,000	Same as at above	No
	18	30		
Mebuki Financial Group, Inc.	56,756	56,756	Same as at above	Yes
	16	23		
Sato Shoji Corporation	14,834	14,834	Same as at above	Yes
	13	17		
Nihon Denkei Co., Ltd.	8,144	7,249	(Purpose): to keep and hold business relationship (Effect) *1 (Reason of increase) Increase in shareholders' association at holding company	Yes
	12	13		
Kuroda Precision Industries Ltd.	8150	8150	(Purpose): to keep and hold business relationship (Effect) *1	Yes
	10	19		
Okuma Corporation	1,499	1,499	Same as at above	No
	8	9		
Tsukuba Bank, Ltd.	28,000	28,000	Same as at above	Yes
	5	9		
Sanken Electric Co., Ltd.	2,000	10,000	Same as at above	No
	4	7		
Sugimoto & Co., Ltd.	2,000	2,000	Same as at above	Yes
	3	3		
Nikon Corporation	897	897	Same as at above	Yes
	1	1		
Dai-ichi Life Holdings, Inc.	800	800	Same as at above	Yes
	1	1		
Sumitomo Mitsui Financial Group, Inc.	9	9	Same as at above	Yes
	0	0		



Shares subject to deemed holding

Brand	FY2019/3	FY2018/3	Purpose of holding the shares, effect and reason of increasing number of shares holding	Holding or not-holding of the Parent Company's shares
	Number of shares hold			
	Accounted on BS (MJPY)			
Tsugami Corporation	2,592,000	2,592,000	(Purpose): to keep and hold business relationship (Effect) *1 The Company holds voting rights.	Yes
	2,208	3,468		
Advantest Corporation	40,400	40,400	Same as at above	Yes
	103	90		
Sumitomo Mitsui Financial Group, Inc.	10,800	10,800	Same as at above	Yes
	41	48		
Nikon Corporation	19,000	19,000	Same as at above	Yes
	29	36		
Innotech Corporation	10,000	10,000	Same as at above	No
	9	12		
Oki Electric Industry Co., Ltd.	5,100	5,100	Same as at above	No
	6	7		

Notes:

1. Method of quantitative evaluation (screening)

- Comparison between Total profitability (Sum of dividend and business transactions) and cost of shareholder's equity.
- Positive/negative judgment of accumulated returns through holding (Stock market price -+ accumulated dividend income –acquisition price):
- Creditability assessment (Rating, Compliance matters, etc)

2. 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. Shares held by the Parent Company with the purpose of net investment  
Not applicable.

## 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 FY2019/3 (April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019), and non-consolidated financial statements of FY2019/3 (April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019) 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

MJPY

	<b>FY2018/3</b> (March 31 <sup>st</sup> , 2018)	<b>FY2019/3</b> (March 31 <sup>st</sup> , 2019)
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	37,220	41,518
Notes and accounts receivable	*2 28,005	*2 29,230
Electronically recorded monetary claims	*2 5,434	*2 6,915
Merchandise and finished goods	1,918	1,830
Work in progress	15,223	19,999
Raw materials and supplies	5,183	8,165
Others	2,146	2,510
Allowance for doubtful accounts	- 142	- 75
<b>Total current assets</b>	<b>94,990</b>	<b>110,094</b>
Fixed Assets		
Tangible fixed assets		
Building and structures	26,091	28,180
Accumulated depreciation	- 12,093	- 12,772
Building and structures(net)	13,998	15,407
Machinery, equipment and vehicles	9,065	9,368
Accumulated depreciation	- 7,109	- 7,626
Machinery, equipment and vehicles (net)	1,956	1,742
Equipment	6,410	7,459
Accumulated depreciation	- 4,391	- 4,967
Equipment(net)	2,019	2,492
Land	5,822	13,201
Lease assets	94	130
Accumulated depreciation	- 47	- 48
Lease assets (net)	47	81
Construction in process account	413	222
<b>Total Tangible Fixed Assets</b>	<b>24,258</b>	<b>33,147</b>
Intangible Fixed Assets		
Goodwill	185	82
Lease assets	-	29
Others	1,671	3,661
<b>Total Intangible Fixed Assets</b>	<b>1,857</b>	<b>3,773</b>
Investments and other assets		
Investment securities	*1 5,684	*1 4,361
Long-term loans receivable	89	123
Net defined benefit assets	4,124	2,825
Differed tax assets	1,367	2,473
Others	*1 522	*1 774
Allowance for doubtful accounts	- 0	- 0
<b>Total Investments and other assets</b>	<b>11,787</b>	<b>10,557</b>
<b>Total Fixed Assets</b>	<b>37,902</b>	<b>47,478</b>
<b>Total Assets</b>	<b>132,893</b>	<b>157,573</b>

	<b>FY2018/3</b> (March 31 <sup>st</sup> , 2018)	<b>FY2019/3</b> (March 31 <sup>st</sup> , 2019)
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable	*2 8,200	*2 9,350
Electronically recorded obligations-operating	*2 13,670	*2 16,977
Short-term debt	1,300	1,300
Current portion of long-term debt	-	2,000
Lease liabilities	18	32
Income taxes payable	3,254	3,519
Bonus reserve	1,238	1,364
Reserve for director's bonuses	10	10
Others	*2 5,115	6,392
Total current liabilities	32,807	40,948
Long-term Liabilities		
Long-term debt	-	8,000
Lease liabilities	33	83
Deferred tax liabilities	-	7
Allowance for director retirement benefits	139	53
Net defined benefit liabilities	542	809
Asset retirement obligations	-	241
Others	16	25
Total long-term liabilities	731	9,220
Total Liabilities	33,538	50,169
<b>NET ASSETS</b>		
Shareholder's Equity		
Common stock	10,561	10,591
Capital surplus	21,579	21,608
Retained earnings	62,105	72,200
Treasury stock	- 118	- 120
Total Shareholder's Equity	94,128	104,280
Accumulated other comprehensive income		
Holding gain or loss in investment	1,564	868
Foreign currency translation adjustment	811	199
Remeasurements of defined benefit plans	1,858	683
Total accumulated other comprehensive income	4,234	1,751
Share subscription rights	623	784
Non-controlling interests	368	587
Total Net Assets	99,354	107,403
Total Liabilities and Net Assets	132,893	157,573

[2] Consolidated statements of income and comprehensive income  
 [Consolidated statements of income]

MJPY

	<b>FY2018/3</b> (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	<b>FY2019/3</b> (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Net Sales	88,194	101,520
Cost of goods sold	*1, *3 53,818	*1, *3 60,430
Gross profit on Sales	34,375	41,090
Selling, general and administrative expenses	*2, *3 17,092	*2, *3 20,869
Operating profit (loss)	17,283	20,221
Non-operating income		
Interest income	24	29
Dividend income	58	123
Foreign exchange gains	-	385
Subsidy income	20	73
Others	67	75
Total Non-operating income	170	688
Non-operating expenses		
Interest expenses	25	43
Foreign exchange loss	75	-
Loss on sales and disposal of fixed assets	23	48
Others	14	13
Total Non-operating expenses	138	104
Recurring profit (loss)	17,316	20,805
Extraordinary gains		
Gain on sales of investment securities	3	55
Gain on reversal of subscription rights to shares	1	2
Total Extraordinary gains	4	58
Extraordinary losses		
Loss on valuation of investment securities	-	121
Loss on valuation of shares of affiliates	-	263
Loss on valuation of investments in capital of affiliates	-	33
Loss on valuation of golf club membership	2	-
Total extraordinary losses	2	419
Profit (loss) before income taxes and minority interests	17,318	20,443
Income tax and other taxes	5,115	5,999
Adjustment on income tax	- 572	- 279
Total Income tax and others	4,542	5,719
Profit (loss) before minority interests	12,775	14,724
Net profit(loss) attributable to minority interests	58	58
Net profit (loss) attributable to Owners of the Parent	12,717	14,665

[Consolidated statements of comprehensive income]

MJPY

	<b>FY2018/3</b> (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	<b>FY2019/3</b> (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Profit (Loss) before minority interests	12,775	14,724
Accumulated other comprehensive income		
Holding gain or loss in investment	738	- 696
Foreign currency translation adjustment	555	- 612
Remeasurements of defined benefit plans	1,054	- 1,174
Total accumulated other comprehensive income	*1 2,348	*1 - 2,483
<b>Comprehensive Income</b>	<b>15,124</b>	<b>12,240</b>
(breakdown)		
Comprehensive income attributable to owners of the parent	15,066	12,182
Comprehensive income attributable to non-controlling interests	58	57

[3] Consolidated statements of changes in net assets

FY 2018/3 (April 1<sup>st</sup>, 2017 – March 31<sup>st</sup>, 2018)

MJPY

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Opening Balance	10,462	21,480	52,665	- 116	84,491
Changes during the FY					
Issue of new shares	99	99			198
Cash dividends paid			- 3,277		- 3,277
Net profit (loss) attributable to Owners of the Parent			12,717		12,717
Purchases of treasury stock				- 2	- 2
Sales of treasury stock		0		0	0
Changes of items other than shareholders' equity(net)					
Total changes during the FY	99	99	9,440	- 1	9,636
Closing Balance	10,561	21,579	62,105	- 118	94,128

	Accumulated other comprehensive income				SSR	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			
Opening Balance	825	255	804	1,885	506	310	87,194
Changes during the FY							
Issue of new shares							198
Cash dividends paid							- 3,277
Net profit (loss) attributable to Owners of the Parent							12,717
Purchases of treasury stock							- 2
Sales of treasury stock							0
Changes of items other than shareholders' equity(net)	738	555	1,054	2,348	117	58	2,523
Total changes during the FY	738	555	1,054	2,348	117	58	12,160
Closing Balance	1,564	811	1,858	4,234	623	368	99,354

FY 2019/3 (April 1<sup>st</sup>, 2018 – March 31<sup>st</sup>, 2019)

MJPY

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Opening Balance	10,561	21,579	62,105	- 118	94,128
Changes during the FY					
Issue of new shares	29	29			58
Cash dividends paid			- 4,570		- 4,570
Net profit (loss) attributable to Owners of the Parent			14,665		14,665
Purchases of treasury stock				- 1	- 1
Changes of items other than shareholders' equity(net)					
Total changes during the FY	29	29	10,094	- 1	10,152
Closing Balance	10,591	21,608	72,200	- 120	104,280

	Accumulated other comprehensive income				SSR	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			
Opening Balance	1,564	811	1,858	4,234	623	368	99,354
Changes during the FY							
Issue of new shares							58
Cash dividends paid							- 4,570
Net profit (loss) attributable to Owners of the Parent							14,665
Purchases of treasury stock							- 1
Changes of items other than shareholders' equity(net)	- 696	- 611	- 1,174	- 2,482	160	219	- 2,102
Total changes during the FY	- 696	- 611	- 1,174	- 2,482	160	219	8,049
Closing Balance	868	199	683	1,751	784	587	107,403



	<b>FY2018/3</b> (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	<b>FY2019/3</b> (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
<b>Cash flows from operating activities:</b>		
Profit(loss) before income taxes and minority interests	17,318	20,443
Depreciation and amortization	2,541	2,655
Amortization of goodwill	102	226
Stock related expense	184	175
Change in allowance for employee retirement benefits (-:decrease)	- 36	- 31
Change in allowance for director retirement benefits (-:decrease)	- 8	- 96
Change in allowance for doubtful accounts (-:decrease)	6	- 65
Interest and dividend income	- 82	- 153
Interest expense	25	43
Gain(loss) on sales of investment securities (-: gain)	- 3	- 55
Gain(loss) on revaluation of investment securities (-: gain)	-	121
Loss on valuation of shares of affiliated company	-	263
Loss on valuation of investments in capital of affiliates	-	33
Change in trade notes and accounts receivable (-: increase)	- 5,030	- 2,031
Change in inventories (-: increase)	- 5,288	- 7,891
Change in trade notes and accounts payable(-:decrease)	6,080	4,273
Others	988	662
Subtotal	16,797	18,575
Proceeds from interest and dividend income	82	153
Payment of interest	- 25	- 27
Payment/Refund of income taxes (-: payment)	- 5,923	- 5,769
Net cash provided by (used in) operating activities	10,931	12,932
<b>Cash flows from investing activities:</b>		
Payment for time deposits	- 133	- 336
Proceeds from time deposits	31	236
Payment for purchase of tangible fixed assets	- 1,679	- 11,205
Proceeds from sales of tangible fixed assets	5	17
Payment for purchase of intangible fixed assets	- 1,121	- 1,751
Payment for purchase of investment securities	- 1,522	- 154
Proceeds from sales of investment securities	63	118
Payment for purchase of shares of subsidiary company	-	*2 - 559
Payment for purchase of shares of affiliated company	- 378	-
Payment for purchase of investments in capital of affiliates	- 19	- 10
Payment for loans receivable	- 1	- 33
Proceeds from collection of loans receivable	108	2
Payments for lease deposits and guarantee deposits	- 12	- 281
Proceed from collection of lease deposits and guarantee deposits	9	5
Net cash provided by (used in) investing activities	*1 - 4,649	*1 - 13,952

[Significant accounting policies]  
(Basis of Presenting Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries (17 companies)

Tosei Engineering Corp.  
Tosei Systems Co., Ltd.  
Accretech Create Corp.  
Tosei Box Corp.  
Fujitsu Telecom Networks Fukushima Ltd.  
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.  
Accretech Adamas (Thailand) Co., Ltd.  
Accretech (Thailand) Co., Ltd.  
Tosei Engineering (Pinghu) Co., Ltd.  
Tosei (Thailand) Co., Ltd.  
Tosei America Inc.

Fujitsu Telecom Networks Fukushima Ltd. has been newly consolidated from FY2019/3 through acquisition of shares.

(2) Non- Consolidated subsidiaries

Accretech (Singapore) Pte, Ltd.  
Accretech Vietnam Co., Ltd.  
PT Accretech Indonesia  
Accretech-Tosei 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  
Accretech-Tosei Hungary Kft  
Accretech (Pinghu) Co., Ltd.

All of the above companies which were excluded from the consolidation range are all small companies, in terms of their total assets, total sales, total Net profit(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

(1) 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 profit (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.

(2) The equity method is not applied to any affiliated company.

Affiliated companies where the equity method is not used all have an extremely small effect on the consolidated Net profit (depending on their equity), consolidated retained earnings (depending on their equity), and other financial amounts, and 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 following 6 companies is at December 31<sup>st</sup>. In order to prepare this Consolidated Financial Statement, the Parent 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 Parent Company's Fiscal end were properly adjusted in the consolidated review. The end of the FY for remaining consolidated subsidiaries matches the end of the consolidated FY of the Parent Company.

Companies where end-date of fiscal term differs from consolidated fiscal term:

Accretech (China) Co., Ltd.  
Accretech Adamas (Thailand) Co., Ltd.  
Accretech (Thailand) Co., Ltd.  
Tosei Engineering (Pinghu) Co., Ltd.  
Tosei (Thailand) Co., Ltd.  
Tosei America Inc.

## 4. Significant accounting policies

(1) Valuation standards and methods for important assets

(A) Securities

Shares of affiliated companies: carried at cost determined by the moving average method.

Other securities;

Marketable securities : Marketable securities 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 Parent Company and its domestic 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, overseas 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 Parent 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, and the Leasehold and Constructs that were acquired on or after April 1<sup>st</sup>, 2016.

Overseas consolidated subsidiaries use the straight-line method.

The significant useful lives are as follows.

Buildings and structures	8 – 38 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 Parent Company is depreciated using a straight-line method based on the estimated life at the Parent Company. Other intangible fixed assets are also 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 Parent 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
    - Domestic consolidated subsidiaries calculate the allowance for bonuses to directors based on the expected amount of payment during that consolidated FY.
  - (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 as at the end-date of FY.
- (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 FY 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 FY following the next FY 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 FY. For Prior service cost, proportional amounts are amortized beginning from the consolidated FY 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 FY.
- (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.

[Accounting principles not yet applied]

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30<sup>th</sup>, 2018).

- Implementation Guidance on Accounting Standard for Revenue Recognition. (ASBJ Guidance No. 30, March 30<sup>th</sup>, 2018).

(1) Overview

Above are comprehensive guidance and standards for revenue recognition. Revenue in the future will be recognized in following 5 steps.

Step 1: Identify the contract with a customer

Step 2: Identify the separate performance obligation(s) in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligation(s)

Step 5: Recognize revenue when the entity satisfies each performance obligation(s)

(2) Date of effect

The company will apply principles above from the first day of the FY which starts April 1<sup>st</sup>, 2021 or later.

(3) Impact of applying the principle

The impact of applying principle above is currently being evaluated.

[Changes in presentation]

The Company has applied the “Partial Amendments to Accounting Standards for Tax Effect Accounting” (ASBJ Statement No. 28, February 16<sup>th</sup>, 2018) from the beginning of FY2019/3. Accordingly, deferred tax assets are presented under Investments and other assets, and deferred tax liabilities are presented under Long-term liabilities.

Accordingly, applicable accounts in the Consolidated Balance Sheet for FY2018/3 have been denotatively reclassified. Therefore, the amount of Deferred tax assets in Current Assets (¥1.359 billion) and Deferred tax liabilities in Fixed Liabilities (¥102 million) were set-off. The amount after set off has been added to ¥110 million of deferred tax assets (Total ¥1.367 billion) in Investments and other assets. Consequently, the amount of Total Assets decreased ¥102 million.

Notes in accordance with this Accounting Standard for Tax Effect Accounting (from paragraph 3 to 5) are newly added to the notes 8 and 9.

[Notes]

(Consolidated balance sheet)

\*1 Investment in non-consolidated subsidiaries

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Investment securities	¥478 million	¥214 million
Other investment or other assets(Capital stock)	¥249 million	¥227 million

\*2 Impact of a bank holiday on the final day of FY

Accounting for trade notes (including Electronically recorded ones) in which the due date is set on the final day of the FY is applied on the date of settlement. Because the final day of FY2019/3 was a non-business day, the following amounts of trade notes are included in the year-end balance.

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Trade notes receivable	¥163 million	¥135 million
Electronically recorded monetary claims	¥339 million	¥144 million
Trade notes payable	¥255 million	¥501 million
Electronically recorded obligations-operating	¥1,623 million	¥2,573 million
Other current liabilities (Notes for facility expenditures)	¥2 million	-

(Consolidated statements of income)

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

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Cost of goods sold	¥228 million	¥475 million

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

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Research and development costs	¥4,845 million	¥7,469 million
Salaries for employees	¥4,181 million	¥4,309 million
Provision for employees' bonuses	¥220 million	¥226 million
Provision for retirement benefits for directors and corporate auditors	¥15 million	¥11 million
Provision for directors' and corporate auditors' bonuses	¥10 million	¥8 million
Provision for retirement benefits for employees	¥45 million	¥ - 29 million
Provision of allowance for doubtful accounts	¥11 million	¥ - 61 million

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

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Research and development costs	¥7,194 million	¥7,469 million

## (Consolidated statements of comprehensive income)

## \*1 Adjustments and Tax effects related to Comprehensive income

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Unrealized Holding gain or loss on investment		
Arising during the FY	¥1,068 million	¥ - 948 million
Reclassification Adjustments	¥ - 3 million	¥ - 55 million
Before Tax effect adjustment	¥1,064 million	¥ - 1,003 million
Tax effect	¥ - 326 million	¥ - 307 million
Unrealized Holding gain or loss on investment	¥738 million	¥ - 696 million
Foreign currency translation adjustment		
Arising during the FY	¥555 million	¥ - 612 million
Reclassification Adjustments	-	-
Before Tax effect adjustment	¥555 million	¥ - 612 million
Tax effect	-	-
Foreign currency translation adjustment	¥555 million	¥ - 612 million
Remeasurements of defined benefit plans		
Arising during the FY	¥1,645 million	¥ - 1,250 million
Reclassification Adjustments	¥ - 126 million	¥ - 443 million
Before Tax effect adjustment	¥1,519 million	¥ - 1,693 million
Tax effect	¥ - 464 million	¥ 518 million
Remeasurements of defined benefit plans	¥1,054 million	¥ - 1,174 million
Total other comprehensive income	¥2,348 million	¥ -2,483 million

(Consolidated statements of changes in net assets)

FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018)

1. Issued stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	41,495,581	80,300	-	41,575,881

Note: Reason for the increase of 80,300 shares is exercise of SSR from stock options.

2. Treasury stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	35,819	477	45	36,251

Notes:

1. The increase of 477 shares was due to purchases of shares less than 1 unit.

2. The decrease of 45 shares was due to sell 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 FY end (MJPY)
			At beginning of FY	Increase	Decrease	At end of FY	
The Parent Company	The 8 <sup>th</sup> SSR (SOs) (Issued 2011)	-		-		5	
	The 9 <sup>th</sup> SSR (SOs) (Issued 2012)	-		-		4	
	The 10 <sup>th</sup> SSR (SOs) (Issued 2013)	-		-		18	
	The 11 <sup>th</sup> SSR (SOs) (Issued 2014)	-		-		14	
	The 12 <sup>th</sup> SSR (SOs) (Issued 2015)	-		-		29	
	The 13 <sup>th</sup> SSR (SOs) (Issued 2016)	-		-		37	
	The 14 <sup>th</sup> SSR (SOs) (Issued 2017)	-		-		23	
	SSR issued July 2006 (stock-based compensation options)	-		-		27	
	SSR issued July 2007 (stock-based compensation options)	-		-		29	
	SSR issued July 2011 (stock-based compensation options)	-		-		33	
	SSR issued July 2012 (stock-based compensation options)	-		-		24	
	SSR issued July 2013 (stock-based compensation options)	-		-		50	
	SSR issued July 2014 (stock-based compensation options)	-		-		48	
	SSR issued July 2015 (stock-based compensation options)	-		-		73	
	SSR issued July 2016 (stock-based compensation options)	-		-		71	
	SSR issued July 2017 (stock-based compensation options)	-		-		133	
	Total	-		-		623	

#### 4. Dividends

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

Resolution	Class of stock	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 26 <sup>th</sup> , 2017 general meeting of Shareholders	Common stock	1,575	38.00	March 31 <sup>st</sup> , 2017	June 27 <sup>th</sup> , 2017
November 14 <sup>th</sup> , 2017 Board of Directors	Common stock	1,701	41.00	September 30 <sup>th</sup> , 2017	December 7 <sup>th</sup> , 2017

##### (2) Dividends with a shareholders' cut-off date in FY2018/3 and an effective date in FY2019/3

Resolution	Class of stock	Resource for dividends	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 25 <sup>th</sup> , 2018, general meeting of Shareholders	Common stock	Retained earnings	2,118	51.00	March 31 <sup>st</sup> , 2018	June 26 <sup>th</sup> , 2018

FY2019/3 (April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019)

1. Issued stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	41,575,881	22,500	-	41,598,381

Note: Reason for the increase of 22,500 shares is exercise of SSR from stock options.

2. Treasury stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	36,251	540	-	36,791

Note:

The increase of 540 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 FY end (MJPY)
			At beginning of FY	Increase	Decrease	At end of FY	
The Parent Company	The 9 <sup>th</sup> SSR (SOs) (Issued 2012)	-		-		3	
	The 10 <sup>th</sup> SSR (SOs) (Issued 2013)	-		-		16	
	The 11 <sup>th</sup> SSR (SOs) (Issued 2014)	-		-		12	
	The 12 <sup>th</sup> SSR (SOs) (Issued 2015)	-		-		27	
	The 13 <sup>th</sup> SSR (SOs) (Issued 2016)	-		-		40	
	The 14 <sup>th</sup> SSR (SOs) (Issued 2017)	-		-		56	
	The 15 <sup>th</sup> SSR (SOs) (Issued 2018)					15	
	SSR issued July 2006 (stock-based compensation options)	-		-		27	
	SSR issued July 2007 (stock-based compensation options)	-		-		29	
	SSR issued July 2011 (stock-based compensation options)	-		-		33	
	SSR issued July 2012 (stock-based compensation options)	-		-		24	
	SSR issued July 2013 (stock-based compensation options)	-		-		50	
	SSR issued July 2014 (stock-based compensation options)	-		-		48	
	SSR issued July 2015 (stock-based compensation options)	-		-		73	
	SSR issued July 2016 (stock-based compensation options)	-		-		71	
	SSR issued July 2017 (stock-based compensation options)	-		-		133	
	SSR issued July 2018 (stock-based compensation options)					120	
	Total	-		-		784	

#### 4. Dividends

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

Resolution	Class of stock	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 25 <sup>th</sup> , 2018 Regular general meeting of Shareholders	Common stock	2,118	51.00	March 31 <sup>st</sup> , 2018	June 26 <sup>th</sup> , 2018
November 13 <sup>th</sup> , 2018 Board of Directors	Common stock	2,452	59.00	September 30 <sup>th</sup> , 2018	December 10 <sup>th</sup> , 2018

##### (2) Dividends with a shareholders' cut-off date in FY2019/3 and an effective date in FY2020/3

Resolution	Class of stock	Resource for dividends	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 24 <sup>th</sup> , 2019, Regular general meeting of Shareholders	Common stock	Retained earnings	2,743	66.00	March 31 <sup>st</sup> , 2019	June 25 <sup>th</sup> , 2019

(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

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Cash and cash equivalents (Balance sheets)	¥37,220 million	¥41,518 million
Time deposits with original maturities over three months	¥ - 130 million	¥ - 227 million
Cash and cash equivalents(Statement of cash flows)	¥37,090 million	¥41,290 million

\*2 Detail of Assets and Liabilities of company newly consolidated through a purchase of the company's shares

Detail of Assets and Liabilities of company which is newly consolidated (Fujitsu Telecom Networks Fukushima Limited) as at the date of business combination, acquisition cost, and net payment for acquisition are as follows.

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Current Assets	-	¥1,462 million
Fixed Assets	-	¥77 million
Goodwill	-	¥123 million
Current Liabilities	-	¥ - 445 million
Fixed Liabilities	-	¥ - 290 million
Minority Interests	-	¥ -161 million
Acquisition Cost	-	¥ 767 million
Cash and Cash equivalents	-	¥ - 208 million
Net Payment for acquisition	-	¥ 559 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

Lease assets are consisted mainly of Vehicles and Machinery and equipment for SPE business.

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

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

2 Operation Lease transactions

(Lessee)

Estimative balance of lease premiums included in undissolvable operating lease transactions

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Current portion	¥23 million	¥51 million
Non-current portion	¥127 million	¥655 million
Total	¥150 million	¥706 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, accounts receivable and electronically recorded monetary claims 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 Division 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.)

FY2018/3 (March 31<sup>st</sup>, 2018)

MJPY

	Accounted on consolidated BS	Current Value	Difference
(1) Cash and cash equivalents	37,220	37,220	-
(2) Notes and accounts receivable	28,005	28,005	-
(3) Electronically recorded monetary claims	5,434	5,434	-
(4) Investment securities (Others)	4,814	4,814	-
Assets Total	75,475	75,475	-
(1) Notes and accounts payable	8,200	8,200	-
(2) Electronically recorded obligations-operating	13,670	13,670	-
(3) Short-term debt	1,300	1,300	-
Liability Total	23,170	23,170	-

FY2019/3 (March 31<sup>st</sup>, 2019)

MJPY

	Accounted on consolidated BS	Current Value	Difference
(1) Cash and cash equivalents	41,518	41,518	-
(2) Notes and accounts receivable	29,230	29,230	-
(3) Electronically recorded monetary claims	6,915	6,915	-
(4) Investment securities (Others)	3,815	3,815	-
Assets Total	81,479	81,479	-
(1) Notes and accounts payable	9,350	9,350	-
(2) Electronically recorded obligations-operating	16,977	16,977	-
(3) Short-term debt	1,300	1,300	-
(4) Long-term debt (include current portion)	10,000	10,114	114
Liability Total	37,628	37,743	114



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.

(4) 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

Type	March 31 <sup>st</sup> , 2018	March 31 <sup>st</sup> , 2019
Investment Securities (unlisted stock)	869	545

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

FY2018/3 (March 31<sup>st</sup>, 2018)

Category	Less than 1 year	1-5 years	5 - 10 years	Over 10 years
Bank deposits	37,212	-	-	-
Notes and accounts receivable	28,005	-	-	-
Electronically recorded monetary claims	5,434	-	-	-
Total	70,652	-	-	-

FY2019/3 (March 31<sup>st</sup>, 2019)

Category	Less than 1 year	1-5 years	5 - 10 years	Over 10 years
Bank deposits	41,511	-	-	-
Notes and accounts receivable	29,230	-	-	-
Electronically recorded monetary claims	6,915	-	-	-
Total	77,657	-	-	-

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

FY2018/3 (March 31<sup>st</sup>, 2018)

MJPY

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

FY2019/3 (March 31<sup>st</sup>, 2019)

MJPY

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years
Short-term	1,300	-	-	-	-
Long-term	2,000	2,000	2,000	2,000	2,000
Total	3,300	2,000	2,000	2,000	2,000

(Securities)

1. Other Securities

FY2018/3 (March 31<sup>st</sup>, 2018)

MJPY

Type	Accounted on consolidated BS	Carrying value	Difference
Securities with a carrying value higher than the acquisition cost			
Stocks	4,704	2,439	2,264
Subtotal	4,704	2,439	2,264
Securities with a carrying value no higher than the acquisition cost			
Stocks	110	120	- 9
Subtotal	110	120	- 9
Total	4,814	2,560	2,254

FY2019/3 (March 31<sup>st</sup>, 2019)

MJPY

Type	Accounted on consolidated BS	Carrying value	Difference
Securities with a carrying value higher than the acquisition cost			
Stocks	3,295	1,993	1,301
Subtotal	3,295	1,993	1,301
Securities with a carrying value no higher than the acquisition cost			
Stocks	519	570	- 50
Subtotal	519	570	- 50
Total	3,815	2,563	1,251

2. Securities sold during the Fiscal term

FY2018/3 (April 1<sup>st</sup>, 2017 – March 31<sup>st</sup>, 2018)

MJPY

Type	Sale price	Proceeds from sales	Loss on sales
Stocks	63	3	-
Total	63	3	-

FY2019/3 (April 1<sup>st</sup>, 2018 – March 31<sup>st</sup>, 2019)

MJPY

Type	Sale price	Proceeds from sales	Loss on sales
Stocks	118	55	-
Total	118	55	-

3. Revaluated Securities

FY2018/3 (April 1<sup>st</sup>, 2017 – March 31<sup>st</sup>, 2018)

Not applicable.

FY2019/3 (April 1<sup>st</sup>, 2018 – March 31<sup>st</sup>, 2019)

The Parent Company revaluated securities totaled ¥385 million (¥121 million of other securities and ¥263 million of shares of affiliated company).

(Retirement benefits)

1. Description of retirement benefit plans

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

Our domestic consolidated subsidiaries utilize the Lump-sum Retirement Allowance Plan (excepting savings-type), and some of 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 (excepting where simplified method is applied)

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

	MJPY	
	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Opening Balance	3,530	3,682
Service Cost	262	282
Interest Cost	28	29
Recognized Actuarial Differences	10	- 2
Benefit Paid	- 148	- 218
Increase from an acquisition of consolidated company		323
Closing Balance	3,682	4,096

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

	MJPY	
	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Opening Balance	6,098	7,806
Expected return on plan assets	40	42
Recognized Actuarial Differences	1,655	- 1,252
Contribution from Entrepreneurs	88	93
Benefit Paid	- 76	- 91
Increase from an acquisition of consolidated company	-	298
Closing Balance	7,806	6,896

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

	MJPY	
	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Projected retirement obligation (savings-type)	3,682	4,096
Plan assets(pension)	- 7,806	- 6,896
	- 4,124	- 2,800
Projected retirement obligation (except savings-type)	-	-
Net defined liabilities/assets on Balance sheet (net)	- 4,124	- 2,800
Net defined liabilities	-	25
Net defined assets	- 4,124	- 2,825
Net defined liabilities/assets on Balance sheet (net)	- 4,124	- 2,800

(4) Components of net periodic pension and severance costs MJPY

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Service Cost	262	282
Interest Cost	28	29
Expected return on plan assets	- 40	- 42
Expense for actuarial difference	- 70	- 387
Expense for prior service cost	- 55	- 55
net periodic pension and severance costs	123	- 174

(5) Adjustments for retirement obligations

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

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Unrecognized prior service cost	- 55	- 55
Unrecognized actuarial gain or loss	1,574	- 1,637
Total	1,519	- 1,693

(6) Accumulated adjustments for retirement obligations

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

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Unrecognized prior service cost	195	139
Unrecognized actuarial gain or loss	2,483	845
Total	2,678	985

(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.

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Shares	55%	44%
Deposits	31%	36%
General Account	10%	13%
Bonds	4%	6%
Others	0%	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

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Discount Rate	0.8%	0.8%
Expected Rate of return on plan assets		
Plan assets (pension)	2.5%	2.5%
Employees' retirement benefits trust	0.0%	0.0%
Expected salary increase rate	0.1% - 4.4%	0.1% - 4.4%

## 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 MJPY

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Opening Balance of net defined liabilities	545	542
Cost for retirement allowance	77	89
Retirement allowance paid	- 47	- 51
Allowances allocated to plan assets	- 32	- 33
Increase from an acquisition of consolidated company	-	237
Closing Balance of net defined liabilities	542	784

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

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Projected retirement obligation (savings-type)	798	813
Plan assets (pension)	- 317	- 334
	480	479
Projected retirement obligation (except savings-type)	61	304
Net defined liabilities/assets on Balance sheet (net)	542	784
Net defined liabilities	542	784
Net defined liabilities/assets on Balance sheet (net)	542	784

## (3) Cost for retirement allowances MJPY

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Cost for retirement allowances (calculated by simplified method)	77	89

## 4. Defined Contribution plan MJPY

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Contribution payable by the Company and consolidated subsidiaries	149	157

(Stock options and others)

1. Account and amount charged as expenses

FY2018/3 (April 1<sup>st</sup>, 2017 to March 31<sup>st</sup>, 2018)

MJPY

Breakdown	Account name: "Stock-based compensation expense"			
	Cost of goods sold	Selling expense	General and administrative expenses	Total
The 12 <sup>th</sup> SSR	2	1	2	6
The 13 <sup>th</sup> SSR	9	3	8	21
The 14 <sup>th</sup> SSR	9	5	8	23
SSR issued July 2017 (stock-based compensation type)	-	-	133	133
Total	21	10	153	184

FY2019/3 (April 1<sup>st</sup>, 2018 to March 31<sup>st</sup>, 2019)

MJPY

Breakdown	Account name: "Stock-based compensation expense"			
	Cost of goods sold	Selling expense	General and administrative expenses	Total
The 13 <sup>th</sup> SSR	2	1	2	6
The 14 <sup>th</sup> SSR	13	7	12	33
The 15 <sup>th</sup> SSR	6	3	5	15
SSR issued July 2018 (stock-based compensation type)	-	-	120	120
Total	22	11	141	175

2. Gains and accounts from the expiration of exercising rights

MJPY

	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Reversal of SSR (Extraordinary Gains)	1	2

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

#### The Parent Company

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

###### The 9<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent 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	He/She 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 SOs	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> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent 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	He/She 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 SOs	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> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 9 Employees of the Parent 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	He/She 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 SOs	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> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 9 Employees of the Parent 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	He/She 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 SOs	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

The 13<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 9 Employees of the Parent Company: 258 Directors of subsidiaries: 13 Employees of subsidiaries: 92
Number and class of shares to be provided (shares)	Common stock: 76,500
Date of issue	July 21 <sup>st</sup> , 2016
Conditions of settlement of rights	He/She 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 SOs	July 21 <sup>st</sup> , 2016 - July 21 <sup>st</sup> , 2018
Exercise period	July 22 <sup>nd</sup> , 2018 - June 30 <sup>th</sup> , 2023

The 14<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent Company: 172 Directors of subsidiaries: 12 Employees of subsidiaries: 22
Number and class of shares to be provided (shares)	Common stock: 77,500
Date of issue	July 24 <sup>th</sup> , 2017
Conditions of settlement of rights	He/She 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 SOs	July 24 <sup>th</sup> , 2017 - July 24 <sup>th</sup> , 2019
Exercise period	July 25 <sup>th</sup> , 2019 - June 30 <sup>th</sup> , 2024

The 15<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent Company: 183 Directors of subsidiaries: 8 Employees of subsidiaries: 18
Number and class of shares to be provided (shares)	Common stock: 74,500
Date of issue	July 23 <sup>th</sup> , 2018
Conditions of settlement of rights	He/She 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 SOs	July 23 <sup>th</sup> , 2018 - July 23 <sup>th</sup> , 2020
Exercise period	July 24 <sup>th</sup> , 2020 - June 30 <sup>th</sup> , 2025

SSR issued June 2005 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 7 Employees of the Parent Company (executive officers):
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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR issued July 2006 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 6 Employees of the Parent 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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR 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 Parent 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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR 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 Parent 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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR issued July 2012 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:7 Employees of the Parent 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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR issued July 2013 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 7 Employees of the Parent 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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR issued July 2014 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent 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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR issued July 2015 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent 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 Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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

SSR issued July 2016 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 1
Number and class of shares to be provided (shares)	Common stock:37,000
Date of issue	July 21 <sup>st</sup> , 2016
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 22 <sup>nd</sup> , 2016 - July 21 <sup>st</sup> , 2036

SSR issued July 2017 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 3
Number and class of shares to be provided (shares)	Common stock:41,900
Date of issue	July 24 <sup>th</sup> , 2017
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 25 <sup>th</sup> , 2017 - July 24 <sup>th</sup> , 2037

SSR issued July 2018 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:7 Employees of the Parent Company (executive officers):3
Number and class of shares to be provided (shares)	Common stock:42,300
Date of issue	July 23 <sup>rd</sup> , 2018
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	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> , 2018 - July 23 <sup>rd</sup> , 2038

## (2) Scale and movement of stock options

## [1] Numbers of stock options

	The 8 <sup>th</sup> SSR	The 9 <sup>th</sup> SSR	The 10 <sup>th</sup> SSR	The 11 <sup>th</sup> SSR	The 12 <sup>th</sup> SSR	The 13 <sup>th</sup> SSR	The 14 <sup>th</sup> SSR
Non-exercisable SOs							
SOs outstanding at end of previous FY (shares)	-	-	-	-	-	75,900	77,500
SOs granted (shares)	-	-	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-	-	200
Conversion to exercisable SOs (shares)	-	-	-	-	-	75,900	-
SOs outstanding (shares)	-	-	-	-	-	-	77,300
Exercisable SOs							
SOs outstanding at end of previous FY (shares)	10,700	13,600	28,000	27,600	51,200	-	-
Conversion from non-exercisable SOs (shares)	-	-	-	-	-	75,900	-
SOs exercised (shares)	5,500	2,500	2,300	3,500	2,400	6,300	-
Forfeitures (shares)	5,200	-	-	-	-	-	-
SOs outstanding (shares)	-	11,100	25,700	24,100	48,800	69,600	-

	The 15 <sup>th</sup> SSR	SSR issued June 2005 (stock-based compensation type)	SSR issued July 2006 (stock-based compensation type)	SSR issued July 2007 (stock-based compensation type)	SSR issued July 2011 (stock-based compensation type)	SSR issued July 2012 (stock-based compensation type)	SSR issued July 2013 (stock-based compensation type)
Non-exercisable SOs							
SOs outstanding at end of previous FY (shares)	-	8,000	5,500	7,200	23,500	23,500	25,900
SOs granted (shares)	74,500	-	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-	-	-
Conversion to exercisable SOs (shares)	-	-	-	-	-	-	-
SOs outstanding (shares)	74,500	8,000	5,500	7,200	23,500	23,500	25,900
Exercisable SOs							
SOs outstanding at end of previous FY (shares)	-	-	-	-	-	-	-
Conversion from non-exercisable SOs (shares)	-	-	-	-	-	-	-
SOs exercised (shares)	-	-	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-	-	-
SOs outstanding (shares)	-	-	-	-	-	-	-

	SSR issued July 2014 (stock-based compensation type)	SSR issued July 2015 (stock-based compensation type)	SSR issued July 2016 (stock-based compensation type)	SSR issued July 2017 (stock-based compensation type)	SSR issued July 2018 (stock-based compensation type)
Non-exercisable SOs					
SOs outstanding at end of previous FY (shares)	28,900	34,300	25,200	41,900	-
SOs granted (shares)	-	-	-	-	42,300
Forfeitures (shares)	-	-	-	-	-
Conversion to exercisable SOs (shares)	-	-	-	-	-
SOs outstanding (shares)	28,900	34,300	25,200	41,900	42,300
Exercisable SOs					
SOs outstanding at end of previous FY (shares)	-	-	-	-	-
Conversion from non-exercisable SOs (shares)	-	-	-	-	-
SOs exercised (shares)	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-
SOs outstanding (shares)	-	-	-	-	-

[2] Price information

	The 8 <sup>th</sup> SSR	The 9 <sup>th</sup> SSR	The 10 <sup>th</sup> SSR	The 11 <sup>th</sup> SSR	The 12 <sup>th</sup> SSR	The 13 <sup>th</sup> SSR	The 14 <sup>th</sup> SSR
Paid-in value (yen)	1,642	1,428	2,162	1,876	2,825	2,527	3,950
Average market price of the stock at the time of exercise (yen)	4,328	3,465	3,955	3,721	4,123	3,422	-
Fair value at the date of grant (yen)	541	334	646	521	572	580	862

	The 15 <sup>th</sup> SSR	SSR issued July 2005 (stock-based compensation type)	SSR issued July 2006 (stock-based compensation type)	SSR issued July 2007 (stock-based compensation type)	SSR issued July 2011 (stock-based compensation type)	SSR issued July 2012 (stock-based compensation type)	SSR issued July 2013 (stock-based compensation type)
Paid-in value (yen)	4,073	1	1	1	1	1	1
Average market price of the stock at the time of exercise (yen)	-	-	-	-	-	-	-
Fair value at the date of grant (yen)	611	-	4,944	4,046	1,431	1,036	1,957

	SSR issued July 2014 (stock-based compensation type)	SSR issued July 2015 (stock-based compensation type)	SSR issued July 2016 (stock-based compensation type)	SSR issued July 2017 (stock-based compensation type)	SSR issued July 2018 (stock-based compensation type)
Paid-in value (yen)	1	1	1	1	1
Average market price of the stock at the time of exercise (yen)	-	-	-	-	-
Fair value at the date of grant (yen)	1,672	2,129	2,022	3,182	2,841



#### 4. Valuation of fair value of stock options granted during FY

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

(2) Basic assumption and valuation method used

	The 15 <sup>th</sup> SSR	SSR issued July 2018 (stock-based compensation type)
Stock Price Volatility	31.877% *Note 1	39.069% * Note 2
Expected life	4.5 years *Note 3	10 years *Note 3
Expected dividend per share	¥92 *Note 4	¥92 *Note 4
Risk-free interest rate	- 0.098% *Note 5	0.080% *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 23<sup>rd</sup>, 2014 - July 23<sup>rd</sup>, 2018).
2. Calculated based on the list stock price records from the past 10 years (Closing price of each business day from July 23<sup>rd</sup>, 2008 - July 23<sup>rd</sup>, 2018).
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 (¥41 interim dividend and ¥51 year-end dividend for FY2018/3).
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

MJPY

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Deferred tax assets		
Tangible fixed assets	1,143	1,538
Inventories	598	588
Securities contribution to employees' retirement benefits trust	411	425
Provision for employees' bonuses	382	424
Net defined benefit liabilities	-	286
Investment Securities	88	222
Accrued expense	186	213
Accrued enterprise tax	191	208
Share subscription rights	150	187
Tax loss carried forward *2	-	90
Others	241	268
Subtotal of Deferred tax assets	3,395	4,454
Valuation allowance (mainly from the future deductible temporary differences)	-	- 355
Valuation allowance (from Tax loss carried forward)	-	- 90
Total Valuation allowance *1	-	- 446
Total Deferred tax assets	3,395	4,008
Deferred tax liabilities		
Undistributed earnings of foreign subsidiaries	- 732	- 692
Holding gain or loss in investment	- 690	- 383
Gain on securities contribution to employees' retirement benefits trust	- 365	- 365
Net defined benefit assets	- 200	-
Others	- 38	- 101
Total deferred tax liabilities	- 2,028	- 1,542
Net deferred tax assets(or liabilities)	1,367	2,465

Notes:

1. An increase in Valuation allowance is because of acquisition of consolidated subsidiary.
2. Amount and carry-over years of tax loss carried forward and deferred tax assets.

FY2019/3 (April 1<sup>st</sup>, 2018 to March 31<sup>st</sup>, 2019)

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Tax loss carried forward						¥90 million	¥90 million
Valuation allowance						¥ - 90 million	¥ - 90 million
Total							

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

	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Statutory tax rate of the Parent Company	30.86%	30.62%
(Reconciliation)		
Effect by special tax credits	- 5.39%	- 3.02%
Effect by differences of corporate tax rate between the Parent Company and consolidated subsidiaries	- 0.66%	- 0.72%
Permanent differences in accounting such as entertainment fee	0.46%	0.28%
Inhabitant tax on per capita basis	0.31%	0.27%
Others	0.65%	0.55%
Effective corporate tax rate	26.23%	27.98%

(Business combination)

FY2019/3 (April 1<sup>st</sup>, 2018 to March 31<sup>st</sup>, 2019)

Business combination from acquisition

1. Overview of business combination

(1) Name and primary business of acquired company

Name: Fujitsu Telecom Networks Fukushima Limited

Primary business: Development, manufacturing, sales and services of Charge/Discharge testing system

(2) Reason of entering this business combination

Fujitsu Telecom Networks Fukushima Limited has long-term experience in the field of rechargeable battery performance evaluation systems and has abundant know-how in the electrical characteristics measuring industry.

Tokyo Seimitsu had developed/manufactured instruments mainly to measure physical distance. Adding new measurement knowledge to the Group will realize a widening customer base and demand from areas such as EV or automated driving, and will enable us to offer stable electric measurement methodology toward the upcoming large-capacity rechargeable batteries era.

(3) Effective date of business combination

March 31<sup>st</sup>, 2019

(4) Legal form of business combination

Stock acquisition by cash

(5) Change of the name of combined company after combination

No change

(6) Voting rights ratio

80.0%

(5) Reason of selecting this company for combination

Because it was a stock acquisition by cash.

2. Business performance of combined company during the fiscal term

Business performance of the combined company is excluded from the consolidated statements of income because the date of combination is the ending date of the Fiscal term.

3. Acquisition cost per each values

<u>Acquisition value</u>	<u>Cash</u>	<u>¥767 million</u>
Acquisition cost		¥767 million

4. Other costs for acquisition

Due diligence fee and others            ¥52 million

5. Goodwill arising from combination, reason and method/term of amortization

(1) Newly recognized goodwill:    ¥123 million

(2) Reason:

Because of excess earning power in the electric testing market.

(3) Method/term of amortization:

It was accounted at cost for the fiscal term of combination because monetary importance was minimal.

6. Amount of Assets and Liabilities combined at the date of combination

Current assets	¥1,462 million
<u>Fixed assets</u>	<u>¥77 million</u>
Total assets	¥1,540 million

Current liabilities	¥445 million
<u>Fixed liabilities</u>	<u>¥290 million</u>
Total liabilities	¥735 million

6. Estimated impact on consolidated statements of income under an assumption of such combination occurrence at the beginning date of current fiscal term and method of impact estimation

(Asset retirement obligations)

Notes for Asset retirement obligation is intentionally omitted because importance in the total amount of the asset retirement obligation is minimal.

(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 coordinates 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 profit.

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

FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018)

MJPY

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Instrument	Total		
I. Sales					
Sales to third party:					
Intersegment sales to transfer	59,523	28,671	88,194	-	88,194
Total	-	-	-	-	-
Total	59,523	28,671	88,194	-	88,194
Segment profit	11,292	5,990	17,283	-	17,283
Segment Assets	87,442	44,407	131,850	1,144	132,995
Others					
- Depreciation and amortization	1,824	716	2,541	-	2,541
- Amortization of Goodwill	102	-	102	-	102
- Increase in Tangible / Intangible Fixed assets	2,543	1,003	3,547	-	3,547

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.

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Instrument	Total		
I. Sales					
Sales to third party:					
Intersegment sales to transfer	69,117	32,403	101,520	-	101,520
	-	-	-	-	-
Total	69,117	32,403	101,520	-	101,520
Segment profit	13,195	7,025	20,221	-	20,221
Segment Assets	104,498	52,278	156,777	795	157,573
Others					
- Depreciation and amortization	1,909	746	2,655	-	2,655
- Amortization of Goodwill	102	123	226	-	226
- Increase in Tangible / Intangible Fixed assets	12,235	1,636	13,872	-	13,872

## 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)

FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018)

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

MJPY

Japan	East Asia				South East Asia	Other Areas	Total
	Taiwan	China	Others	Total			
33,659	14,752	12,298	8,096	35,146	9,771	9,705	88,194

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.

FY2019/3 (April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019)

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

MJPY

Japan	East Asia					South East Asia	Other Areas	Total
	China	Taiwan	Korea	Other	Total			
38,503	17,139	14,846	10,673	36	42,695	9,620	10,701	101,520

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 and closing balance of goodwill per each reportable segment)

FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018)

MJPY

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Balance as at FY2018/3 end	185	-	185	-	185

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

FY2019/3 (April 1<sup>st</sup>, 2018 - March 31<sup>st</sup>, 2019)

MJPY

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Balance as at FY2019/3 end	82	-	82	-	82

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)

1. Related party transactions

Not applicable.

2. Notes for Significant affiliates

Not applicable.

(Per share information)

FY2018/3 (April 1 <sup>st</sup> , 2017 - March 31 <sup>st</sup> , 2018)		FY2019/3 (April 1 <sup>st</sup> , 2018 - March 31 <sup>st</sup> , 2019)	
Net assets per share	2,367.92 yen	Net assets per share	2,551.20 yen
Basic Net profit per share	306.41 yen	Basic Net profit per share	352.92 yen
Diluted Net profit per share	304.02 yen	Diluted Net profit per share	350.23 yen

Note: Basis for calculations

1 Basic Net profit per share and diluted Net profit in per share

Item	FY2018/3 (April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018)	FY2019/3 (April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019)
Basic Net profit per share		
Net profit attributable to owners of the parent (MJPY)	12,717	14,665
Amount not attributed to common shareholders (MJPY)	-	-
Net profit attributable to common shares (MJPY)	12,717	14,665
Average number of shares of common stock during the FY (shares)	41,504,885	41,554,806
Diluted Net profit per share		
Details of adjusted Net profit (MJPY)	-	-
Details of increase in common stock (shares)	326,435	318,553
(SSR(shares))	(326,435)	(318,553)
Securities excluded the calculation of diluted Net profit per share due to lack of dilutive effects	SSR (Stock Option Type)(shares) The 14 <sup>th</sup> 77,500	SSR (Stock Option Type)(shares) The 14 <sup>th</sup> 77,300 The 15 <sup>th</sup> 74,500

2. Net assets per share

Item	FY2018/3 (March 31 <sup>st</sup> , 2018)	FY2019/3 (March 31 <sup>st</sup> , 2019)
Total in the Net assets column of the consolidated balance sheet (MJPY)	99,354	107,403
Amounts to be excluded from Net assets(MJPY)	991	1,371
(SSR(MJPY))	(623)	(784)
(Minority interest (MJPY))	(368)	(587)
Net assets as at end of FY available to common shareholders (MJPY)	98,362	106,031
Number of common stock shares used to calculate net assets per share (shares)	41,539,630	41,561,590

(Significant subsequent events)

Not applicable.

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

(Schedule of borrowings)

Category	Balance at beginning of FY (MJPY)	Balance at end of FY (MJPY)	Average interest rate (%)	Repayment term
Short-term debt	1,300	1,300	0.54	-
Long-term debt scheduled to be paid within 1 year	-	2,000	0.62	
Lease obligation scheduled to be paid within 1 year	18	32	5.05	-
Long-term debt (exclude current portion)	-	8,000	0.62	June 30 <sup>th</sup> , 2020 – Dec., 28 <sup>th</sup> , 2023
Lease obligation (exclude current portion)	33	83	4.36	April 30 <sup>th</sup> , 2020– Dec., 15 <sup>th</sup> , 2023
Total	1,351	11,415	-	-

Notes

1. The “Average interest rate” represents the weighted-average rate applicable to the year-end balance.
2. The amounts of the long term debt (exclude current portion) that are scheduled to be paid within the 5 years following consolidated settlement date are as follows:

Category	1-2 years (MJPY)	2-3 years (MJPY)	3-4 years (MJPY)	4-5years (MJPY)
Long-term loans payable	2,000	2,000	2,000	2,000
Lease obligation	30	25	20	3
Total	2,030	2,025	2,020	2,003

(Detail of Asset Retirement Obligations)

Detail of Asset Retirement Obligations is intentionally omitted as allowed in the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements”, section 92-2, because total amounts of each as at the beginning and end of the fiscal term is less than 1/100 of Total liabilities and Net assets.

(2) Others

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

[2] Quarterly business result of the consolidated FY

(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 (MJPY)	19,841	51,194	74,922	101,520
Quarterly income before income taxes and minority interests (MJPY)	3,357	10,768	15,566	20,443
Quarterly Net profit attributable to Owners of the parent (MJPY)	2,551	7,892	11,377	14,665
Quarterly Net profit per share (yen)	61.43	189.96	273.80	352.92

(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 profit per share (yen)	61.43	128.53	83.84	79.12

[3] Important lawsuits or similar issues  
Not applicable.

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