[Translation]
Stock code: 6101
May 27, 2019

To our shareholders,

Takao Nishijima, Chairman and CEO
TSUGAMI CORPORATION
12-20, Tomizawa-cho
Nihonbashi, Chuo-ku, Tokyo

Notice of the 116th Annual Shareholders Meeting

You are cordially invited to attend the 116th Annual Shareholders Meeting of TSUGAMI CORPORATION (the "Company"), to be held as set forth below.
If you are unable to attend the meeting in person, you may exercise your voting rights by any of the following means. Please review the attached reference materials and exercise your vote.

[In the case of exercise of the voting rights in writing]
Please exercise your vote by indicating "for" or "against" for each agenda item listed on the enclosed proxy card, affix your seal and return it to us no later than 5:30 p.m. on Tuesday, June 18, 2019.

[In the case of online exercise of the voting rights]

Please access the website for exercise of the voting rights that the Company designates (https://evote.tr.mufg.jp/), enter the site using the login ID and password indicated on the enclosed proxy card, and exercise your vote by indicating "for" or "against" for each agenda item according to the instructions on the screen no later than 5:30 p.m. on Tuesday, June 18, 2019.

For online exercise of the voting rights, please read the instructions provided in "Procedures for Online Exercise of the Voting Rights" on pages 3 and 4 hereinbelow.

Meeting Details

1. Date & Time 10:00 am, Wednesday, June 19, 2019

2. Venue Conference Room at the Company's Nagaoka Factory at 1-1-1 Higashizao, Nagaoka-shi, Niigata Prefecture. (Please refer to the attached map.)

3. Agenda:

Items to be reported

1. The Business Report, the Consolidated Financial Statements, and the report on the audit of the consolidated accounts by the Independent Auditors and the Audit and Supervisory Committee for the 116th term, from April 1, 2018 to March 31, 2019, will be reported at the meeting.
2 The Non-Consolidated Financial Statements for the 116th term, from April 1, 2018 to March 31, 2019, will be reported at the meeting.

Items to be resolved

Item 1: Appointment of Seven Directors (Other Than Directors Who Are Members of the Audit and Supervisory Committee)

Item 2: Delegation to the Company's Board of Directors of the determination of subscription requirements for subscription rights to shares to be issued as stock options for a stock-linked compensation plan with conditions particularly favorable to executive officers of the Company and employees with similar positions

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If attending the meeting in person, please present the enclosed proxy card at the reception desk. In addition, you are also kindly requested to bring this Notice as meeting materials when you attend.

If any amendments are made to reference materials for the Annual Shareholders Meeting, the business report, or non-consolidated or consolidated financial statements, they will be posted on the Company website at http://www.tsugami.co.jp.

<Procedures for Online Exercise of the Voting Rights>

For online exercise of the voting rights, please read the following instructions before exercise of the voting rights.
If attending the meeting in person, it is not necessary to follow the procedures for sending the proxy card by mail or online exercise of the voting rights.

Details of Online Exercise of the Voting Rights

1. Website for Exercise of the Voting Rights

(1) You can exercise your voting rights online only when you access to the site for exercise of the voting rights that the Company designates (https://evote.tr.mufg.jp/) through a personal computer, smartphone or mobile phone (i-mode, EZweb, Yahoo! Keitai)*. (However, the site is not available from 2:00 a.m. to 5:00 a.m. each day.)

*"i-mode," "EZweb" and "Yahoo!" are the trademark or registered trademark of NTT DOCOMO, INC., KDDI CORPORATION, and Yahoo! Inc. of America, respectively.

(2) You may not exercise the voting rights through a personal computer or smartphone according to the environment in which you use the Internet, specifically, if a firewall and other similar programs are used in connection with the Internet, if an anti-virus software program is running, if a proxy server is used, and if TLS encryption communication is not designated.

(3) When you use a mobile phone in exercise of your voting rights, you are required to use any of the following services: i-mode, EZweb or Yahoo! Keitai. In addition, for the security purposes, you may not exercise your voting rights with any mobile phone on which neither TLS communication encryption nor transmission of mobile phone data is available.

(4) You can exercise your voting rights online no later than 5:30 p.m. on Tuesday, June 18, 2019. However, you are recommended to exercise your voting rights early and if you have any questions, please contact the help desk.

2. Method of Online Exercise of the Voting Rights

(1) Using a personal computer or mobile phone

- On the website for exercise of voting rights, please enter the login ID and temporary password printed on the proxy card and indicate "for" or "against" according to the instructions on the screen.
- Please note that shareholders using the website for the exercise of voting rights will be requested to change the temporary password on the website to prevent unauthorized access (identity theft) by a third party other than the shareholder, and fraudulent exercise of voting rights.
- Each time a shareholders meeting is convened, you will be notified of a new login ID and a temporary password.

(2) Using a smartphone

- Reading the login QR code printed on the proxy card using a smartphone will connect you to the website for the exercise of voting rights, and you will be able to exercise your voting rights. (You will not need to enter your login ID or temporary password.)
- You can use the QR code only once to log in for security reasons.
  If you use the QR code a second time, you will be required to enter your login ID and temporary password.
- Depending on your smartphone, you may not be able to log in using the QR code. If you are not able to log in using the QR code, please exercise your voting rights via the method described in 2 (1) Using a personal computer or mobile phone.

*The QR code is a registered trademark of DENSO WAVE Incorporated.

3. Treatment of the Voting Rights If They Are Exercised More Than Once

(1) Please note that if you exercise voting rights both in writing and online, the votes cast online will be considered valid.

(2) If you exercise your voting rights online more than once, the final vote that you cast will be valid. In addition, if you exercise your voting rights redundantly using more than one means from a personal computer, smartphone and mobile phone, the final vote that you cast will be valid.

4. Costs charged for access to the website for exercise of the voting rights

You are required to bear the costs charged for access to the website for exercise of the voting rights (such as Internet access fees). In addition, if you use a mobile phone, etc., fees for packet communication and other mobile phones services will be charged, which you are also required to bear.

5. Method for receiving notice of the shareholders meeting

You can receive the notice of the shareholders meeting by e-mail next time. If you would like to receive the notice by e-mail, please perform the procedure on the website for exercise of voting rights using a personal computer or a smartphone. (You cannot perform this procedure with a non-smartphone.)

End.

Contact for the System, etc.
Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation (help desk)
- Telephone: 0120-173-027 (Time for acceptance of inquiries: 9:00 a.m. to 9:00 p.m., toll-free)

(Attachment)

Business Report

(From April 1, 2018 to March 31, 2019)

I. Current Status of the Group

(1) Business Performance for the Fiscal Year Ended March 31, 2019

(i) Business Progress and Results

During the consolidated fiscal year under review, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") remained firm overall in both the domestic and overseas markets, although there was a move towards adjustment in market conditions from the second half of the fiscal year, mainly due to the effects of the US-China trade friction.

In this environment, the Group sought to boost sales in auto parts-related sectors, IT sector and a wide range of other industries. As a result, consolidated net sales for the fiscal year under review increased 17.1% year on year, to ¥67,447 million.

Consolidated net sales in Japan increased 0.1% year on year, to ¥12,686 million. Consolidated exports increased 21.9% year on year, to ¥54,760 million. The export ratio increased 3.2% from 78.0% for the previous fiscal year, to 81.2%.

A breakdown of consolidated net sales by machinery category shows that sales of mainstay Automatic lathes rose 20.4% year on year, to ¥57,715 million, sales of Grinding machines increased 19.4%, to ¥5,038 million, sales of Machining centers increased 90.8%, to ¥514 million, and sales of Rolling machines and other specialized machines rose 19.6%, to ¥3,855 million.

Consolidated operating income rose 44.8% year on year, to ¥10,053 million. Consolidated ordinary income increased 56.0% year on year, to ¥10,154 million and consolidated net income attributable to owners of parent increased 44.6% year on year, to ¥6,033 million for the fiscal year under review.

(ii) Capital Investments Activities

Major facilities acquired during the consolidated fiscal year under review are as follows:

The Company's Nagaoka Factory	Construction of a new business system
PRECISION TSUGAMI (CHINA) CORPORATION	Additional installation of equipment for producing machine tools

Total investments amounted to ¥2,200 million, funded through the Company's own funds.

(iii) Financing Activities

The Group did not issue any bonds or shares to raise funds in the fiscal year under review.

(2) Assets and Operating Results for the Latest Three years (Million yen)

Category	113th term ended March 31, 2016	114th term ended March 31, 2017	115th term ended March 31, 2017	116th term ended March 31, 2019
Net sales	40,132	41,050	57,576	67,447
Ordinary income	1,095	2,848	6,510	10,154
Net income attributable to owners of parent	877	2,630	4,171	6,033
Net income per share	13.04 yen	41.91 yen	74.71 yen	114.94 yen
Total assets	47,859	50,127	62,362	64,217
Net assets	32,594	31,462	37,516	40,065
Net asset per share	473.78 yen	510.43 yen	585.58 yen	632.63 yen

Note) The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) etc. are applied from the beginning of the fiscal year under review, and the total assets for the previous fiscal year (115th term) is an amount after the retroactive application of the amendments etc. to them.

(3) Status of Parent Company and Principal Subsidiaries

(i) Parent company

Not applicable

(ii) Principal subsidiaries

Company name	Capital	Voting share of the Company	Main business
TSUGAMI MACHINERY CO., LTD	60 million yen	100.0%	Sales, installation and repairing of machine tool parts
TSUGAMI GENERAL SERVICE CO., LTD.	42 million yen	100.0%	Inspections and maintenance of buildings and facilities of factories, and non-life insurance agency operations
Precision Tsugami (China) Corporation Limited	381 million Hong Kong dollar	70.8	Holding company
Precision Tsugami (Hong Kong) Limited	767 million Hong Kong dollar	70.8% (70.8%)	Holding company
PRECISION TSUGAMI (CHINA) CORPORATION	517 million yuan	70.8% (70.8%)	Manufacturing and sales of machine tools
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	35 million yuan	70.8% (70.8%)	Manufacturing and sales of machine tool castings
Precision Tsugami (Anhui) Corporation	50 million yuan	70.8% (70.8%)	Manufacturing and sales of machine tools and metal castings
TSUGAMI KOREA Co., Ltd.	1,000 million won	100.0%	Sales of machine tools
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	495 million Indian rupee	90.9% (15.1%)	Manufacturing and sales of machine tools

Note) 1. The figure in the parenthesis is the indirect ownership of voting rights.

2. Precision Tsugami (Anhui) Corporation was established on April 18, 2018.

(4) Challenges to Address

(Challenges in the medium to long term)

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

(i) Introduction of new products targeting growth fields

The Group will make every effort to launch new products that will sufficiently meet customers' requests in markets that are expected to grow, including the auto parts market, where eco-friendliness and energy saving are required, the IT market, which includes more sophisticated HDDs, smart phones and the medical care market.

(ii) Business strategies targeting growth regions

The Group will continues its efforts to build up production, sales and after-sales service organizations in Asian markets (including China, Southeast Asia and India), which we continue to need to emphasize.

(iii) Management streamlining and customer satisfaction enhancement

To bolster the comprehensive strength of the corporate group, the Group, including affiliates, will seek to enhance its sales, production, and management systems and to achieve efficient management.

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

Meanwhile, the Group will promote CSR activities, including environment conservation and compliance, and remains committed to justifying the trust of its shareholders, customers, and all other stakeholders.

(5) Principal Businesses (as of March 31, 2019)

Manufacturing and sale of precision machine tools

(6) Main Offices and Factories (as of March 31, 2019)

(i) Tsugami Corporation

Name	Address
Head office	Chuo-ku, Tokyo
Sales offices	Tokyo, Nagaoka, Chino, Nagoya and Osaka
Nagaoka Factory	Nagaoka City, Niigata Prefecture

(ii) Subsidiaries

Name	Address
TSUGAMI MACHINERY CO., LTD	Kawasaki City, Kanagawa Prefecture
TSUGAMI GENERAL SERVICE CO., LTD.	Nagaoka City, Niigata Prefecture
PRECISION TSUGAMI (CHINA) CORPORATION	Zhejiang, China
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	Zhejiang, China
Precision Tsugami (Anhui) Corporation	Anhui Province, China
TSUGAMI KOREA Co., Ltd.	Anyang-Si, South Korea
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	Oragadam, Dt. Tamil Nadu, India

(7) Employees (as of March 31, 2019)

(i) Employees of the Tsugami Group

Number of employees	Change from the end of the previous term
2,298 (94)	Down 121 (Up 6)

(Note) The number of employees consists of full-time workers excluding part-time and temporary workers. The annual average number of part-time and temporary workers is presented in brackets. The number of employees decreased by 121 from the end of the previous fiscal year, mainly attributable to the decrease at PRECISION TSUGAMI (CHINA) CORPORATION.

(ii) Employees of Tsugami Corporation

Number of employees	Change from the end of the previous term	Average age	Average service years
449 (81)	Up 81 (Up 11)	43.4 years old	18.7 years

(Note) The number of employees consists of full-time workers, excluding part-time and temporary workers. The annual average number of part-time and temporary workers is presented in brackets.

(8) Principal Lenders (as of March 31, 2019)

Lender	Outstanding loan amount
Sumitomo Mitsui Banking Corporation	¥1,700 million
MUFG Bank, Ltd.	¥1,400 million
The Hokuetsu Bank, Ltd	¥1,000 million
Mizuho Bank, Ltd.	¥1,000 million
The Daishi Bank, Ltd.	¥500 million
THE HACHIJUNI BANK,LTD.	¥400 million

(9) Policies Concerning Decisions on Distribution of Retained Earnings and Other Matters

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

Based on the policy, the Group will make united efforts to strengthen business structure and secure stable dividends.

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

The Company has decided to pay an annual dividend of ¥21 per share, an interim dividend of ¥9, and a year-end dividend of ¥12, in the fiscal year ended March 31, 2019.

The Company plans to pay an annual dividend of ¥24 per share, an interim dividend of ¥12 and a year-end dividend of ¥12, in the fiscal year ending March 31, 2020.

II. Current Status of the Company

(1) Shares (as of March 31, 2019)

(i) Number of authorized shares: 320,000,000

(ii) Number of shares outstanding: 55,000,000

(iii) Number of shareholders: 10,575

(iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	2,592	5.00
Japan Trustee Services Bank, Ltd. (trust account)	2,230	4.30
The Master Trust Bank of Japan, Ltd. (trust account)	2,179	4.20
The Dai-ichi Life Insurance Company, Limited	2,100	4.05
J.P.MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT (Standing agency: Citibank, N.A., Tokyo Branch)	1,741	3.36
Sumitomo Mitsui Banking Corporation	1, 516	2.92
The Hokuetsu Bank, Ltd.	1,484	2.86
Tsugami Customers' Shareholding Association	1,151	2.22
J.P.MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT (Standing agency: Citibank, N.A., Tokyo Branch)	998	1.92
GOLDMAN SACHS INTERNATIONAL (Standing agency: Goldman Sachs Japan Co., Ltd.)	922	1.78

Notes
1. In calculating the ratio of holdings, treasury stock was excluded. The ratio was rounded down to the second decimal place.
2. The 2,592 thousand shares held by Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) are an employee retirement benefit trust that Tokyo Seimitsu has created at Mizuho Trust & Banking, and Tokyo Seimitsu reserves the right to direct the exercise of the voting rights associated with the shares. The Company holds 1,033 thousand shares in Tokyo Seimitsu (2.49% of the stock).
3. Although the Company holds 3,192 thousand shares of treasury stock, it is excluded from the list of major shareholders.

(2) Status of Subscription Rights to Shares, etc.

(i) Subscription rights to shares held by directors (as of March 31, 2019)

Date of relevant resolution		June 24, 2005	June 23, 2006
Number of subscription rights to shares		35	22
Type and number of shares underlying subscription rights to shares		Common shares: 35,000 (1,000 shares per subscription rights to share)	Common shares: 22,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	608 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 1, 2005 to June 30, 2025	From July 21, 2006 to July 20, 2026
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 1 Number of subscription rights to shares held: 35 Number of shares to be issued: 35,000	Number of holders: 1 Number of subscription rights to shares held: 22 Number of shares to be issued: 22,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	取締役（監査等委員）	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -

Date of relevant resolution		June 22, 2007	June 20, 2008
Number of subscription rights to shares		29	24
Type and number of shares underlying subscription rights to shares		Common shares: 29,000 (1,000 shares per subscription rights to share)	Common shares: 24,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		513 yen	279 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 10, 2007 to July 9, 2027	From July 8, 2008 to July 7, 2028
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 1 Number of subscription rights to shares held: 29 Number of shares to be issued: 29,000	Number of holders: 1 Number of subscription rights to shares held: 20 Number of shares to be issued: 20,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Auditors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 1 Number of subscription rights to shares held: 4 Number of shares to be issued: 4,000

Date of relevant resolution		June 19, 2009	June 18, 2010
Number of subscription rights to shares		52	29
Type and number of shares underlying subscription rights to shares		Common shares: 52,000 (1,000 shares per subscription rights to share)	Common shares: 29,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		123 yen	532 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 7, 2009 to July 6, 2029	From July 6, 2010 to July 5, 2030
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 1 Number of subscription rights to shares held: 45 Number of shares to be issued: 45,000	Number of holders: 1 Number of subscription rights to shares held: 25 Number of shares to be issued: 25,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 7 Number of shares to be issued: 7,000	Number of holders: 1 Number of subscription rights to shares held: 4 Number of shares to be issued: 4,000

Date of relevant resolution		June 17, 2011	June 17, 2011
Number of subscription rights to shares		57	10
Type and number of shares underlying subscription rights to shares		Common shares: 57,000 (1,000 shares per subscription rights to share)	Common shares: 10,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		408 yen	Gratuitous
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 5, 2011 to July 4, 2031	From July 5, 2011 to July 4, 2031
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 1 Number of subscription rights to shares held: 45 Number of shares to be issued: 45,000	Number of holders: 1 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Auditors	Number of holders: 2 Number of subscription rights to shares held: 12 Number of shares to be issued: 12,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -

Date of relevant resolution		June 15, 2012	June 21, 2013
Number of subscription rights to shares		60	71
Type and number of shares underlying subscription rights to shares		Common shares: 60,000 (1,000 shares per subscription rights to share)	Common shares: 71,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		459 yen	445 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 3, 2012 to July 2, 2032	From July 9, 2013 to July 8, 2033
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 50 Number of shares to be issued: 50,000	Number of holders: 2 Number of subscription rights to shares held: 56 Number of shares to be issued: 56,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 1 Number of subscription rights to shares held: 5 Number of shares to be issued: 5,000
	Auditors	Number of holders: 2 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000	Number of holders: 2 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000

Date of relevant resolution		June 20, 2014	June 18, 2015
Number of subscription rights to shares		71	56
Type and number of shares underlying subscription rights to shares		Common shares: 71,000 (1,000 shares per subscription rights to share)	Common shares: 56,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		452 yen	526 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 8, 2014 to July 7, 2034	From July 7, 2015 to July 6, 2035
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 56 Number of shares to be issued: 56,000	Number of holders: 2 Number of subscription rights to shares held: 40 Number of shares to be issued: 40,000
	Outside directors	Number of holders: 1 Number of subscription rights to shares held: 5 Number of shares to be issued: 5,000	Number of holders: 2 Number of subscription rights to shares held: 8 Number of shares to be issued: 8,000
	Auditors	Number of holders: 2 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000	Number of holders: 2 Number of subscription rights to shares held: 8 Number of shares to be issued: 8,000

Date of relevant resolution		June 22, 2016	June 22, 2016
Number of subscription rights to shares		75	3
Type and number of shares underlying subscription rights to shares		Common shares: 75,000 (1,000 shares per subscription rights to share)	Common shares: 3,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		272 yen	Gratuitous
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 8, 2016 to July 7, 2036	From July 8, 2016 to July 7, 2036
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 55 Number of shares to be issued: 55,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Outside directors	Number of holders: 2 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Auditors	Number of holders: 2 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000	Number of holders: 1 Number of subscription rights to shares held: 3 Number of shares to be issued: 3,000
Date of relevant resolution		June 21, 2017	June 20, 2018
Number of subscription rights to shares		47	540
Type and number of shares underlying subscription rights to shares		Common shares: 47,000 (1,000 shares per subscription rights to share)	Common shares: 54,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		706 yen	771 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 7, 2017 to July 6, 2037	From July 7, 2018 to July 6, 2038
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 27 Number of shares to be issued: 27,000	Number of holders: 5 Number of subscription rights to shares held: 540 Number of shares to be issued: 54,000
	Outside directors	Number of holders: 2 Number of subscription rights to shares held: 6 Number of shares to be issued: 6,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Auditors	Number of holders: 3 Number of subscription rights to shares held: 14 Number of shares to be issued: 14,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -

(ii) Subscription rights to shares issued to employees, etc. as compensation for the execution of their duties during the fiscal year under review

Subscription rights to shares associated with resolution by annual shareholders meeting held on June 20, 2018

- Number of subscription rights to shares
  970 (100 shares per subscription rights to share)
- Number of shares underlying subscription rights to shares
  97,000
- Amount to be paid for the exercise of subscription rights to shares
  Gratuitous
- Amount invested when exercising a subscription rights to share
  ¥100 per unit (¥1 per share)
- Items related to an increase in capital and capital legal reserve when shares are issued as a result of the exercise of the subscription rights to shares
  Issue price: ¥772
  Amount per share to be credited to capital: ¥386
- Period during which subscription rights to shares can be exercised
  From July 7, 2018 to July 6, 2038
- Conditions for exercise of subscription rights to shares
  (i) A holder of the subscription rights to shares may exercise the subscription rights to shares within the Exercise period only when the holder no longer holds a position as the Company's director, corporate auditor, executive officer, and/or employee with a similar title. In this case, the holder may only exercise the subscription rights to shares within a period of seven days from the next day of the date when he/she loses the above titles.
  (ii) The conditions for the exercise of the subscription rights to shares other than the above shall require approval by a resolution of the Board of Directors.
- Status of subscription rights to shares held by the Company's employees, etc.

	Number of subscription rights to shares	Number of shares to be issued	Number of holders
Employees of the Company	970	97,000	25

(3) Officers

(i) Directors and Statutory Auditors (as of March 31, 2019)

Position	Name	Responsibility and important concurrent post
Representative Director, Chairman and CEO	Takao Nishijima	
Representative Director, CFO	Nobuaki Takahashi	
Director	Byun Jae-Hyun	President of TSUGAMI KOREA Co., Ltd.
Director	Kameswaran Balasubramanian	President of TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LTD.
Director	Tang Donglei	President of PRECISION TSUGAMI (CHINA) CORPORATION
Director	Shigeru Nishiyama	
Director	Hitoshi Yoshida	President and CEO of TOKYO SEIMITSU CO., LTD.,
Director (Standing members of the audit and supervisory committee)	Kenji Yoneyama	
Director (Members of the Audit and Supervisory Committee)	Takeo Nakagawa	CEO of Fine Tech Corporation
Director (Members of the Audit and Supervisory Committee)	Koichi Maruno	President of Dai-ichi Life Research Institute Inc.
Director (Members of the Audit and Supervisory Committee)	Kunio Shimada	Representative partner at Shimada Hamba & Osajima

Notes 1. The Company changed to a company with an audit and supervisory committee on June 20, 2018 by resolution of the 115th Annual Shareholders Meeting held on the same date. With this change, Statutory Auditors Kenji Yoneyama and Hitoshi Yoshida retired from their positions due to the expiration of their terms of office. Mr. Kenji Yoneyama has assumed office as a Director (a member of the Audit and Supervisory Committee), and Mr. Hitoshi Yoshida has assumed office as a Director. Directors Takeo Nakagawa and Kunio Shimada retired from their positions due to the expiration of their terms of office on June 20, 2018 by the resolution of the 115th Annual Shareholders Meeting. They have assumed office as Directors (members of the Audit and Supervisory Committee). Mr. Koichi Maruno was elected and assumed office as a Director (a member of the Audit and Supervisory Committee) and assumed office at the 115th Annual Shareholders Meeting.

2. Changes in the Directors and Statutory Auditors during the fiscal year under review other than those described above are as follows:

   Representative Director and CFO Toshio Honma, Representative Director and COO Toshiharu Niijima, Director Nobuyuki Nagai, Director Wang Xiaokun, Statutory Auditor Keiji Hayazaki, Statutory Auditor Morikuni Uchigasaki, and Statutory Auditor Hideo Teramoto retired from their positions at the close of the 115th Annual Shareholders Meeting held on June 20, 2018 due to the expiration of their terms of office. Mr. Nobuaki Takahashi, Mr. Kameswaran Balasubramanian, and Mr. Tang Donglei were elected and assumed office as Directors at the annual shareholders meeting.

3. Director Shigeru Nishiyama, Director Hitoshi Yosida, Director (member of the Audit and Supervisory Committee) Takeo Nakagawa, Mr. Koichi Maruno, and Mr. Kunio Shimada are outside directors.

4. The Company has notified the Tokyo Stock Exchange of the appointment of Director Mr. Takeo Nakagawa, Mr. Koichi Maruno and Mr. Kunio Shimada as independent directors.
5. The Company has appointed Mr. Kenji Yoneyama as standing member of the Audit and Supervisory Committee to improve information and to enhance the effectiveness of audits and auditing and supervisory functions through sufficient collaboration with the internal audit division etc.

(ii) Outline of the details of contracts for the limitation of liability

In accordance with the provisions provided in Paragraph 1 of Article 427 of the Company Law, the Company has concluded contracts with Non-Executive Directors Shigeru Nishiyama, Hitoshi Yoshida, Takeo Nakagawa, Koichi Maruno and Kunio Shimada for damages as stipulated in Paragraph 1 of Article 423 of the Company Law.

The maximum amount of liability for damages based on the above contracts is the minimum liability amount set forth in the laws and ordinances.

(iii) Compensation paid to Directors and Statutory Auditors

Post	Number of Officers	Total amount of compensation, etc.
Directors(excluding the members of the Audit and Supervisory Committee) (Outside Directors included)	13 (4)	¥189 million (¥20 million)
Directors(members of the audit and supervisory committee) (Outside Directors included)	4 (3)	¥31 million (¥20 million)
Statutory Auditors (Outside Statutory Auditors included)	5 (3)	¥16 million (¥7 million)
Total (Outside Officers included)	22 (10)	¥237 million (¥48 million)

(Notes) 1. The above figures include 4 directors and 5 statutory auditors who retired on June 20, 2018.
In the table above, the same persons are counted more than once, and the actual number of officers to whom compensation was paid is 18 (including 7 outside officers.)

2. Cash compensation for directors and compensation, etc. for directors associated with subscription rights to shares allocated as stock options for a stock-liked compensation plan before the Company changed to a company with an audit and supervisory committee were resolved to be not more than ¥250 million per annum and not more than ¥80 million per annum, respectively, by the 109th Annual Shareholders Meeting. Cash compensation for directors (excluding members of the Audit and Supervisory Committee) and compensation, etc. for directors (excluding members of the Audit and Supervisory Committee) associated with subscription rights to shares allocated as stock options for a stock-linked compensation plan after the Company changed to a company with an audit and supervisory committee were resolved to be not more than ¥250 million per annum and not more than ¥80 million per annum, respectively, by the 115th Annual Shareholders Meeting.
3. Compensation, etc. for directors (members of the Audit and Supervisory Committee) was resolved to be not more than cash compensation of ¥80 million per annum by the 115th Annual Shareholders Meeting.
4. The maximum amount of compensation, etc. for statutory auditors was resolved to be not more than cash compensation of ¥60 million per annum by the 103rd annual shareholders meeting. In addition to the above compensation, the maximum amount of compensation, etc. associated with subscription rights to shares allocated as stock options for a stock-linked compensation plan was resolved to be not more than ¥20 million per annum.
5. The total amount of compensation, etc. included the following compensation.
- Compensation in the form of stock options

12 directors(excluding members of the Audit and Supervisory Committee):
¥45 million (including ¥1 million for 3 outside directors)
5 statutory auditors: ¥4 million (including ¥1 million for 3 outside statutory auditors)

(iv) Matters concerning out officers

a. Posts held concurrently by outside officers and relationships between the Company and other relevant companies

Position, Name	Company name	Post	Relationship
Director, Shigeru Nishiyama	Mitsui Sugar Co., Ltd.	Auditor	No special interests exist between the Company and Mitsui Sugar Co., Ltd.
Director, Hitoshi Yoshida	Tokyo Seimitsu Co., Ltd.	President and CEO	The Company has trading relationships, including purchase of products, with Tokyo Seimitsu Co., Ltd.
Director (Members of the Audit and Supervisory Committee), Takeo Nakagawa	Fine Tech Corporation FANUC LTD. OSG CORPORATION	CEO Auditor Director (Members of the Audit and Supervisory Committee)	The Company has trading relationships, including sales of products, with Fine Tech Corporation, and trading relationships, including purchase of products, with FANUC LTD. No special interests exist between the Company and OSG CORPORATION.
Director (Members of the Audit and Supervisory Committee), Koichi Maruno	Dai-ichi Life Research Institute Inc.	Representative Director, President	No special interests exist between the Company and Dai-ichi Life Research Institute Inc.
Director (Members of the Audit and Supervisory Committee), Kunio Shimada	Shimada Hamba & Osajima Hulic Reit, Inc.	Representative partner Supervisory Officer	No special interests exist between the Company and both Shimada Hamba & Osajima and Hulic Reit, Inc.

b. Major activities in the fiscal year under review

Names	Major activities
Shigeru Nishiyama, Director	He attended 9 of the 9 meetings of the Board of Directors meetings held in the fiscal year under review and made remarks as needed, primarily from the viewpoint of an experienced corporate manager.
Hitoshi Yoshida, Statutory Auditor	He attended 1 as a Statutory Auditor and 6 as a Director of the 9 meetings of the Board of Directors held in the fiscal year under review and 1 of the 1 Board of Statutory Auditors meetings and made remarks as needed, primarily from the viewpoint of an experienced corporate manager.
Takeo Nakagawa, Director(Members of the Audit and Supervisory Committee)	He attended 8 of the 9 meetings of the Board of Directors held in the fiscal year under review and 4 of the 4 Board of Statutory Auditors meetings and made remarks as needed based on his insight into the entire manufacturing industry, from the viewpoint of an experienced corporate manager.
Koichi Maruno, Director(Members of the Audit and Supervisory Committee)	After he assumed office as a Director (member of the Audit and Supervisory Committee) on June 20, 2018, he attended 7 of the 7 meetings of the Board of Directors held in the fiscal year under review and 4 of the 4 Board of Statutory Auditors meetings and made remarks as needed based on his insight into the entire manufacturing industry, from the viewpoint of an experienced corporate manager.
Kunio Shimada, Director(Members of the Audit and Supervisory Committee)	He attended 9 of the 9 meetings of the Board of Directors held in the fiscal year under review and 4 of the 4 Board of Statutory Auditors meetings and made remarks as needed, primarily from the viewpoint of an experienced lawyer.

(4) Status of Independent Auditor

(i) Name of the independent auditor: Ernst & Young ShinNihon LLC

(ii) Amount of Compensation

	Amount to be paid
Compensation to be paid to independent auditors for the fiscal year under review	¥43 million
The total amount of cash and other assets to be paid by the Company and subsidiaries to independent auditors	¥47 million

Notes
1. The auditing contract between the Company and the independent auditor makes no distinction between auditing services based on the Company Law and auditing services based on the Financial Instruments and Exchange Law. Since no real distinction can be made in practice, the amount of compensation to be paid for the fiscal year under review represents the total amount.
2. The Audit and Supervisory committee has carried out an inspection necessary for deciding whether the independent auditor's audit plan, its performance of its duties, and its basis for estimating its compensation are appropriate or not and has agreed on the amount of compensation for the independent auditor.
3. Financial statements of PRECISION TSUGAMI (CHINA) CORPORATION and TSUGAMI PRECISION ENGEINEERING INDIA PRIVATE LTD are audited by certified public accountants, not the independent auditor.

(iii) Nonaudit work

The Company paid the accounting auditor a consideration for the preparatory work for the change in accounting standards to the international accounting standards.

(iv) Policy concerning decisions to dismiss or not to reappoint independent auditors

The Company's audit and supervisory committee will determine the details of a proposal concerning the dismissal or non-reappointment of an independent auditor for submission to the shareholders meeting when the Audit and Supervisory committee deems this necessary, for example, when execution of duties by the relevant independent auditor is disrupted. The Audit and Supervisory committee may dismiss an independent auditor based on its unanimous approval, when items stipulated in the items of Paragraph 1 of Article 340 of the Company Law are deemed to be applicable to the relevant independent auditor. In this case, members of the audit and supervisory committee elected by the Audit and Supervisory committee will present details and reasons for the dismissal of the independent auditor at the first annual shareholders meeting held after the dismissal.

The Board of Directors will ask the Audit and Supervisory committee to include the dismissal or non-reappointment of the independent auditor in the agenda of the shareholders meeting when the Board of Directors deems this necessary, for example, when execution of duties by the relevant independent auditor is disrupted, and, if the Audit and Supervisory committee judges this request appropriate, it will determine the details of a proposal for submission to the shareholders meeting.

(v) Outline of the details of contracts for the limitation of liability

There are no contracts in question.

(5) Systems for Ensuring the Appropriate Implementation of Operations and the Operation of the Systems

The Company has been developing systems (internal control systems) to ensure the appropriateness of operations and the reliability of financial reports in its effort to achieve sustainable growth in corporate value.
The Company's Board of Directors has adopted basic policies of internal control systems as follows:

(i) Systems for ensuring the execution of the duties of directors and employees are in compliance with laws and ordinances and the Articles of Incorporation

a. Given that compliance is one of its key management issues, the Board of Directors shall establish the Tsugami Group Code of Conduct and develop a compliance policy to ensure that the Company operates based on sound social practices.

b. The Company shall have an Audit Office, an organization under the direct control of the president, and shall conduct internal audits of compliance.

c. The Company shall establish a "whistle-blowing system," an internal reporting system through which activities that apparently violate the laws and ordinances, the Articles of Incorporation, any other internal rules, or social norms carried out by directors or employees are reported. Whistle blowers shall be protected.

d. The Company is a company with an audit and supervisory committee. Directors' execution of their duties shall be audited based on the Auditing Etc. Standards of the Audit and Supervisory Committee established by the Audit and Supervisory Committee.

(ii) Systems for the storage and management of information concerning directors' execution of duties

The Company shall appropriately maintain and manage the minutes of the Board of Directors, approval documents, documents associated with the directors' executions of their duties, and other related information in accordance with internal rules, such as the document management rules and information security management rules.

(iii) Rules and systems concerning risk management

To manage the diverse risks associated with its business activities, and to prevent such risks from materializing, the Company shall have a risk management committee through which it will collect and analyze information about risks to identify any indications that risks are emerging at an early stage. The Company shall also establish a risk management system by developing rules and manuals so that it can promptly and accurately respond to the situation if risks have materialized.

(iv) Systems for securing efficiency of directors' execution of duties

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

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

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

a. A system for reporting to the Company matters related to the execution of duties by the Directors of subsidiaries, and the like shall be put into operation.

The Company shall set the Group Companies Management Regulations. For the accurate understanding of the details of the management of the subsidiaries, the subsidiaries' monthly results, financial position and other important information shall be reported at corporate management meetings.

b. Regulations and other systems relating to the management of risk loss at subsidiaries

The Company shall hold meetings of the Risk Management Committee as needed, understand the risks and take appropriate measures for preventing or minimizing various risks that surround Group operations in compliance with risk management rules and essential risk management execution rules.

c. System for ensuring efficient execution of duties by the Directors of subsidiaries, and the like

The Company shall respect the management independence of its subsidiaries. At the same time, the Company shall ensure efficiency by discussing important matters with the subsidiaries in advance at regular, monthly management meetings, and the like, and by asking the subsidiaries to resolve such matters at the meetings of their

Board of Directors.

d. Systems for ensuring the conformity of the execution of duties by the Directors, and the like, and the employees of subsidiaries with laws, regulations and Articles of Incorporation

1) The Company shall ensure the compliance systems of its subsidiaries based on the Tsugami Group Code of Conduct.
2) The Directors, etc., of the Company's subsidiaries shall take part in regular management meetings and advance discussions on internal control.
3) The internal audit division (the Audit Office) of the Company shall confirm that the Company's subsidiaries are complying with laws, regulations and in-house rules in the execution of their businesses.

(vi) Matters concerning applicable employees in cases where the Audit and Supervisory committee request the assignment of employees who should assist them in their duties

a. The Company may assign employees (auxiliary employees) who should assist the Audit and Supervisory committee in cases where the Audit and Supervisory committee request their assignment.

b. The Company shall work to strengthen its system of auxiliary employees from the viewpoint of ensuring the effectiveness of the audit, taking into account corporate size, business type, management risks and other company-specific circumstances.

(vii) Matters concerning the independence of employees from Directors (excluding members of the Audit and Supervisory Committee) stated in the foregoing paragraph and matters concerning securing the effectiveness of instructions the Audit and Supervisory committee provide to the concerned employees

a. The Company shall work to ensure the independence of auxiliary employees from Directors.

b. The Company shall address issues, including clarification of the following items necessary for ensuring the independence of auxiliary employees.

1) The authority that auxiliary employees have
2) Organizations which auxiliary employees belong to
3) Elimination of the chain of command Directors (excluding members of the Audit and Supervisory Committee) have over auxiliary employees
4) Granting of consent rights to the Audit and Supervisory committee regarding the reassignment, performance evaluation, disciplinary punishment, etc., of auxiliary employees

(viii) System concerning reports to the Audit and Supervisory committee

a. A system that enables the directors and employees of the Company to submit reports to the Audit and Supervisory committee.

The directors (excluding members of the Audit and Supervisory Committee) and employees of the Company shall report the following items without delay to audit and supervisory committee concerning the execution of their duties.

1) Items concerning important facts that may affect the Company significantly when such facts are found
2) Items concerning acts in violation of laws, regulations or the Articles of Incorporation or acts with such risk when such facts are found
3) Results of internal audits performed by the internal audit division (the Audit Office)
4) The operational status for the Whistle-blowing System and the details of reports

b. A system that enables the Directors, the Audit and Supervisory committee and employees of subsidiaries or individuals who received reports from them to submit reports to the statutory auditors of the Company

1) The directors and employees of the Company's subsidiaries shall report acts in violation of laws, regulations or the Articles of Incorporation, acts with such a risk or important facts that may affect the Company significantly to the Audit and Supervisory committee of the Company without delay when they find such acts or facts.
2) The internal audit divisions of the Company's subsidiaries shall report the results of internal audits performed at the subsidiaries to the audit and supervisory committee of the Company.

(ix) System for ensuring the prevention of unfavorable treatment of individuals who submitted reports to the Audit and Supervisory committee for the reason of having submitted such reports

The Company shall work to establish a system that prevents the unfavorable treatment of individuals who submitted the reports stated in the foregoing paragraph to the Audit and Supervisory committee for the reason for having submitted such reports.

(x) Matters concerning procedures for the advance payment or the refunding of expenses that arise in connection with duty execution by members of the Audit and Supervisory committee or policies on processing expenses or debts that arise in connection with the execution of other concerned duties

The Company shall promptly comply with the concerned request when a members of the Audit and Supervisory committee requests the advance payment of expenses, etc., in connection with the execution of his or her duties unless the requested expenses, etc., could be proven as unnecessary for the execution of the duties by the concerned members of the Audit and Supervisory committee.

(xi) Other systems for ensuring the effectiveness of audits performed by the Audit and Supervisory committee

a. The Audit and supervisory committee shall meet Representative Directors periodically and exchange opinions with them regarding important audit issues.

b. The Audit and supervisory committee shall meet accounting auditors periodically, to exchange opinions and information with them, and ask them to submit reports as needed.

c. The Audit and supervisory committee shall stay in close cooperation with the internal audit division (the Audit Office). Statutory auditors may ask the internal audit division to perform investigations as needed.

(xii) System for ensuring the reliability of financial reports

a. The Company shall establish the Internal Control Reporting System for ensuring the reliability of financial reports and submitting internal control reports effectively and appropriately as prescribed in the Financial Instruments and Exchange Act.

b. The Company shall continually evaluate internal control systems and take the necessary steps in order to correct them in order to ensure the compliance of such systems with the Financial Instruments and Exchange Act, other laws and regulations.

c. The internal audit division (the Audit Office), as a responsible division, shall implement monitoring, evaluation and assist in improving the operation of internal control systems.

(xiii) Systems for excluding antisocial forces

a. The Company shall systematically deal with antisocial forces that threaten social order and sound corporate activities with a resolute attitude.

b. The Company shall deal with antisocial forces in cooperation with police, lawyers and external specialized agencies, such as corporate defense councils, when cases of unreasonable demand by such forces, and the like emerge.

(Operation of systems for ensuring the appropriate implementation of operations)

The status of operation of systems for ensuring the appropriate implementation of operations in the fiscal year under review is as follows:

(i) Compliance system

The Company distributes the Tsugami Group Code of Conduct, which stipulates its compliance policy, to all of its employees, and continuously takes steps to comply with laws and ordinances and the Articles of Incorporation. The Company works to increase the effectiveness of the compliance system chiefly by establishing a "whistle-blowing system" and implementing internal audits of compliance by the internal audit division (the Audit Office).

(ii) Risk management system

Under the risk management rules and the essential risk management execution rules, the Company took appropriate measures. The Company held risk management committee meetings from time to time and monitored and determined the status of risk in the Group. The status of risk was reported to the Board of Directors and discussed from time to time. In this way, the Company works to enhance risk management.

(iii) Directors' execution of duties

Under the Board of Directors Rules, the Company, in principle, holds a meeting of the Board of Directors every month. The Board of Directors makes resolutions on matters specified in laws and ordinances or the Articles of Incorporation and important management matters and oversees the directors' execution of their duties. The Company elects outside directors to strengthen the Board of Directors' function of overseeing the directors' execution of duties.

(iv) Group management system

Under the Group Companies Management Regulations, corporate management meetings and meeting for reporting the business of its subsidiaries are held every month. At these meetings, the subsidiaries report their monthly results and financial status and other important information. The internal audit division (the Audit Office) regularly carries out operations audits of important subsidiaries.

(v) The members of the Audit and Supervisory committee' execution of duties

The Audit and Supervisory committee hold meetings of the Audit and Supervisory committee regularly and participate in other important meetings, including meetings of the Board of Directors and corporate management meetings. The statutory auditors view important documents on the execution of duties and request explanations from the Company's directors and employees as needed. The statutory auditors exchange information with the Company's directors, independent auditors, and the internal audit division (the Audit Office) regularly to ensure the effectiveness of audits.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(Million yen)

Account title	Amount	Account title	Amount
ASSETS:		**LIABILITIES:**	
Current assets:	**47,132**	**Current liabilities:**	**22,424**
Cash and deposits	10,808	Trade notes and accounts payable	11,905
Trade notes and accounts receivable	12,614	Short-term loans payable	6,000
Merchandise and finished goods	9,980	Income taxes payable	477
Work in process	5,583	Provision for bonuses	331
Raw materials and supplies	6,123	Advances received	1,462
Consumption taxes receivable	1,405	Provision for product warranties	576
Other	688	Other	1,672
Allowance for doubtful accounts	-70	**Non-current liabilities:**	**1,727**
Non-current assets:	**17,084**	Long-term advances received	214
Property, plant and equipment:	**8,868**	Deferred tax liabilities	557
Buildings and structures	5,524	Provision for directors' retirement benefits	24
Machinery, equipment and vehicles	2,789	Net defined benefit liability	889
Land	241	Other	**40**
Leased assets	20	**Total non-current liabilities**	**24,152**
Construction in progress	27	**NET ASSETS:**	
Other	264	**Shareholders' equity:**	**30,143**
Intangible assets:	**1,380**	Capital stock	12,345
Investments and other assets:	**6,835**	Capital surplus	2,806
Investment securities	6,097	Retained earnings	17,935
Shares of subsidiaries and associates	11	Treasury stock	-2,943
Investments in capital of subsidiaries and associates	69	**Accumulated other comprehensive income:**	**2,631**
Deferred tax assets	256	Valuation difference on available-for-sale securities	2,600
Net defined benefit asset	104	Foreign currency translation adjustment	145
Other	296	Remeasurements of defined benefit plans	-114
Total Assets	**64,217**	**Subscription rights to shares**	**495**
		Non-controlling interests	**6,794**
		Total net assets	**40,065**
		Total Liabilities and Total Net Assets	**64,217**

CONSOLIDATED STATEMENTS OF INCOME

(From April 1, 2018 to March 31, 2019)

(Million yen)

Account title	Amount
Net sales	**67,447**
Cost of sales:	**47,590**
Gross profit	**19,856**
Selling, general and administrative expenses	**9,802**
Operating income	**10,053**
Non-operating income:	**449**
Interest income	114
Dividend income	216
Insurance income	60
Other	58
Non-operating expenses:	**348**
Interest expenses	68
Loss on sales of notes payable	85
Foreign exchange losses	98
Other	96
Ordinary income	**10,154**
Extraordinary income:	**72**
Gain on sales of non-current assets	5
Subsidy income	66
Extraordinary losses:	**87**
Loss on retirement of non-current assets	42
Loss on sales of non-current assets	3
Impairment loss	40
Income before taxes and other adjustments	**10,139**
Corporate, inhabitant and enterprise taxes	2,473
Deferred taxes	-67
Net income	**7,732**
Net income attributable to non-controlling interests	1,699
Net income attributable to owners of parent	**6,033**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	12,345	2,806	13,257	-1,814	26,594
Cumulative effects of changes in accounting policies			-4		-4
Restated balance	12,345	2,806	13,253	-1,814	26,589
Change during the consolidated fiscal year					
Cash dividends paid			-951		-951
Net income attributable to owners of parent			6,033		6,033
Purchase of treasury stock				-1,831	-1,831
Disposal of treasury stock			-399	703	303
Changes in items other than shareholders' equity during the consolidated fiscal year (net)					
Total change during the consolidated fiscal year	--	--	4,682	-1,128	3,554
Balance as of March 31, 2019	12,345	2,806	17,935	-2,943	30,143

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2018	4,149	409	-69	4,489	656	5,776	37,516
Cumulative effects of changes in accounting policies						-2	-6
Restated balance	4,149	409	-69	4,489	656	5,774	37,509
Change during the consolidated fiscal year							
Cash dividends paid							-951
Net income attributable to owners of parent							6,033
Purchase of treasury stock							-1,831
Disposal of treasury stock							303
Changes in items other than shareholders' equity during the consolidated fiscal year (net)	-1,548	-264	-45	-1,858	-160	1,019	-999
Total change during the consolidated fiscal year	-1,548	-264	-45	-1,858	-160	1,019	2,555
Balance as of March 31, 2019	2,600	145	-114	2,631	495	6,794	40,065

Notes to Consolidated Financial Statements

1. Important Matters that Become Basis of Presenting Consolidated Financial Statements

(1) Scope of consolidation

(i) State of consolidated subsidiaries

- Number of consolidated subsidiaries: 9
- Names of major consolidated subsidiaries: TSUGAMI MACHINERY CO., LTD.
  TSUGAMI GENERAL SERVICE CO., LTD.
  Precision Tsugami (China) Corporation Limited
  Precision Tsugami (Hong Kong) Limited
  PRECISION TSUGAMI (CHINA) CORPORATION
  Shinagawa Precision Machinery (Zhejiang) Co., Ltd.
  Precision Tsugami (Anhui) Corporation
  TSUGAMI KOREA Co., Ltd.
  TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED
  Precision Tsugami (Anhui) Corporation listed above is included in the consolidated subsidiaries from the fiscal year under review because it was established as of April 18, 2018.

(ii) State of non-consolidated subsidiaries

- Names of major non-consolidated subsidiaries:
  TSUGAMI (THAI) CO., LTD.
  TSUGAMI EUROPE GmbH
  TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED
  TSUGAMI Universal Pte. Ltd.
- Reason for non-consolidation: The non-consolidated subsidiaries are small in size, and their total assets, sales, net income or loss (amounts to equivalent to the equity holding) and retained earnings (amounts to equivalent to the equity holding) do not have significant material effect on the consolidated financial statements.

(2) Application of equity method

(i) State of non-consolidated subsidiaries and affiliates to which the equity method is applicable

- Number of non-consolidated subsidiaries and affiliates to which the equity method is applicable:
  0

(ii) State of non-consolidated subsidiaries and affiliates to which the equity method is not applicable

- Names of major companies: TSUGAMI (THAI) CO., LTD.
  TSUGAMI EUROPE GmbH
  TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED
  TSUGAMI Universal Pte. Ltd.
- Reason for not applying the equity method: These non-consolidated subsidiaries and affiliates are excluded from the scope of equity method application because their exclusion produces minor effects on consolidated financial statements and has no significance in light of their respective net income or net loss (amount corresponding to equity), retained earnings and other items.

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

Among the consolidated subsidiaries, the balance sheet date of PRECISION TSUGAMI (CHINA) CORPORATION, Shinagawa Precision Machinery (Zhejiang) Co., Ltd. and Precision Tsugami (Anhui) Corporation are December 31.
In preparing the consolidated financial statements, financial statements based on provisional calculations made as of the consolidated closing date were utilized in connection with this company.

(4) Matters concerning significant accounting policies

(i) Valuation standard and valuation method of major assets

a. Other securities

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

- Securities without fair market value:

Cost accounting method using the moving average method

b. Valuation standard and valuation method for inventories

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

(ii) Depreciation and amortization methods used for material depreciable and amortizable assets

a. Property, plant and equipment (excluding leased assets)

The straight-line method is mainly adopted.

The significant service lives are summarized as follows:

Buildings and structures:	15-38 years
Machinery, equipment and vehicles:	9 years

b. Intangible assets (excluding leased assets)

- Software for internal use: Such assets are amortized using the straight-line method based on the effective period of internal use (five years).
- Other intangible assets: The straight-line method is used.

c. Leased assets

- Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.

(iii) Accounting standards for significant allowances

a. Allowance for doubtful accounts — To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

b. Allowance for employees' bonuses — To prepare for bonus payments to employees of the Company and certain its consolidated subsidiaries, amounts that need to be paid in the consolidated fiscal year under review are provided as estimates.

c. Allowance for directors' retirement benefits

Certain of the Company's consolidated subsidiaries recorded an allowance for retirement benefits for directors equivalent to the amount payable in accordance with their rules for directors' retirement benefits.

d. Allowance for product warranties — To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company and certain its consolidated subsidiaries accrue repair expenses using an amount projected based on the past ratio of repairs.

(iv) Standards for translating significant assets or liabilities in foreign currencies into yen

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

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

a. Accounting standards for Net defined benefit liability

For net defined benefit liability, the amount that is obtained by subtracting pension assets from retirement benefit obligations is provided on the basis of estimated amounts at the end of the consolidated fiscal year under review to prepare for retirement benefits paid to employees of the Company.

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

Any unrecognized actuarial difference is posted in remeasurements of defined benefit plans in accumulated other comprehensive income under net assets, after making an adjustment for tax effect.

b. Accounting method for consumption taxes

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

2. Changes in Accounting Policy

(Adoption of IFRS 15 [Revenue from Contracts with Customers])

Overseas Subsidiaries that Prepare Financial Statements in accordance with International Financial Reporting Standards apply IFRS 15 [Revenue from Contracts with Customers] from the fiscal year under review.

Due to this application, recognition standards for revenue have been revised, revenue is now recognized at the time the agreed upon goods or services are transferred to the customer, as amounts that reflect the consideration for which rights are expected to be acquired in exchange for said goods or services.

Regarding the application of IFRS 15, in line with the treatments in progress of the IFRS 15, the amount of the cumulative effect has been added or subtracted from retained earnings at the beginning of the fiscal year under review.

As the result, retained earnings at the beginning of the fiscal year under review decreased by ¥4 million. Net sales for fiscal year under review decreased by ¥59 million and operating income, ordinary income and income before income taxes and other adjustments decreased by ¥22 million respectively.

3. Changes in Method of Presentation

(Application of the partial amendments to Accounting Standard on Tax Effect Accounting, etc.)

The partial amendments to Accounting Standard on Tax Effect Accounting (ASBJ No.28 on February 16, 2018) has been applied from the fiscal year under review. Deferred tax assets are presented in the Investments and other assets of the balance sheets and deferred tax liabilities in the Non-current liabilities.

4. Notes to Consolidated Balance Sheets

(1) Amounts rounded down to the nearest one million yen.

(2) Aggregated depreciation for property, plant and equipment: ¥10,264 million

(3) Amount of discount for bills receivable: ¥1,860 million

Amount of discount for export bills receivable: ¥3,250 million

(4) Notes due at the end of the consolidated fiscal year

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

Amount of discount for bills receivable: ¥127 million

5. Notes to Consolidated Statements of Changes in Net Assets

(1) Matters relating to the total number of outstanding shares

Share type	Number of shares at the beginning of the current consolidated fiscal year	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Common shares	55,000 thousand	--	--	55,000 thousand

(2) Matters relating to the number of treasury stock

Share type	Number of shares at the beginning of the current consolidated fiscal year	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Common shares	1,918 thousand	1,968 thousand	693 thousand	3,192 thousand

Note: The increase in common shares of treasury stock of 1,968 thousand shares due to the purchase of 1,965 thousand shares on the Tokyo Stock Exchange, and the purchase of 2 thousand shares of odd-lot shares.
The decrease in common shares of treasury stock of 693 thousand shares was due to the exercise of stock options.

(3) Matters relating to dividends

(i) Dividends paid

Matters relating to dividends resolved at the Board of Directors meeting on May 11, 2018

- Total amount of dividend ¥477 million
- Dividend per share ¥9
- Record date March 31, 2018
- Effective date May 28, 2018

Matters relating to dividends resolved at the Board of Directors meeting on November 12, 2018

- Total amount of dividend ¥473 million
- Dividend per share ¥9
- Record date September 30, 2018
- Effective date November 30, 2018

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

The following dividends will be submitted to the Board of Directors meeting on May 14, 2019 for approval.

- Total amount of dividend ¥621 million
- Dividend per share ¥12
- Record date March 31, 2019
- Effective date May 28, 2019

Dividend resources are planned to be retained earnings.

(4) Matters concerning subscription rights to shares at the end of the consolidated fiscal year under review

	Resolved at the annual shareholders meeting on June 24, 2005	Resolved at the Board of directors meeting on June 23, 2006
Type of subject shares	Common shares	Common shares
Number of subject shares	35,000	22,000
Unexercised subscription rights to shares	35	22
	Resolved at the Board of directors meeting on June 22, 2007	Resolved at the Board of directors meeting on June 20, 2008
Type of subject shares	Common shares	Common shares
Number of subject shares	29,000	24,000
Unexercised subscription rights to shares	29	24
	Resolved at the Board of directors meeting on June 19, 2009	Resolved at the Board of directors meeting on June 18, 2010
Type of subject shares	Common shares	Common shares
Number of subject shares	52,000	29,000
Unexercised subscription rights to shares	52	29
	Resolved at the annual shareholders meeting on June 18, 2010	Resolved at the Board of directors meeting on June 17, 2011
Type of subject shares	Common shares	Common shares
Number of subject shares	3,000	57,000
Unexercised subscription rights to shares	3	57
	Resolved at the annual shareholders meeting on June 17, 2011	Resolved at the Board of directors meeting on June 15, 2012
Type of subject shares	Common shares	Common shares
Number of subject shares	16,000	60,000
Unexercised subscription rights to shares	16	60
	Resolved at the annual shareholders meeting on June 15, 2012	Resolved at the Board of directors meeting on June 21, 2021
Type of subject shares	Common shares	Common shares
Number of subject shares	14,000	71,000
Unexercised subscription rights to shares	14	71
	Resolved at the annual shareholders meeting on June 21, 2013	Resolved at the Board of directors meeting on June 20, 2014
Type of subject shares	Common shares	Common shares
Number of subject shares	37,000	71,000
Unexercised subscription rights to shares	37	71

	Resolved at the annual shareholders meeting on June 20, 2014	Resolved at the annual shareholders meeting on June 20, 2014
Type of subject shares	Common shares	Common shares
Number of subject shares	42,000	28,000
Unexercised subscription rights to shares	42	28
	Resolved at the Board of directors meeting on June 18, 2015	Resolved at the annual shareholders meeting on June 18, 2015
Type of subject shares	Common shares	Common shares
Number of subject shares	56,000	54,000
Unexercised subscription rights to shares	56	54
	Resolved at the Board of directors meeting on June 22, 2016	Resolved at the annual shareholders meeting on June 22, 2016
Type of subject shares	Common shares	Common shares
Number of subject shares	75,000	92,000
Unexercised subscription rights to shares	75	92
	Resolved at the Board of directors meeting on June 21, 2017	Resolved at the annual shareholders meeting on June 21, 2017
Type of subject shares	Common shares	Common shares
Number of subject shares	47,000	71,000
Unexercised subscription rights to shares	47	71
	Resolved at the Board of directors meeting on June 20, 2018	Resolved at the annual shareholders meeting on June 20, 2018
Type of subject shares	Common shares	Common shares
Number of subject shares	54,000	86,000
Unexercised subscription rights to shares	540	860

6. Notes on Financial Instruments

(1) Situation of financial instruments

The Group raises funds needed for the execution of operations in Japan and overseas by borrowing from banks and other means.

The Group mitigates the credit risks of customers related to trade notes and accounts receivable under its credit management regulations. Investment securities are primarily shares, and the Group obtains information on the market values of listed shares quarterly.

Short-term loans payable are used for operating funds.

(2) Market values of financial instruments

The table below shows the consolidated balance sheet amounts and market values of financial instruments and the differences between them as of March 31, 2019. (Million yen)

		Carrying amount on the consolidated balance sheet (*)	Market value (*)	Difference
(i)	Cash and deposits	10,808	10,808	--
(ii)	Trade notes and accounts receivable	12,614	12,614	--
(iii)	Investment securities			
	Other securities	6,096	6,096	--
(iv)	Trade notes and accounts payable	(11,905)	(11,905)	--
(v)	Short-term loans payable	(6,000)	(6,000)	--

(*) The figures in parentheses are posted in liabilities.

Notes 1. Methods to calculate the market values of financial instruments and matters relating to securities

(i) Cash and deposits and (ii) Trade notes and accounts receivable

These are settled within the short term, and their market values are almost equal to their book values. The book values are therefore deemed to be the market values.

(iii) Investment securities, Other securities

The market values of shares are share prices on the stock exchange.

(iv) Trade notes and accounts payable and (v) Short-term loans payable

These are settled within the short term, and their market values are almost equal to their book values. The book values are therefore deemed to be the market values.

2. Unlisted shares (consolidated balance sheet amount: ¥1 million) do not have market prices, its future cash flows cannot be estimated, and it is very difficult to estimate their market values. The Company therefore does not include it in "(iii) Investment securities, Other securities."

7. Notes on Per Share Information

(1) Net assets per share ¥632.63

(2) Net income per share ¥114.94

8. Notes on Important Post-Balance Sheet Events

Not applicable.

NON- CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(Million yen)

Account title	Amount	Account title	Amount
ASSETS:		**LIABILITIES:**	
Current assets:	**21,246**	**Current liabilities:**	**14,314**
Cash and deposits	2,258	Trade notes payable	5,010
Trade notes receivable	214	Trade accounts payable	1,805
Accounts receivable	8,935	Short-term loans payable	6,000
Merchandise and finished goods	4,544	Accounts payable	372
Work in process	2,207	Accrued expenses payable	251
Raw materials and supplies	1,679	Income taxes payable	106
Consumption taxes receivable	1,035	Provision for product warranties	342
Other	453	Provision for bonuses	181
Allowance for doubtful accounts	-83	Other	245
Non-current assets:	**14,541**	**Non-current liabilities**	**1,406**
Property, plant and equipment	**2,597**	Deferred tax liabilities	559
Buildings	1,890	Provision for retirement benefits	807
Structures	71	Other	40
Machinery and equipment	264	**Total liabilities**	**15,721**
Vehicles	6	**NET ASSETS:**	
Tools, furniture and fixtures	103	**Shareholders' equity:**	**16,970**
Land	241	**Capital stock**	**12,345**
Leased assets	20	**Retained earnings:**	**7,568**
Intangible assets:	**510**	Legal retained earnings	242
Telephone subscription right	7	Other retained earnings:	7,325
Software	92	Retained earnings brought forward	7,325
Software in progress	409	**Treasury stock**	**-2,943**
Other	0	**Valuation and translation adjustments:**	**2,600**
Investments and other assets:	**11,433**	Valuation difference on available-for-sale securities	2,600
Investment securities	6,097		
Shares of subsidiaries and associates	3,521	**Subscription rights to shares**	**495**
Investments in capital of subsidiaries and associates	849	**Total net assets**	**20,066**
Long-term loans receivable from subsidiaries and affiliates	544	**Total Liabilities and Total Net Assets**	**35,787**
Prepaid pension cost	203		
Other	217		
Total Assets	**35,787**		

NON- CONSOLIDATED STATEMENTS OF INCOME

(From April 1, 2018 to March 31, 2019)

(Million yen)

Account title	Amount
Net sales	**38,557**
Cost of sales:	**31,932**
Gross profit	**6,625**
Selling, general and administrative expenses:	**4,716**
Operating loss	**1,908**
Non-operating income:	**1,843**
Interest income	11
Dividend income	1,708
Insurance income	60
Other	63
Non-operating expenses:	**259**
Interest expenses	68
Sales discount	17
Loss on sales of notes payable	85
Foreign exchange losses	26
Other	61
Ordinary income	**3,491**
Extraordinary income:	**5**
Gain on sales of non-current assets	5
Extraordinary losses:	**47**
Loss on retirement of non-current assets	3
Loss on sales of non-current assets	2
Impairment loss	40
Income before taxes	**3,449**
Corporate, inhabitant and enterprise taxes	352
Deferred taxes	-28
Net income	**3,125**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
	Capital stock	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Deferred retained earnings	Total retained earnings
Balance as of March 31, 2018	12,345	--	--	147	5,645	5,793
Change during the fiscal year						
Cash dividends paid				95	-1,046	-951
Net income					3,125	3,125
Purchase of treasury stock						
Disposal of treasury stock					-399	-399
Changes in items other than shareholders' equity during the fiscal year (net)						
Total change during the fiscal year	--	--	--	95	1,679	1,774
Balance as of March 31, 2019	12,345	--	--	242	7,325	7,568

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of March 31, 2018	-1,814	16,323	4,149	4,149	656	21,129
Change during the fiscal year						
Cash dividends paid		-951				-951
Net income		3,125				3,125
Purchase of treasury stock	-1,831	-1,831				-1,831
Disposal of treasury stock	703	303				303
Changes in items other than shareholders' equity during the fiscal year (net)			-1,548	-1,548	-160	-1,709
Total change during the fiscal year	-1,128	646	-1,548	-1,548	-160	-1,062
Balance as of March 31, 2019	-2,943	16,970	2,600	2,600	495	20,066

Notes to Non-Consolidated Financial Statements

1. Matters Concerning Significant Accounting Policies

(1) Valuation standard and valuation method for assets

(i) Shares in subsidiaries and affiliates: Cost accounting method using the moving average method

(ii) Other securities:

- Securities with fair market value: Market value method based on the quoted market value on the closing date of the fiscal year (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)
- Securities without fair market value: Cost accounting method using the moving average method

(iii) Valuation standard and valuation method for inventories

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

(2) Depreciation method for non-current assets

(i) Property, plant and equipment (excluding leased assets)

The straight-line method is adopted.

The significant service lives are summarized as follows:

Buildings:	15 to 38 years
Machinery and equipment:	9 years
Tools, furniture and fixtures	5 years

(ii) Intangible assets (excluding leased assets)

- Software for internal use: Such assets are amortized using the straight-line method based on the effective period of internal use (five years).

(iii) Leased assets

- Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.

(3) Accounting standards for allowances

(i) Allowance for doubtful accounts: To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

(ii) Allowance for employees' bonuses: To prepare for bonus payments to employees, an amount that needs to be paid in the fiscal year under review are provided as an estimate.

(iii) Allowance for retirement benefits: To prepare for retirement benefits payment to employees, the allowance is provided on the basis of amounts of retirement benefit obligations and pension assets estimated at the end of the fiscal year under review.

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

(iv) Allowance for product warranties: To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.

(4) Other matters that form the basis for the preparation of financial statements

Accounting method for consumption taxes

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

2. Changes in Method of Presentation

(Application of the partial amendments to Accounting Standard on Tax Effect Accounting, etc.)

The partial amendments to Accounting Standard on Tax Effect Accounting (ASBJ No.28 on February 16, 2018) has been applied from the fiscal year under review. Deferred tax assets are presented in the Investments and other assets of the balance sheets and deferred tax liabilities in the Non-current liabilities.

3. Notes to Non-Consolidated Balance Sheets

(1) Amounts rounded down to the nearest one million yen.

(2) Aggregated depreciation for property, plant and equipment ¥5,577 million

(3) Amount of discount for bills receivable ¥1,860 million

Amount of discount for export bills receivable ¥3,250 million

(4) The amount of an allowance for doubtful accounts that is directly deducted from assets

Investments and other assets ¥3 million

(5) Monetary receivables from and monetary payables to affiliates are as follows:

(i) Short-term monetary receivables ¥4,677 million

(ii) Long-term monetary receivables ¥547 million

(iii)Short-term monetary payables ¥948 million

(6) Notes due at the end of the fiscal year

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

Amount of discount for bills receivable: ¥127 million

4. Notes to Non-Consolidated Statements of Income

Transactions with affiliates

(1) Transactions by business transactions

Sales ¥10,767 million

Purchases ¥14,267 million

Selling, general and administrative expenses ¥143 million

(2) Transactions other than business transactions

Dividend income ¥1,492 million

Other ¥27 million

5. Notes to Non-Consolidated Statements of Changes in Net Assets

Matters relating to the number of treasury stock

Share type	Number of shares at the beginning of the current fiscal year	Increase in shares in the fiscal year under review	Decrease in shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common shares	1,918 thousand	1,968 thousand	693 thousand	3,192 thousand

Note The increase in common shares of treasury stock of 1,968 thousand shares due to the purchase of 1,965 thousand shares on the Tokyo Stock Exchange, and the purchase of 2 thousand shares of odd-lot shares.

The decrease in common shares of treasury stock of 693 thousand shares was due to the exercise of stock options.

6. Deferred Tax Accounting

The major causes for the generation of deferred tax assets are the denials of provision for retirement benefits, provision for product warranties, reduction in valuation of inventories and reserve for bonus payment, etc., while the major cause for the generation of deferred tax liabilities is unrealized gains on marketable securities.

7. Notes on Non-current assets Used under Lease Contracts

Not applicable.

8. Notes on Transactions with Related Parties

Notes on transactions with subsidiaries and affiliates

Attributes	Company names	Ownership of voting rights in percentage (%)	Relationships	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Subsidiary	PRECISION TSUGAMI (CHINA) CORPORATION	(Owning) Indirect: 70.8%	Manufacture and sales of products of the Company Purchase of products of the company Concurrent service by directors	Sales of the Company's products and parts	6,064	Accounts receivable	580
				Purchase of products of the company (Note1)	13,141	Accounts payable	808
Subsidiary	TSUGAMI KOREA CO., LTD.	(Owning) Direct: 100.0%	Sales of the Company's products and parts Concurrent service by directors	Sales of the Company's products and parts (Note1)	570	Accounts receivable	647
Subsidiary	TSUGAMI Universal Pte. Ltd.	(Owning) Direct: 100.0%	Sales of the Company's products and parts Concurrent service by directors	Sales of the Company's products and parts (Note1)	395	Accounts receivable	364
Subsidiary	TSUGAMI PRECISION ENGINEERING INDIA PVT.LTD.	(Owning) Direct: 75.7% Indirect: 15.1%	Manufacture and sales of products of the Company Concurrent service by directors	Sales of the Company's products and parts (Note1)	2,685	Accounts receivable	2,740
				Lending of funds (Note2)	--	Long-term loans receivable	547

Business terms and policies for their determination, etc.

Note 1. Terms for sales and purchases of the Company's products, etc. are determined with their market prices as reference data.

2. Reasonable interest rates on loans are determined in consideration of market interest rates.

9. Notes on Per Share Information

(1) Net assets per share ¥377.75

(2) Net income per share ¥59.54

10. Notes on Important Post-Balance Sheet Events

Not applicable.

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Report

May 10, 2019

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC

Kazunari Tsukada
Designated Limited Partner and Operating Partner
Certified Public Accountant

Eishi Daikoku
Designated Limited Partner and Operating Partner
Certified Public Accountant

We have audited the consolidated financial statements of Tsugami Corporation (the "Company"), namely the consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to conoslidated financial statements, for the consolidated fiscal year from April 1, 2018 to March 31, 2019, in accordance with Paragraph 4, Article 444 of the Company Law.

Responsibility of management for consolidated financial statements

Management is responsible for preparing and appropriately presenting consolidated financial statements in compliance with business accounting standards generally accepted in Japan. This includes the development and operation of internal control which management deems necessary for preparing and appropriately presenting consolidated financial statements that do not have material misstatements due to wrong doing or error.

Responsibility of the auditor

This audit corporation is responsible for expressing its opinions on the consolidated financial statements from an independent position based on audits it conducted. We conducted our audits in accordance with auditing standards generally accepted in Japan. Such auditing standards require this audit corporation to formulate an audit plan to obtain reasonable assurance for the absence of material misstatements in these consolidated financial statements and conduct audits based on the audit plan.
In the audits, procedures to obtain audit evidence for the amounts and disclosure of consolidated financial statements are conducted. The audit procedures are selected and applied based on an evaluation of the risk of material misstatements in these consolidated financial statements due to wrongdoing or error. Although the purpose of the audits is not to express our opinions on the effectiveness of internal control, we examine the internal control related to the preparation and appropriate presentation of consolidated financial statements to design appropriate audit procedures in accordance with circumstances for implementing the risk evaluation. The audits also include an examination of the presentation of consolidated financial statements as a whole, including accounting policies adopted by management and the application method thereof and an evaluation of estimates made by management.
We believe that we have obtained sufficient and appropriate audit evidence that will become a basis upon which to express our opinion.

Auditor's opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the state of consolidated properties and the state of consolidated profit and loss of a corporate group that consists of the Company and its consolidated subsidiaries for the consolidated fiscal year specified above in conformity with business accounting standards generally accepted in Japan.

Interest

No interest exists between the Company and this audit corporation or between the Company and the Designated and Engagement Partners named above as required under the stipulations of the Certified Public Accountants Act.

Accounting Audit Report on Non-Consolidated Financial Statements

Independent Auditors' Report

May 10, 2019

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC

Kazunari Tsukada
Designated Limited Partner and Operating Partner
Certified Public Accountant

Eishi Daikoku
Designated Limited Partner and Operating Partner
Certified Public Accountant

We have audited the non-consolidated financial statements of Tsugami Corporation (the "Company"), namely the non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements and their supporting schedules of changes in net assets, notes to non-conoslidated financial statements, and their supporting schedules, for the 116th fiscal year from April 1, 2018 to March 31, 2019, in accordance with Item 1, Paragraph 2, Article 436 of the Company Law.

Responsibility of management for non-consolidated financial statements

Management is responsible for preparing and appropriately presenting non-consolidated financial statements and their supporting schedules in compliance with business accounting standards generally accepted in Japan. This includes the development and operation of internal control which management deems necessary for preparing and appropriately presenting non-consolidated financial statements and their supporting schedules that do not have material misstatements due to wrong doing or error.

Responsibility of the auditor

This audit corporation is responsible for expressing its opinions on the non-consolidated financial and their supporting schedules statements from an independent position based on audits it conducted. We conducted our audits in accordance with auditing standards generally accepted in Japan. Such auditing standards require this audit corporation to formulate an audit plan to obtain reasonable assurance for the absence of material misstatements in these non-consolidated financial statements and their supporting schedules and conduct audits based on the audit plan.
In the audits, procedures to obtain audit evidence for the amounts and disclosure of non-consolidated financial statements and their supporting schedules are conducted. The audit procedures are selected and applied based on an evaluation of the risk of material misstatements in these non-consolidated financial statements and their supporting schedules due to wrongdoing or error. Although the purpose of the audits is not to express our opinions on the effectiveness of internal control, we examine the internal control related to the preparation and appropriate presentation of non-consolidated financial statements and their supporting schedules to design appropriate audit procedures in accordance with circumstances for implementing the risk evaluation. The audits also include an examination of the presentation of non-consolidated financial statements and their supporting schedules as a whole, including accounting policies adopted by management and the application method thereof and an evaluation of estimates made by management.
We believe that we have obtained sufficient and appropriate audit evidence that will become a basis upon which to express our opinion.

Auditor's opinion

In our opinion, the non-consolidated financial statements and their supporting schedules referred to above present fairly, in all material respects, the state of assets and the state of profit and loss of the Company for the accounting period covered by the non-consolidated financial statements and their supporting schedules in conformity with business accounting standards generally accepted in Japan.

Interest

No interest exists between the Company and this audit corporation or between the Company and the Designated and Engagement Partners named above as required under the stipulations of the Certified Public Accountants Act.

Report by the Board of audit and supervisory committee

Auditors' Report

The Audit and Supervisory Committee regularly received reports on Board of Directors resolutions related to the provisions of Article 399-13 (1) (i) (b) and (c) of the Company Law, and the development and operation of a system established in accordance with the resolutions (internal control system) from Directors and employees, etc., requested explanations as needed, and expressed its opinions. At the same time, the committee carried out an audit in a way described below:

(i) Following the audit policy, sharing of duties, etc. set by the Audit and Supervisory Committee, the members of the committee collaborated with the Company's internal control division, attended important meetings, received reports from Directors, employees and other sources on the execution of their duties, etc., requested explanations as needed, viewed important documents on decisions, and studied the state of operations and assets at Tsugami Corporation and its principal offices. With respect to subsidiaries, the Audit and Supervisory Committee sought to communicate and exchange information with their Directors and Statutory Auditors and received from subsidiaries reports on their operation as needed.

(ii) The Audit and Supervisory Committee monitored the audit by the Independent Auditors and verified their independence and proper execution of the audit. The committee received reports from the Independent Auditors on their execution of duties and requested explanations as needed. In addition, the Audit and Supervisory Committee received from the Independent Auditors a notice stating that they were developing a "system for ensuring proper duty execution" (items prescribed in respective paragraphs of Article 131 of the Corporate Calculation Regulations) in accordance with "Quality Control Standards for Auditing" (Business Accounting Council Standard issued on October 28, 2005) etc. and requested explanations as needed.

Based on the aforementioned methods, the Audit and Supervisory Committee examined the Company's business report and its supplementary schedules, non-consolidated financial statements (balance sheets, statements of income, statements of changes in equity, and notes to financial statements) and their supplementary schedules, and consolidated financial statements (balance sheets, statements of income, statements of changes in equity and notes to financial statements) for the fiscal year under review.

2. Results of the Audit

(1) Results of the audit of the business report and its supporting schedules

(a) The business report and its supporting schedules present fairly the state of the Company in conformity with the relevant laws and the Articles of Incorporation.

(b) No misconduct or material fact contrary to the relevant laws or the Articles of Incorporation has been found with respect to the execution of Directors' duties.

(c) The contents of Board of Directors resolutions on the internal control system are fair and reasonable. No item requiring special mention has been found with respect to the contents of the Business Report and the execution of Directors' duties concerning said internal control system.

(2) Results of the audit of non-consolidated financial statements and their supporting schedules

The methods and results of the audit conducted by Ernst & Young ShinNihon LLC, Accounting Auditors, are fair and reasonable.

(3) Results of the audit of consolidated financial statements

The methods and results of the audit conducted by Ernst & Young ShinNihon LLC, Accounting Auditors, are fair and reasonable.

May 13, 2019

The Audit and Supervisory committee
Tsugami Corporation

Kenji Yoneyama
Standing members of the Audit and Supervisory committee

Takeo Nakagawa
Members of the Audit and Supervisory committee

Koichi Maruno
Members of the Audit and Supervisory committee

Kunio Shimada
Members of the Audit and Supervisory committee

(Note) The members of the Audit and Supervisory committee Takeo Nakagawa, Koichi Maruno and Kunio Shimada are outside statutory auditors stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Company Law.

Reference Materials for the Annual Shareholders Meeting

Item 1: Appointment of Seven Directors (excluding directors who are members of the Audit and Supervisory committee)

The term of office for all (seven) Directors (excluding directors who are members of the audit and supervisory committee ; the same applies hereinafter in this item) shall expire at the close of this Annual Shareholders Meeting.

We therefore propose the appointment of seven Directors (other than Directors who are members of the audit and supervisory committee).

We have received an opinion from the Audit and Supervisory Committee to the effect that all the director candidates are qualified.

The seven candidates for the position of Director (other than Directors who are members of the audit and supervisory committee) are as follows:

(The person marked with an asterisk is a candidate for new Director.)

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)		Number of shares in the Company held
1	Takao Nishijima (December 14, 1947)	May 1999	Joined the Company General Manager of the Sales Development Division of the Company Managing Director of Tsugami Kohan Co., Ltd.	10 thousand
		June 2000	Director and General Manager of the Sales Development Division, Control Headquarters	
		April 2003	Representative Director, Chairman and CEO	
		April 2006	Representative Director, Chairman and CEO	
		April 2012	Representative Director, Chairman and CEO (current positions)	
2	Byun Jae- Hyun (July 10, 1956)	January 2010	Joined the Company President of TSUGAMI KOREA Co., Ltd.	0
		June 2012	Director, Senior Executive Officer, Overseas division President of TSUGAMI KOREA Co., Ltd.	
		September 2014	Director, Senior Advisor President of TSUGAMI KOREA Co., Ltd. (current positions)	

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)		Number of shares in the Company held
3	Kameswaran Balasubramanian (March 28, 1960)	1983	Master of Science (physics), Indian Institutes of Technology Delhi	0
			Founder and President of PROTECK MACHINERY LTD. (current position)	
		April 2013	Director, TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LTD.	
		April 2014	President, TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LTD. (current position)	
		June 2018	Director, Senior Advisor(current position)	
4	Donglei TANG (November 27, 1962)	November 2005	Joined the Company	0
		June 2010	Director, Managing Executive Officer in Charge of China Operations of the Company Vice Chairman and CEO of PRECISION TSUGAMI (CHINA) CORPORATION	
		June 2018	Director, Senior Advisor(current position)	
5	* Hiroaki Kazama (October 19, 1974)	April 1997	Joined the Company	1,000
		December 2014	Executive Officer and General Manager of the Sales Planning Division of the Company	
		April 2015	Director, PRECISION TSUGAMI (CHINA) CORPORATION (current position)	
		April 2017	COO and Domestic Sales Manager of the Company	
		April 2018	Co-CTO and General Manager of Technology Division II	
		December 2018	Co-CTO, Production Manager, and General Manager of Technology Division II	
		April 2019	Co-CTO in charge of development (current position) Director, TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LTD. (current position)	
6	Shigeru Nishiyama (March 4, 1948)	June 1971	Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation)	0
		June 2006	Deputy President and Representative Director of Sumitomo Mitsui Financial Group, Inc.	
		December 2008	Representative Director, President of HORAI Co., Ltd.	
		June 2010	Representative Director, CEO of HORAI Co., Ltd.	
		June 2013	Outside director of the Company (current position)	
		June 2013	Auditor at Mitsui Sugar Co., Ltd. (current position)	

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)		Number of shares in the Company held
7	Hitoshi Yoshida (November 26, 1959)	April 1983	Joined TOKYO SEIMITSU CO., LTD.	0
		June 2005	Director of TOKYO SEIMITSU CO., LTD.	
		October 2007	President of the Metrology Company of TOKYO SEIMITSU CO., LTD.	
		June 2011	Representative Director of TOKYO SEIMITSU CO., LTD.	
		April 2015	President and CEO of TOKYO SEIMITSU CO., LTD. (current position)	
		June 2015	Outside Statutory Auditor of the Company	
		June 2018	Outside director of the Company (current position)	

Notes
1. Mr. Shigeru Nishiyama and Mr. Hitoshi Yoshida are candidates for the position of outside directors.
2. The Company requests the appointment of Shigeru Nishiyama and Mr. Hitoshi Yoshida as its outside directors based on its assessment that they possess deep insight and experience in general, and can advise the Company's management from a broad perspective.
3. Mr. Shigeru Nishiyama served as Director of Sumitomo Mitsui Financial Group, Inc. (the financial holding company of Sumitomo Mitsui Banking Corporation) until June 2008. The Sumitomo Mitsui Financial Group, Inc. is one of the Company's main financial institutions.
   In addition, Mr. Hitoshi Yoshida concurrently holds the position of President and CEO of TOKYO SEIMITSU CO., LTD. The Company has purchased products, etc. (amounting to ¥150 million in the fiscal year ended March 31, 2019) from TOKYO SEIMITSU CO., LTD., but these purchases are insignificant and the Company believes that Mr. Hitoshi Yoshida is capable of executing the duties of outside director appropriately. No special interest exists between the Company and each of the other candidates for the position of Director.
4. Although Mr. Shigeru Nishiyama is currently outside director of the Company, his term of office as outside director is six years at the close of this annual shareholders meeting. Mr. Hitoshi Yoshida is currently outside auditor of the Company, his term of office as out side director is one year and as outside auditor is three years at the close of this annual shareholders meeting.
5. The Company has executed an agreement with Mr. Shigeru Nishiyama and Mr. Hitoshi Yoshida on the limitation of liability for damages as provided for under the provisions of Paragraph 1, Article 423 of the Companies Act according to the provisions of Paragraph 1, Article 427 thereof. When Mr. Nishiyama and Mr. Yoshida are reappointed as Directors, the Company will execute an agreement with these two Directors on the limitation of liability for damages as provided for under the provisions of Paragraph 1, Article 423 of the Companies Act according to the Articles of Incorporation of the Company and the provisions of Paragraph 1, Article 427 of the Companies Act. In addition, the limited amount of liability for damages under the said agreement shall be the minimum liability stipulated under laws.

Item 2: Delegation of the decision about the offering of subscription rights to shares as stock options for a stock-linked compensation plan to the Board of Directors with conditions particularly favorable to executive officers of the Company and employees with similar positions

Under the provisions of Articles 236, 238, and 239 of the Company Law, we request the shareholders to approve the delegation of the decision about the offering of subscription rights to shares as stock options for a stock-linked compensation plan to the Board of Directors in conditions particularly favorable to the executive officers of the Company and employees with similar positions.

1. Reason for offering of the subscription rights to shares for subscription under especially favorable conditions
   The Company has been granting subscription rights to shares as stock options for a stock-linked compensation plan. The grants were designed to establish a closer link between the Company's stock prices and results and the officers and employees so that they share with shareholders not only benefits from high stock prices, but also the risks of low stock prices, bolstering their morale and enthusiasm for improving business results.
2. The outline and the numerical limit of the subscription rights to shares whose offering terms may be determined based on the resolution made at the above general meeting of shareholders scheduled
   (1) The numerical limit of the subscription rights to shares, the offering terms of which may be determined based on the above delegation
   The maximum number of the subscription rights to shares as described in below (3) shall be 900.
   The total number of the Company's shares that are issued in exchange of the exercise of the subscription rights to shares shall be limited to a maximum of 90,000 shares of the Company's common stock. If the number of shares (as defined below) is adjusted in accordance with the provisions stipulated in (i), (3) below, the maximum number of shares shall be the number calculated by multiplying the number of shares after the adjustment by the maximum number of the above subscription rights to shares.
   (2) No transfer of cash shall be required for the subscription rights to shares, the offering terms of which may be determined based on the above delegation
   (3) The outline of the subscription rights to shares, the offering terms of which may be determined based on the above delegation
   (i) Type and the number of shares that are the object of the subscription rights to shares
   The type of shares that are the object of the subscription rights to shares shall be common stocks of the Company. The number of shares for each subscription right to shares (the "Number of Granted Shares") shall be 100 shares. However, if a share-split (including a gratis allotment of common stocks of the Company; the same shall apply below regarding the descriptions of the share-split) or a reverse share-split is conducted for common stocks of the Company after the date of resolution at the above general meeting of shareholders (the "Resolution Date"), the Number of Granted Shares shall be adjusted by applying the following formula, with fractions of less than one share rounded down to the nearest one share:

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

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

(ii) Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of 1 yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

(iii) Exercise period of the subscription rights to shares

Within 20 years from the day following the allotment date of the subscription rights to shares

(iv) Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription rights to shares

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

ii. The amount of increase in the capital reserve when shares are issued upon exercise of the subscription rights to shares shall be the amount calculated by deducting the amount of capital to be increased as stated in the preceding paragraph i from the maximum amount of increase in capital, etc., as stated in the same paragraph i above.

(v) Restriction on acquiring the subscription rights to shares by assignment

Acquisition of the subscription rights to shares by assignment shall require approval by a resolution of the Board of Directors.

(vi) Provisions concerning the acquisition of the subscription rights to shares

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

(vii) Fractions of less than 1 share occurring on exercise of the subscription rights to shares

If a fraction of less than 1 share to be delivered to the holder of the subscription rights to shares occurs upon exercise of the subscription rights to shares, it shall be rounded down to the nearest 1 share.

(viii) Other conditions for exercise of the subscription rights to shares

i. In principle, a holder of the subscription rights to shares may exercise the subscription rights to shares within the period described in Provision (iii) above, only when the holder no longer holds a position as the Company's director (excluding directors who are members of the audit and supervisory committee), directors who are members of the audit and supervisory committee, executive officer, and/or employee with a similar title. In this case, the holder may only exercise the subscription rights to shares within a period of seven days from the next day of the date when he/she loses the above titles.

ii. Any other conditions associated with the exercise of the subscription rights to shares shall be determined by the resolution of a meeting of the Company's Board of Directors.