

Financial Information  
As of March 31<sup>st</sup>, 2018

(The English translation of the  
“有価証券報告書”  
(Yuukashoken-Houkokusho)  
For the fiscal year ended March 31<sup>st</sup>, 2018)

Tokyo Seimitsu Co., Ltd.

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

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Note: This report is for reference purposes only, therefore the section after Part 1 “Company Information”, section 5 “Financial Information” - 1. “Consolidated Financial Statements” is intentionally omitted.

## [Cover]

|                                                                       |                                                                                                      |
|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| [Submitted document]                                                  | Securities Report ("Yuukashoken-Houkokusho")                                                         |
| [Article of the applicable law requiring submission of this document] | Article 24, Paragraph 1 of the Securities Exchange Law                                               |
| [Filed to]                                                            | Director, Kanto Local Finance Bureau                                                                 |
| [Date submitted]                                                      | June 27 <sup>th</sup> , 2018                                                                         |
| [Business year]                                                       | 95 <sup>th</sup> Fiscal Term<br>(from April 1 <sup>st</sup> , 2017 to March 31 <sup>st</sup> , 2018) |
| [Company name in Japanese]                                            | 株式会社東京精密<br><i>(Kabushiki-Gaisha Tokyo Seimitsu)</i>                                                 |
| [Company name in English]                                             | Tokyo Seimitsu Co., Ltd.                                                                             |
| [Name and position of representative]                                 | Hitoshi Yoshida, President and CEO                                                                   |
| [Location of head office]                                             | 2968-2 Ishikawa-machi, Hachioji-shi, Tokyo                                                           |
| [Telephone No.]                                                       | +81-(0)42-642-1701 (operator)                                                                        |
| [Contact for communications]                                          | Koichi Kawamura, Representative Director and CFO                                                     |
| [Nearest contact address]                                             | 2968-2 Ishikawa-machi, Hachioji-shi, Tokyo                                                           |
| [Telephone No.]                                                       | +81-(0)42-642-1701 (operator)                                                                        |
| [Contact for communications]                                          | Koichi Kawamura, Representative Director and CFO                                                     |
| [Place where available for public inspection]                         | Tokyo Stock Exchange, Inc.<br>2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo                               |

# Part I [Company Information]

## Section 1 [Company Overview]

### 1 [Key financial data and trends]

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

| Fiscal term                                                                                             | 91 <sup>st</sup> | 92 <sup>nd</sup> | 93 <sup>rd</sup> | 94 <sup>th</sup> | 95 <sup>th</sup> |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Fiscal Year ended                                                                                       | March, 2014      | March, 2015      | March, 2016      | March, 2017      | March, 2018      |
| Net sales (Millions yen)                                                                                | 55,268           | 66,445           | 70,274           | 77,792           | 88,194           |
| Recurring Profit (Millions yen)                                                                         | 9,024            | 12,791           | 13,232           | 13,864           | 17,316           |
| Net profit attributable to owners of the parent (Millions yen)                                          | 5,858            | 8,993            | 9,704            | 9,909            | 12,717           |
| Comprehensive income (Millions yen)                                                                     | 7,168            | 10,969           | 7,199            | 10,371           | 15,124           |
| Net assets (Millions yen)                                                                               | 64,668           | 74,371           | 79,418           | 87,194           | 99,354           |
| Total assets (Millions yen)                                                                             | 82,565           | 98,457           | 101,933          | 114,463          | 132,995          |
| Net assets per share (yen)                                                                              | 1,557.28         | 1,787.05         | 1,903.29         | 2,083.40         | 2,367.92         |
| Net profit per share (yen)                                                                              | 142.06           | 217.97           | 234.58           | 239.32           | 306.41           |
| Diluted Net profit per share (yen)                                                                      | 141.49           | 216.93           | 233.29           | 237.80           | 304.02           |
| Equity ratio (%)                                                                                        | 77.8             | 75.0             | 77.3             | 75.5             | 74.0             |
| Return on equity (%)                                                                                    | 9.7              | 13.0             | 12.7             | 12.0             | 13.8             |
| Price earnings ratio (Times)                                                                            | 12.8             | 12.6             | 9.4              | 14.6             | 14.0             |
| Cash flow from operating activities (Millions yen)                                                      | 6,434            | 10,820           | 7,210            | 12,809           | 10,931           |
| Cash flow from investing activities (Millions yen)                                                      | - 1,374          | - 2,958          | - 3,823          | - 3,486          | - 4,649          |
| Cash flow from financing activities (Millions yen)                                                      | - 3,244          | - 1,762          | - 2,851          | - 2,953          | - 3,163          |
| Cash and cash equivalents at end of fiscal year (Millions yen)                                          | 20,411           | 26,775           | 27,308           | 33,825           | 37,090           |
| Number of Employees (Average number of part-time employees, not included in the above figure.) (Person) | 1,393<br>(540)   | 1,447<br>(620)   | 1,559<br>(690)   | 1,784<br>(720)   | 1,933<br>(820)   |

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

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

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

| Fiscal term                                                                | 91 <sup>st</sup> | 92 <sup>nd</sup> | 93 <sup>rd</sup> | 94 <sup>th</sup> | 95 <sup>th</sup> |
|----------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Fiscal Year ended                                                          | March, 2014      | March, 2015      | March, 2016      | March, 2017      | March, 2018      |
| Net sales (Millions yen)                                                   | 45,189           | 54,577           | 59,159           | 64,223           | 72,635           |
| Recurring Profit (Millions yen)                                            | 7,046            | 10,048           | 10,051           | 10,786           | 12,450           |
| Net profit (Millions yen)                                                  | 4,999            | 7,497            | 7,851            | 8,183            | 9,628            |
| Common stock (Millions yen)                                                | 10,238           | 10,295           | 10,374           | 10,462           | 10,561           |
| Number of shares issued (shares)                                           | 41,278,381       | 41,340,681       | 41,423,381       | 41,495,581       | 41,575,881       |
| Net assets (Millions yen)                                                  | 49,910           | 57,000           | 61,806           | 67,527           | 74,930           |
| Total assets (Millions yen)                                                | 65,653           | 78,157           | 81,641           | 92,543           | 104,110          |
| Net assets per share (yen)                                                 | 1,202.32         | 1,370.62         | 1,482.79         | 1,616.53         | 1,788.82         |
| Cash dividends per share (yen)                                             | 23.00            | 55.00            | 59.00            | 72.00            | 92.00            |
| (Interim cash dividends included herein) (yen)                             | (10.00)          | (22.00)          | (26.00)          | (34.00)          | (41.00)          |
| Net profit per share (yen)                                                 | 121.22           | 181.72           | 189.80           | 197.65           | 231.99           |
| Diluted Net profit per share (yen)                                         | 120.73           | 180.86           | 188.76           | 196.39           | 230.18           |
| Equity ratio (%)                                                           | 75.5             | 72.4             | 75.2             | 72.4             | 71.4             |
| Return on equity (%)                                                       | 10.6             | 14.1             | 13.3             | 12.7             | 13.6             |
| Price earnings ratio (Times)                                               | 15.0             | 15.2             | 11.6             | 17.7             | 18.5             |
| Dividend payout ratio (%)                                                  | 19.0             | 30.3             | 31.1             | 36.4             | 39.7             |
| Number of Employees (Person)                                               | 618              | 637              | 679              | 726              | 809              |
| (Average number of temporary employees, not included in the above figure). | (330)            | (380)            | (440)            | (445)            | (500)            |

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

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

## 2 [History]

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

|                 |                                                                                                                                                                                                                              |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January, 2007   | Tokyo Seimitsu increased the capitalization and reorganized a former local company to create Accretech Korea Co., Ltd. in order to strengthen the sales, service, and support operations for the Korea semiconductor market. |
| April, 2007     | Tokyo Seimitsu merged the subsidiary Accretech Micro Technologies Co., Ltd. in order to strengthen the competitiveness of the wafer inspection systems business.                                                             |
| March, 2008     | Construction of the Tsuchiura semiconductor plant at our subsidiary Tosei Engineering Corp. was completed.                                                                                                                   |
| April, 2008     | Construction of the CMM building at the Tsuchiura Plant was completed.                                                                                                                                                       |
| April, 2009     | Tokyo Seimitsu Co., Ltd. USA office was opened as a center for sales in North America.                                                                                                                                       |
| June, 2010      | Head office was relocated from Mitaka-shi, Tokyo to Hachioji-shi, Tokyo.                                                                                                                                                     |
| June, 2011      | Construction of the Hachioji No. 5 Plant was completed.                                                                                                                                                                      |
| April, 2012     | Tokyo Seimitsu closed USA office and established Accretech America Inc. as a center of sales in North America.                                                                                                               |
| August, 2012    | Tokyo Seimitsu started precision dicing blade business after assignment of business.                                                                                                                                         |
| September, 2014 | Accretech Adamas (Thailand) Co., Ltd. was established for constructing an overseas plant to manufacture Precision dicing blades.                                                                                             |
| May, 2016       | Construction for expansion of the Hachioji Plant (No. 6 plant building) was completed.                                                                                                                                       |

### 3 [Business overview]

The Tokyo Seimitsu Group (the "Group") is composed of Tokyo Seimitsu Co., Ltd. (the "Company"), 30 subsidiary companies and 1 affiliated company, with its primary business being the manufacturing and sales of Semiconductor production equipment (SPE) and Metrology instruments.

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

#### Semiconductor production equipment (SPE) business

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

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

#### <Major affiliates>

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

#### Metrology business

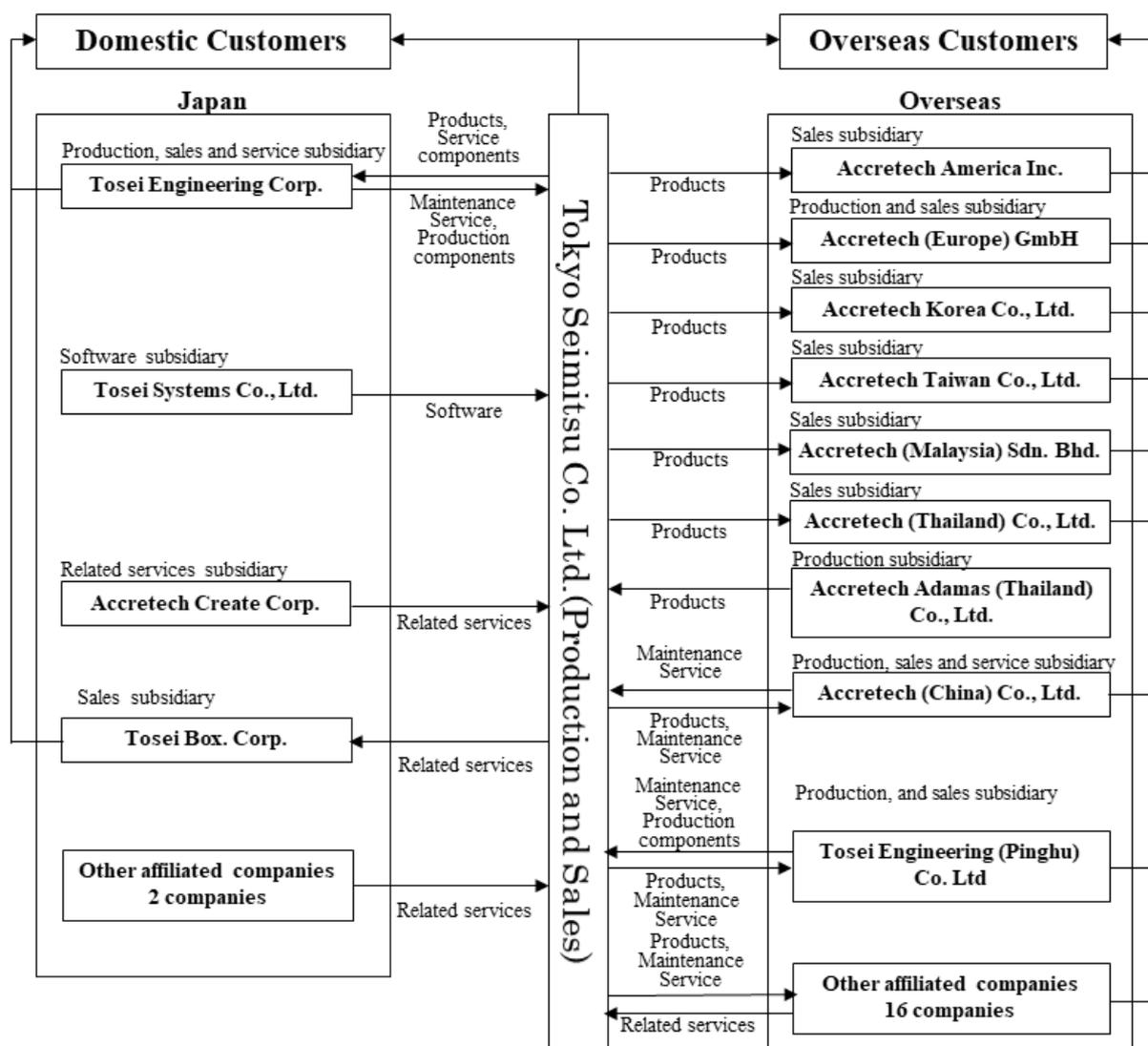
This business handles 3D coordinate measuring machines, surface texture and contour measuring systems, and other precision measuring systems. For this business, the Company and Tosei Engineering Corp. are responsible for primary elements of the production and sales and our subsidiary Tosei Systems Co.,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

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

#### <Major affiliates>

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

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



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

|              | Consolidated subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Non-consolidated subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                           | Affiliated companies              |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Company Name | Tosei Engineering Corp<br>Tosei Systems Co., Ltd<br>Accretech Create Corp<br>Tosei Box Corp<br>Accretech Finance Co., Ltd<br>Accretech America Inc.<br>Accretech (Europe) GmbH<br>Accretech Korea Co., Ltd<br>Accretech (China) Co., Ltd<br>Accretech Taiwan Co., Ltd<br>Accretech (Malaysia) Sdn Bhd<br>Accretech Adamas (Thailand) Co., Ltd<br>Accretech (Thailand) Co., Ltd<br>Tosei Engineering (Pinghu) Co., Ltd<br>Tosei (Thailand) Co., Ltd<br>Tosei America., Inc. | Accretech (Singapore) Pte. Ltd<br>Accretech Vietnam Co., Ltd<br>PT Accretech Indonesia<br>Accretech-Tosei Do Brazil Ltda<br>Tosei Korea Co., Ltd.<br>Tosei Taiwan Co., Ltd.<br>PT Tosei Indonesia<br>Tosei Engineering Malaysia Sdn. Bhd<br>Tosei Philippines Corporation<br>Tosei Engineering Private Limited<br>Tosei Canada Measuring Inc.<br>Tosei Mexico S.A. De.C.V<br>Accretech-Tosei Hungary Kft<br>Accretech (Pinghu) Co., Ltd | On-chip Biotechnologies Co., Ltd. |

#### 4 [Overview of affiliates]

| Name of company                      | Location                          | Capital or investment   | Description of Principal business | Percentage voting rights held by Company (holding Company) |                     | Relationship with the Company    |              |                                                                                                                                     |                      |                         |
|--------------------------------------|-----------------------------------|-------------------------|-----------------------------------|------------------------------------------------------------|---------------------|----------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------|
|                                      |                                   |                         |                                   | Hold by Company (%)                                        | Holding Company (%) | Concurrent Position as Directors |              | Business transactions                                                                                                               | Financial assistance | Leasing of fixed assets |
|                                      |                                   |                         |                                   |                                                            |                     | by directors                     | by employees |                                                                                                                                     |                      |                         |
| (Consolidated subsidiaries)          |                                   |                         |                                   |                                                            |                     |                                  |              |                                                                                                                                     |                      |                         |
| Tosei Engineering Corp               | Tsuchiura, Ibaraki                | (Millions yen)<br>988   | SPE business Metrology business   | 100.0                                                      | -                   | 2                                | -            | Supply of products for SPE to the Company, and maintenance and services for products related to the Company's metrology instruments | No                   | Yes                     |
| Tosei Systems Co., Ltd               | Hachioji, Tokyo                   | (Millions yen)<br>50    | SPE business Metrology business   | 100.0                                                      | -                   | 3                                | -            | Provision of software to the Company's products                                                                                     | No                   | Yes                     |
| Accretech Create Corp.               | Hachioji, Tokyo                   | (Millions yen)<br>10    | SPE business Metrology business   | 100.0                                                      | -                   | 1                                | 1            | Transit insurance services to the Company's products                                                                                | No                   | Yes                     |
| Tosei Box Corp                       | Hachioji, Tokyo                   | (Millions yen)<br>10    | Metrology business                | 100.0 (30.0)                                               | -                   | 1                                | -            | Provision of office facilities to the Company                                                                                       | No                   | Yes                     |
| Accretech Finance Co., Ltd           | Hachioji, Tokyo                   | (Millions yen)<br>50    | SPE business Metrology business   | 100.0                                                      | -                   | 1                                | 1            | Provision of short-term loans to the Company                                                                                        | No                   | No                      |
| Accretech America Inc.               | Richardson, Texas, USA            | (1,000s USD)<br>4,500   | SPE business                      | 100.0                                                      | -                   | 2                                | 1            | Sales of products related to the Company's SPE                                                                                      | No                   | No                      |
| Accretech (Europe) GmbH              | Munich, Bavaria, Germany          | (1,000s Euro)<br>1,500  | SPE business Metrology business   | 100.0                                                      | -                   | 3                                | -            | Sales of products related to the Company's SPE and metrology instruments                                                            | No                   | No                      |
| Accretech Korea Co., Ltd.            | Seongnam-si, Gyeonggi-do Korea    | (Millions KRW)<br>1,000 | SPE business Metrology business   | 100.0                                                      | -                   | 3                                | 1            | Sales of products related to the Company's SPE and metrology instruments                                                            | No                   | No                      |
| Accretech (China) Co., Ltd.          | Shanghai, China                   | (1,000s CNY)<br>15,211  | SPE business Metrology business   | 100.0                                                      | -                   | 3                                | 2            | Sales of products related to the Company's SPE and metrology instruments                                                            | No                   | No                      |
| Accretech Taiwan Co., Ltd.           | Jhubei, Hsinchu, Taiwan           | (1,000s TWD)<br>60,000  | SPE business Metrology business   | 100.0                                                      | -                   | 4                                | -            | Sales of products related to the Company's SPE and metrology instruments                                                            | No                   | No                      |
| Accretech (Malaysia) Sdn Bhd.        | Petaling Jaya, Selangor Malaysia  | (1,000s MYR)<br>1,000   | SPE business Metrology business   | 100.0                                                      | -                   | 1                                | 2            | Sales of products related to the Company's SPE and metrology instruments                                                            | No                   | No                      |
| Accretech Adamas (Thailand) Co., Ltd | Klongluang, Pathumthani, Thailand | (1,000s THB)<br>250,000 | SPE business                      | 64.2 (34.4)                                                | -                   | 2                                | 1            | Provision of parts to the Company's SPE                                                                                             | Yes                  | No                      |
| Accretech (Thailand) Co., Ltd        | Bangplee, Samutprakarn, Thailand  | (1,000s THB)<br>10,000  | SPE business Metrology business   | 49.0                                                       | -                   | 2                                | 1            | Sales of products related to the Company's SPE and metrology instruments                                                            | Yes                  | No                      |
| Tosei Engineering (Pinghu) Co., Ltd. | Pinghu, Zhejiang, China           | (1,000s CNY)<br>39,480  | SPE business Metrology business   | 100.0 (100.0)                                              | -                   | 1                                | -            | -                                                                                                                                   | No                   | No                      |
| Tosei (Thailand) Co., Ltd            | Muang Chonburi, Thailand          | (1,000s THB)<br>6,000   | Metrology business                | 49.0 (49.0)                                                | -                   | -                                | -            | -                                                                                                                                   | No                   | No                      |
| Tosei America., Inc.                 | Cincinnati, Ohio, USA             | (1,000s USD)<br>1       | SPE business Metrology business   | 100.0 (100.0)                                              | -                   | -                                | -            | -                                                                                                                                   | No                   | No                      |

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

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

3. Company holds 49.0% of Voting Rights for both Accretech (Thailand) Co., Ltd. and Tosei (Thailand) Co., ltd., however, these are listed as subsidiaries because the Company substantially controls these company.

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

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

## 5 [Employees]

### (1) Consolidated companies

At March 31<sup>st</sup>, 2018

| Name of business segment       | Number of employees (person) |
|--------------------------------|------------------------------|
| SPE business                   | 1,067<br>(450)               |
| Metrology business             | 731<br>(330)                 |
| Company-wide (corporate staff) | 135<br>(40)                  |
| Total                          | 1,933<br>(820)               |

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

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

### (2) The Company

At March 31<sup>st</sup>, 2018

| Number of employees (person) | Average age (years) | Average years of continuous service (years) | Average annual salary (yen) |
|------------------------------|---------------------|---------------------------------------------|-----------------------------|
| 809<br>(500)                 | 40.9                | 12.1                                        | 7,815,525                   |

| Name of business segment       | Number of employees (person) |
|--------------------------------|------------------------------|
| SPE business                   | 534<br>(370)                 |
| Metrology business             | 216<br>(110)                 |
| Company-wide (corporate staff) | 59<br>(20)                   |
| Total                          | 809<br>(500)                 |

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

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

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

4. The number of employees increased by 83 from the end of the previous fiscal year due to an increase in business volume.

### (3) Trade union

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

## Section 2 [Business Overview]

### 1 [Management policy, Management Strategies and Issues]

Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2018/3.

#### (1) Management Policy

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

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

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

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

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

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

## 2. Sustainable Profit Distribution

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

## 3 Governance

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

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

## (4) Globalization

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

## 2 [Business and other risks]

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

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

Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2018/3.

### (1) Fluctuations in market conditions

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

### (2) Exchange rate fluctuations

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

### (3) Natural disasters and accidental disasters

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

### (4) Procurement

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

### (5) Environmental regulation

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

### (6) Country risk

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

(7) Protection of intellectual property rights

The Group's SPE and precision Metrology instruments embody cutting edge technologies. Particular attention is paid to the protection of rights related to these technologies. Specifically, the Group has taken measures to defend its interest with regard to such matters as attribution of patent-related rights and protection of trademarks and brands. However, if a lawsuit or other legal dispute with a third party in Japan or overseas were to arise concerning rights, the Group's business performance could be affected.

(8) Technological innovation

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

(9) Product quality

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

(10) Information security

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

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

#### (1) Overview of business results

##### [Overview]

The overall global business conditions in the Fiscal Year 2018/3 ended March 31<sup>st</sup>, 2018 showed steady recovery. The US and European economies continued to expand modestly backed by employment increases, strong private consumption and corporate investment. China and emerging Asian countries continued moderate economic recovery as the result of several incentive policies. In Japan, the economic recovery trend continued, including an increase in exports and capital investment as well as an improvement in personal consumption as employment conditions improved.

Under the business conditions outlined above, Consolidated Business Performance improved both in Sales and Profits, with active investments by our main users in the semiconductor industry and the automotive industry. Consolidated Orders in the Fiscal Year 2018/3 (April 1st, 2017 – March 31st, 2018) were ¥103.979 billion (up 24.5% YoY), Sales were ¥88.194 billion (up 13.4% YoY), Operating Profit was ¥17.283 billion (up 26.5% YoY), Recurring Profit was ¥17.316 billion (up 24.9% YoY), and Net Profit Attributable to Owners of the Parent was ¥12.717 billion (up 28.3% YoY) .

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

##### SPE business segment

In the SPE business segment, semiconductor manufacturers and electronics component manufacturers took an active investment stance in various fields lead by high functionalization and data capacity enlargement of smartphones and increase in demand for data storage in line with the spread of cloud computing, an increase in demand for power management ICs and MCU (Micro Control Units) for industrial machines and vehicles, and an increase in demand for electronics components and sensors. Under these business conditions, our orders and sales in the SPE segment increased firmly.

Accordingly, Sales for our SPE segment were ¥59.523 billion (up 18.4% YoY), and Segment Profit (Operating Profit) was ¥11.292 billion (up 28.0% YoY).

##### Metrology business segment

The automobile industry, which is the major user of our products, has continued to invest to establish world-wide production structures and increasing production efficiency, and showed signs of recovery for investment in replacement equipment for productivity maintenance that had been holding a more cautious stance. The capital investment in the machine tool sector also showed strong recovery and demand from the aircraft-related sector remained steady. Under these business conditions, an upturn of both Orders and Sales has been confirmed.

As a result, Sales in our Metrology business segment in this Fiscal Year was ¥28.671 billion (up 4.3% YoY) and Segment Profit (Operating Profit) was ¥5.990 billion (up 23.8% YoY).

Note: The above amounts are exclusive of consumption tax.

The financial position of the Group at the end of FY2018/3 consisted of total assets in the amount of ¥132.995 billion (¥96.349 billion in current assets and ¥36.645 billion in fixed assets), liabilities in the amount of ¥33.640 billion, and total net assets of ¥99.354 billion.

[1] Assets

There was a significant increase in Trade notes and accounts receivable (including electronically recorded monetary claims) and also in Cash and cash equivalents due to an increase in business operations and scope. In addition, both Investment securities and Net defined benefit assets increased along with the rising securities market.

Total assets at the end of FY2018/3 have increased ¥18.531 billion from the end of FY2017/3.

[2] Liabilities

Through an increase in business operations and scope, there were increases in Trade payables such as Trade notes and accounts payable and Electronically recorded obligations-operating.

An amount of Liabilities at the end of FY2018/3 increased by ¥6.371 billion.

[3] Net assets

There was a large increase in Shareholder's equity through Net profit attributable to owners of the parent and in Accumulated other comprehensive income, which comes from stock market fluctuations.

Total assets as at the end of FY2018/3 increased by ¥12.160 billion.

[Cash Flows]

Cash and cash equivalents as at March 31<sup>st</sup>, 2018 amounted to ¥37.090 billion, an increase of ¥3.264 billion from the end of FY2017/3. The status of cash flows and factors behind them are given below.

Cash and cash equivalents earned from operating activities (amount of positive cash flow) significantly decreased from ¥12.809 billion in FY2017/3 to ¥10.931 billion in FY2018/3. This was primarily due to the fact that Change (Increase) in trade notes and accounts payable increased from ¥3.885 billion in FY2017/3 to ¥6.080 billion in FY2018/3, Change (Increase) in inventories increased from ¥1.575 billion in FY2017/3 to ¥5.288 billion in FY2018/3, and also Change (Increase) in trade notes and accounts receivable increased from ¥2.375 billion in FY2017/3 and ¥5.030 billion in FY2018/3.

Cash and cash equivalents used in investment activities increased from ¥3.486 billion in FY2017/3 to ¥4.649 billion in FY2018/3. This is mainly because of a decrease in Proceeds from sales of investment securities from ¥1.705 billion in FY2017/3 to ¥63 million in FY2018/3 and also a significant increase in both Payment for purchase of intangible fixed assets and Payment for purchase of investment securities from FY2017/3.

Net cash used in financing activities slightly increased from ¥2.953 billion in FY2017/3 to ¥3.163 billion in FY2018/3.

[Production, orders, and sales]

(1) Actual Production

The production results for each business segment in FY2018/3 are shown below.

| Business segment   | Production (Millions yen) | YoY (%) |
|--------------------|---------------------------|---------|
| SPE business       | 56,605                    | 20.3    |
| Metrology business | 26,877                    | 6.3     |
| Total              | 83,482                    | 15.4    |

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

2. The above amounts are exclusive of consumption tax.

(2) Orders received

The orders received for each business segment in FY2018/3 are shown below.

| Business segment   | Orders received (Millions yen) | YoY (%) | Order backlog (Millions yen) | YoY (%) |
|--------------------|--------------------------------|---------|------------------------------|---------|
| SPE business       | 73,327                         | 30.4    | 31,452                       | 78.2    |
| Metrology business | 30,651                         | 12.5    | 7,996                        | 32.9    |
| Total              | 103,979                        | 24.5    | 39,448                       | 66.7    |

Note: The above amounts are exclusive of consumption tax.

(3) Actual Sales

The sales amounts for each business segment in FY2018/3 are shown below.

| Business segment   | Sales (Millions yen) | YoY (%) |
|--------------------|----------------------|---------|
| SPE business       | 59,523               | 18.4    |
| Metrology business | 28,671               | 4.3     |
| Total              | 88,194               | 13.4    |

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

2. The above amounts are exclusive of consumption tax.

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

The conclusions of management reviews and evaluation of the Group's business performance in each of our business segments are as follows. Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2018/3.

i. Significant accounting policies and estimates

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

ii. Analysis of financial position for FY2018/3

Details of the financial position of the Group are set out on page 15, showing that the Group assets and liabilities have both increased. The Group has attained and aims to maintain a strong financial structure evidenced by 74.0% equity ratio in FY2018/3, representing a small decline from FY2017/3, and 13.8% of Return on equity in FY2018/3 which was an increase from FY2017/3.

iii. Analysis of operating results for FY2018/3

[1] Sales

Sales for FY2018/3 were ¥59.523 billion for the SPE business and ¥28.671 billion for the Metrology business, with a combined total of the two businesses of ¥88.194 billion. The increase resulted not only from an organic growth of the market, but also from a successful sales and production strategy. Management believes that to continue developing best-fit products to the market is an essential strategy.

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

Cost of goods sold for FY2018/3 was ¥53.818 billion and the Selling, general and administrative expenses were ¥17.092 billion. The ratio of the Cost of goods sold to Total sales was 61.0% in FY2018/3 (61.9% in FY2017/3), and the ratio of the Selling, general and administrative expenses to Total sales was 19.4% in FY2018/3 (20.5% in FY2017/3). These are mainly driven by a cost reduction project and an increase in factory utilization.

[3] Operating profit

As a result of the above, operating profit FY2018/3 was ¥17.283 billion, driven by segment profit increases in both segments due to the buoyant market situation. (¥11.292 billion in SPE segment and ¥5.990 billion in Metrology segment) The Group previously announced its aim to obtain a target Operating profit of more than ¥15.000 billion by FY2019/3 and has exceeded this in one fiscal year ahead of schedule. The Group has re-set its business target to ¥22.000 billion in Operating profits by FY2021/3. The Group plans to achieve this through parallel actions targeting Sales performance increases and margin improvements, and strategies such as strengthening product competitiveness, expanding target markets and production capacity, improving production effectiveness, and promoting information sharing by Enterprise Resource Planning (ERP).

[4] Non-operating income and expenses

Non-operating income for FY2018/3 was ¥170 million mainly from Interest income and Dividend income, and Non-operating expenses for the same term was ¥138 million mainly due to interest expenses and Foreign exchange losses.

[5] Recurring Profit

Recurring profit for FY2018/3 was ¥17.316 billion.

[6] Extraordinary gains and losses

Extraordinary gains in FY2017/3 were ¥4 million mainly from a Gain on sales of investment

securities. Extraordinary losses were ¥2 million from Loss on valuation of golf club memberships.

[7] Profit before income taxes and minority interests

As a result, profit before taxes and minority interests for FY2018/3 was ¥17.318 billion.

[8] Income taxes

Income taxes and other taxes in FY2018/3 were ¥4.542 billion and the ratio to profit before income taxes and minority interests was 26.2%.

[9] Net profit attributable to non-controlling interests

Net profit attributable to non-controlling interests for FY2018/3 was ¥58 million.

[10] Net profit attributable to owners of the parent

Net profit attributable to owners of the parent for FY2018/3 was ¥12.717 billion.

iv. Analysis of Cash Flow for FY2018/3

Details of the financial position of the Group are set out on page 16. Management is of the view that the Group can continue to achieve a positive cash flow position from its operations and that earned cash can be effectively used for investment and financing. In addition, retained cash can be used for product development R&D, and capital expenditures. The Group accommodates fluctuations in long-term finances based on forecasts of Group investments mainly by loans from banks. In addition, in a case of cash shortfalls, the Group may obtain short term finance from banks in the form of loans payable. However, in recent years, all investments have been financed by internal cash flows within the Group and loans payable have not been drawn down. Management nonetheless recognizes the importance of maintaining good relationships among the Group and with financial institutions.

v. Factors having important effects on operating performance

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

#### 4 [Important business contracts]

<The Company>

##### Mutual Agency Agreement

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

<Consolidated subsidiaries>

There are no notable contracts.

#### 5 [R&D Activities]

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

The total amount of R&D costs for the Group in FY2018/3 was ¥7.194 billion. A description of the specific activities in each business segment is provided below.

##### a. SPE business

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

The major research and development results from FY2018/3 include, mostly continued from FY2017/3, Probing machine performance improvement (such as Chuck, Chiller and Image Processing), Blade Dicing machine performance improvement (Software improvement, Network connectivity development, and Polish Grinder performance improvement (Stable grinding functionality)).

The total amount of R&D costs for this business area in FY2018/3 was ¥5.826 billion.

##### b. Metrology business

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

The major research and development results from FY2018/3 include, mostly continued from FY2016/3, Analysis software ACCTee performance improvement, Opt-Scope performance improvement, and CMM software improvement.

The total amount of R&D costs for this business area in FY2018/3 was ¥1.368 billion.

## Section 3 [Equipment and Facilities]

### 1 [Overview of capital expenditures]

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

The total amount of capital expenditures in FY2018/3 was ¥3.547 billion. An overview of this investment by business segment is provided below.

#### (1) SPE business

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

The primary contents of this investment in FY2018/3 were ¥738 million for preparation expenditures for the ERP system in the Company, ¥153 million for a Horizontal Type Machining Center, and ¥95 million on Polish Grinder for evaluation. Total capital expenditures in this business during FY2018/3 were ¥2.543 billion.

#### (2) Metrology business

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

The primary contents of this investment in FY2018/3 were ¥301 million for preparation expenditures for the ERP system in the Company, ¥120 million for the Company's Metrology products' exhibition room, and ¥30 million for a Composite lathe by the Company's subsidiary, Tosei Engineering. Total capital expenditures in this business during FY2018/3 were ¥1.003 billion.

## 2 [Major equipment and facilities]

### (1) The Company

At March 31<sup>st</sup>, 2018

| Location                                       | Business segment                 | Description                     | Book value (Millions yen) |                      |                  |                              |              |                          | Number of employees (person) |       |
|------------------------------------------------|----------------------------------|---------------------------------|---------------------------|----------------------|------------------|------------------------------|--------------|--------------------------|------------------------------|-------|
|                                                |                                  |                                 | Buildings & structures    | Machinery & vehicles | Tools & supplies | Land (1000s m <sup>2</sup> ) | Lease assets | Construction in Progress |                              | Total |
| Hachioji Headquarters, Plant (Hachioji, Tokyo) | SPE business                     | Production equipment, others    | 9,509                     | 1,182                | 1,463            | 3,436 (37)                   | 18           | 322                      | 15,933                       | 562   |
| Tsuchiura Plant (Tsuchiura, Ibaraki)           | Metrology business               | Production equipment, others    | 1,543                     | 44                   | 271              | 151 (17)                     | 1            | -                        | 2,012                        | 163   |
| Sales offices and satellite offices            | SPE business, Metrology business | Air conditioning system, others | 17                        | 0                    | 4                | - (-)                        | 2            | -                        | 24                           | 84    |
| Others                                         | SPE business, Metrology business | Guest houses, others            | 14                        | -                    | -                | 50 (3)                       | -            | -                        | 64                           | 0     |

Notes: 1. Currently there is no idle equipment.

2. The above amounts are exclusive of consumption tax.

### (2) Domestic subsidiaries

At March 31<sup>st</sup>, 2018

| Company                 | Location                                          | Business segment                | Description                  | Book value (Millions yen) |                      |                  |                              |              |                          | Number of employees (person) |       |
|-------------------------|---------------------------------------------------|---------------------------------|------------------------------|---------------------------|----------------------|------------------|------------------------------|--------------|--------------------------|------------------------------|-------|
|                         |                                                   |                                 |                              | Buildings & structures    | Machinery & vehicles | Tools & supplies | Land (1000s m <sup>2</sup> ) | Lease assets | Construction in Progress |                              | Total |
| Tosei Engineering Corp. | Head Office & Plants (Tsuchiura, Ibaraki, others) | SPE business Metrology business | Production equipment, others | 1,812                     | 371                  | 76               | 2,035 (42)                   | -            | 91                       | 4,386                        | 320   |
| Tosei Systems Co., Ltd. | Head Office (Hachioji, Tokyo)                     | SPE business Metrology business | Instrument supplies, others  | 1                         | -                    | 4                | - (-)                        | -            | -                        | 6                            | 108   |
| Accretech Create Corp.  | Head Office (Hachioji, Tokyo)                     | SPE business Metrology business | Instrument supplies, others  | 0                         | 0                    | 0                | - (-)                        | -            | -                        | 0                            | 1     |
| Tosei Box Corp.         | Head Office (Hachioji, Tokyo)                     | Metrology business              | Head office building, others | 101                       | -                    | 0                | 125 (1)                      | -            | -                        | 226                          | 18    |

Notes: 1. Currently there is no idle equipment.

2. The above amounts are exclusive of consumption tax.

## (3) Overseas subsidiaries

At March 31<sup>st</sup>, 2018

| Company                              | Location                                         | Business segment                | Description                  | Book value (Millions yen) |                      |                  |                              |              |                          |       | Number of employees (person) |
|--------------------------------------|--------------------------------------------------|---------------------------------|------------------------------|---------------------------|----------------------|------------------|------------------------------|--------------|--------------------------|-------|------------------------------|
|                                      |                                                  |                                 |                              | Buildings & structures    | Machinery & vehicles | Tools & supplies | Land (1000s m <sup>2</sup> ) | Lease assets | Construction in Progress | Total |                              |
| Accretech America Inc.               | Head Office (Richardson, Texas, USA)             | SPE business                    | Head office building, others | 4                         | -                    | 4                | - (-)                        | -            | -                        | 9     | 36                           |
| Accretech (Europe) GmbH              | Head Office (Munich, Bavaria, Germany)           | SPE business Metrology business | Head office building, others | 53                        | 19                   | 66               | - (-)                        | -            | -                        | 140   | 60                           |
| Accretech Korea Co., Ltd.            | Head Office (Seongnam-si, Gyeonggi-do, Korea)    | SPE business Metrology business | Instrument supplies, others  | -                         | 0                    | 5                | - (-)                        | -            | -                        | 6     | 51                           |
| Accretech (China) Co., Ltd.          | Head Office (Shanghai, China)                    | SPE business Metrology business | Instrument supplies, others  | -                         | 19                   | 71               | - (-)                        | -            | -                        | 91    | 151                          |
| Accretech Taiwan Co., Ltd.           | Head Office (Jhubei, Hsin-chu, Taiwan)           | SPE business Metrology business | Instrument supplies, others  | 1                         | -                    | 7                | - (-)                        | -            | -                        | 9     | 93                           |
| Accretech (Malaysia) Sdn Bhd.        | Head Office (Petaling Jaya, Selangor Malaysia)   | SPE business Metrology business | Instrument supplies, others  | 8                         | 31                   | 9                | - (-)                        | -            | -                        | 49    | 32                           |
| Accretech Adamas (Thailand) Co., Ltd | Head Office (Klongluang, Pathum-thani, Thailand) | SPE business                    | Production equipment, others | 549                       | 221                  | 9                | 216 (18)                     | 8            | -                        | 1,005 | 108                          |
| Accretech (Thailand) Co., Ltd        | Head Office (Bangplee, Samutprakarn, Thailand)   | SPE business Metrology business | Instrument supplies, others  | 2                         | 1                    | 1                | - (-)                        | 15           | -                        | 20    | 38                           |
| Tosei Engineering (Pinghu) Co., Ltd. | Head Office (Pinghu, Zhejiang, China)            | SPE business Metrology business | Production equipment, others | 274                       | 34                   | 4                | - (-)                        | -            | -                        | 313   | 55                           |
| Tosei (Thailand) Co., Ltd            | Head Office (Muang Chonburi, Thailand)           | Metrology business              | Production equipment, others | 102                       | 29                   | 18               | 51 (4)                       | -            | -                        | 201   | 44                           |
| Tosei America, Inc.                  | Head Office (Cincinnati, Ohio, USA)              | SPE business Metrology business | Instrument supplies, others  | -                         | 4                    | 2                | - (-)                        | -            | -                        | 6     | 9                            |

Notes: 1. Currently there is no idle equipment.

2. The above amounts are exclusive of consumption tax.

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

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

| Company                 | Location                                                                | Business segment                 | Equipment or facility    |                                             | Expected amount of investment |                                        | Start date  | Expected completion date |
|-------------------------|-------------------------------------------------------------------------|----------------------------------|--------------------------|---------------------------------------------|-------------------------------|----------------------------------------|-------------|--------------------------|
|                         |                                                                         |                                  | Type                     | Description                                 | Total (Millions yen)          | Amount already invested (Millions yen) |             |                          |
| The Company             | Hachioji Plant (Hachioji, Tokyo)                                        | SPE business                     | Buildings and structures | Air conditioning system replacement, others | 63                            | -                                      | April, 2018 | Dec., 2018               |
|                         |                                                                         |                                  | Machinery                | CNC Internal grinding machine, others       | 379                           | 33                                     | June, 2017  | Dec., 2018               |
|                         |                                                                         |                                  | Vehicles                 | Forklift, others                            | 12                            | 77                                     | April, 2018 | March, 2019              |
|                         |                                                                         |                                  | Tools, instruments       | Scanning Electron Microscope, others        | 924                           | 277                                    | Jan., 2018  | March, 2019              |
|                         |                                                                         |                                  | Software                 | Process management online system, others    | 84                            | -                                      | April, 2018 | March, 2019              |
|                         |                                                                         |                                  |                          |                                             | 1,462                         | 310                                    |             |                          |
|                         | Tsuchiura Plant (Tsuchiura, Ibaraki)                                    | Metrology business               | Buildings and structures | New Plant construction, others              | 1,549                         | -                                      | April, 2018 | Nov., 2019               |
|                         |                                                                         |                                  | Machinery                | Horizontal machining center, others         | 195                           | -                                      | April, 2018 | Dec., 2019               |
|                         |                                                                         |                                  | Vehicles                 | Forklift, others                            | 5                             | -                                      | April, 2018 | June, 2018               |
|                         |                                                                         |                                  | Tools, instruments       | Precision 3D printer, others                | 104                           | -                                      | April, 2018 | March, 2019              |
|                         |                                                                         |                                  | Software                 | Process management online system, others    | 38                            | -                                      | April, 2018 | March, 2019              |
|                         |                                                                         |                                  |                          |                                             | 1,891                         | -                                      |             |                          |
|                         | Head Office (Hachioji, Tokyo)                                           | SPE business, Metrology business | Tools, instruments       | Server Hardware renewal, others             | 103                           | 12                                     | Dec, 2017   | April, 2019              |
|                         |                                                                         |                                  | Software                 | ERP system, others                          | 4,234                         | 1,040                                  | Feb, 2017   | April, 2019              |
|                         |                                                                         |                                  |                          |                                             | 4,337                         | 1,052                                  |             |                          |
|                         |                                                                         |                                  | Total                    | 7,690                                       | 1,362                         |                                        |             |                          |
| Tosei Engineering Corp. | Head Office, plants, and others (Tsuchiura, Ibaraki-ken, and elsewhere) | SPE business, Metrology business | Buildings and structures | Renovation at Niigata plant, others         | 64                            | -                                      | May, 2018   | Aug., 2018               |
|                         |                                                                         |                                  | Machinery                | EWAG grinding center, others                | 168                           | 91                                     | March, 2018 | Aug., 2018               |
|                         |                                                                         |                                  | Vehicles                 | Sales vehicles                              | 16                            | -                                      | July, 2018  | Sep., 2018               |
|                         |                                                                         |                                  | Tools, instruments       | Strain measuring instrument, others         | 104                           | 0                                      | June, 2018  | Sep., 2018               |
|                         |                                                                         |                                  |                          |                                             |                               |                                        | 354         | 91                       |

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

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

3. The above amounts do not include consumption tax.

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

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

## Section 4 [Corporate Information]

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

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

##### [1] Number of shares

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

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

| Type         | Number of shares issued at end of the fiscal year (As of March 31 <sup>st</sup> , 2018) | Number of shares issued on the filing date of the securities report (As of June 27 <sup>th</sup> , 2018) | Stock exchanges on which the Company is listed | Description                   |
|--------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------|
| Common stock | 41,575,881                                                                              | 41,584,381                                                                                               | Tokyo Stock Exchange (First Section)           | Unit amount of stocks is 100. |
| Total        | 41,575,881                                                                              | 41,584,381                                                                                               | -                                              | -                             |

Note: The number of shares issued as of the filing date of the securities report does not include those issued upon the exercise of share subscription rights (including bonds with warrants for the purchase of shares of common stock issued under former Commercial Code of Japan) during the period from June 1<sup>st</sup>, 2018, through the filing date of this report.

## (2) Status of share subscription rights

## (a) Detail of Stock option plans

|                                                                                                                    | The 8 <sup>th</sup> share subscription rights                                                                                       | The 9 <sup>th</sup> share subscription rights                                                                                 |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Date for resolution                                                                                                | June 27 <sup>th</sup> , 2011 (Annual general meeting of the shareholders)                                                           | June 25 <sup>th</sup> , 2012 (Annual general meeting of the shareholders)                                                     |
| Categories and numbers of persons to whom rights are granted                                                       | Directors of the Company: 7<br>Employees of the Company: 191<br>Directors of subsidiaries: 10<br>Employees of subsidiaries: 72      | Directors of the Company: 8<br>Employees of the Company: 235<br>Directors of subsidiaries: 9<br>Employees of subsidiaries: 74 |
| Number of share subscription rights **                                                                             | 107 [71] *Note 1                                                                                                                    | 136 [132] *Note 1                                                                                                             |
| Type and number of shares to be issued upon the exercise of share subscription rights (shares) **                  | Common Stock ,<br>10,700 [7,100] *Note 1                                                                                            | Common Stock ,<br>13,600 [13,200] *Note 1                                                                                     |
| Amount to be subscribed upon the exercise of the share subscription rights (yen) **                                | 1,642 per share *Note 2                                                                                                             | 1,428 per share *Note 2                                                                                                       |
| Exercise period for share subscription rights **                                                                   | July 13 <sup>th</sup> , 2013-June 30 <sup>th</sup> , 2018                                                                           | July 24 <sup>th</sup> , 2014-June 30 <sup>th</sup> , 2019                                                                     |
| Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen) ** | Issue price 1,642<br>Amount to be credited to common stock *Note 3                                                                  | Issue price 1,428<br>Amount to be credited to common stock *Note 3                                                            |
| Conditions for exercise of the share subscription rights                                                           | If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible. |                                                                                                                               |
| Transfer of the share subscription rights                                                                          | Approval by the Board of Directors is required in order to transfer share subscription rights.                                      |                                                                                                                               |
| Matters relating to the issuance of share subscription rights as a result of organizational restructuring action   | *Note 4                                                                                                                             |                                                                                                                               |
| Matters relating to the provisions for acquisition of share subscription rights                                    | *Note 5                                                                                                                             |                                                                                                                               |

|                                                                                                                    | The 10 <sup>th</sup> share subscription rights                                                                                      | The 11 <sup>th</sup> share subscription rights                                                                                 |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Date for resolution                                                                                                | June 24 <sup>th</sup> , 2013 (Annual general meeting of the shareholders)                                                           | June 24 <sup>th</sup> , 2014 (Annual general meeting of the shareholders)                                                      |
| Categories and numbers of persons to whom rights are granted                                                       | Directors of the Company: 8<br>Employees of the Company: 235<br>Directors of subsidiaries: 9<br>Employees of subsidiaries: 71       | Directors of the Company: 9<br>Employees of the Company: 250<br>Directors of subsidiaries: 11<br>Employees of subsidiaries: 80 |
| Number of share subscription rights **                                                                             | 280 [266] *Note 1                                                                                                                   | 276 [260] *Note 1                                                                                                              |
| Type and number of shares to be issued upon the exercise of share subscription rights (shares) **                  | Common Stock ,<br>28,000 [26,600] *Note 1                                                                                           | Common Stock ,<br>27,600 [26,000] *Note 1                                                                                      |
| Amount to be subscribed upon the exercise of the share subscription rights (yen) **                                | 2,162 per share *Note 2                                                                                                             | 1,876 per share *Note 2                                                                                                        |
| Exercise period for share subscription rights **                                                                   | July 23 <sup>rd</sup> , 2015-June 30 <sup>th</sup> , 2020                                                                           | July 23 <sup>rd</sup> , 2017-June 30 <sup>th</sup> , 2021                                                                      |
| Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen) ** | Issue price 2,162<br>Amount to be credited to common stock *Note 3                                                                  | Issue price 1,876<br>Amount to be credited to common stock *Note 3                                                             |
| Conditions for exercise of the share subscription rights                                                           | If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible. |                                                                                                                                |
| Transfer of the share subscription rights                                                                          | Approval by the Board of Directors is required in order to transfer share subscription rights.                                      |                                                                                                                                |
| Matters relating to the issuance of share subscription rights as a result of organizational restructuring action   | *Note 4                                                                                                                             |                                                                                                                                |
| Matters relating to the provisions for acquisition of share subscription rights                                    | *Note 5                                                                                                                             |                                                                                                                                |

|                                                                                                                    | The 12 <sup>th</sup> share subscription rights                                                                                      | The 13 <sup>th</sup> share subscription rights                                                                                 |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Date for resolution                                                                                                | June 23rd, 2015 (Annual general meeting of the shareholders)                                                                        | June 21st, 2016 (Annual general meeting of the shareholders)                                                                   |
| Categories and numbers of persons to whom rights are granted                                                       | Directors of the Company: 9<br>Employees of the Company: 256<br>Directors of subsidiaries: 13<br>Employees of subsidiaries: 89      | Directors of the Company: 9<br>Employees of the Company: 258<br>Directors of subsidiaries: 13<br>Employees of subsidiaries: 92 |
| Number of share subscription rights **                                                                             | 512 [497] *Note 1                                                                                                                   | 759 *Note 1                                                                                                                    |
| Type and number of shares to be issued upon the exercise of share subscription rights (shares) **                  | Common Stock ,<br>51,200 [49,700] *Note 1                                                                                           | Common Stock ,<br>75,900 *Note 1                                                                                               |
| Amount to be subscribed upon the exercise of the share subscription rights (yen) **                                | 2,825 per share *Note 2                                                                                                             | 2,527 per share *Note 2                                                                                                        |
| Exercise period for share subscription rights **                                                                   | July 23rd, 2017-June 30th, 2022                                                                                                     | July 22nd, 2018-June 30th, 2023                                                                                                |
| Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen) ** | Issue price 2,825<br>Amount to be credited to common stock *Note 3                                                                  | Issue price 2,527<br>Amount to be credited to common stock *Note 3                                                             |
| Conditions for exercise of the share subscription rights                                                           | If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible. |                                                                                                                                |
| Transfer of the share subscription rights                                                                          | Approval by the Board of Directors is required in order to transfer share subscription rights.                                      |                                                                                                                                |
| Matters relating to the issuance of share subscription rights as a result of organizational restructuring action   | *Note 4                                                                                                                             |                                                                                                                                |
| Matters relating to the provisions for acquisition of share subscription rights                                    | *Note 5                                                                                                                             |                                                                                                                                |

|                                                                                                                    | The 14 <sup>th</sup> share subscription rights                                                                                      | The 15 <sup>th</sup> share subscription rights                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date for resolution                                                                                                | June 26 <sup>th</sup> , 2017 (Annual general meeting of the shareholders)                                                           | June 25 <sup>th</sup> , 2018 (Annual general meeting of the shareholders)                                                                                         |
| Categories and numbers of persons to whom rights are granted                                                       | Directors of the Company: 8<br>Employees of the Company: 172<br>Directors of subsidiaries: 12<br>Employees of subsidiaries: 22      | Directors and Employees of the Company (not include external directors) and the Directors and Employees of Subsidiaries (not include external directors). *Note 6 |
| Number of share subscription rights **                                                                             | 775 *Note 1                                                                                                                         | 900 in maximum *Note 1                                                                                                                                            |
| Type and number of shares to be issued upon the exercise of share subscription rights (shares) **                  | Common Stock ,<br>77,500 *Note 1                                                                                                    | Common Stock ,<br>90,000 in maximum *Note 1                                                                                                                       |
| Amount to be subscribed upon the exercise of the share subscription rights (yen) **                                | 3,950 per share *Note 2                                                                                                             | *Note 2, *Note 7                                                                                                                                                  |
| Exercise period for share subscription rights **                                                                   | July 25 <sup>th</sup> , 2019 - June 30th, 2024                                                                                      | From the day two years after the day following the Allocation Date to June 30th, 2025                                                                             |
| Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen) ** | Issue price 3,950<br>Amount to be credited to common stock *Note 3                                                                  | Issue price *Note 7<br>Amount to be credited to common stock *Note 3                                                                                              |
| Conditions for exercise of the share subscription rights                                                           | If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible. |                                                                                                                                                                   |
| Transfer of the share subscription rights                                                                          | Approval by the Board of Directors is required in order to transfer share subscription rights.                                      |                                                                                                                                                                   |
| Matters relating to the issuance of share subscription rights as a result of organizational restructuring action   | *Note 4                                                                                                                             |                                                                                                                                                                   |
| Matters relating to the provisions for acquisition of share subscription rights                                    | *Note 5                                                                                                                             |                                                                                                                                                                   |

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

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

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

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

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

\*\* All statements above are as of the end of fiscal year. There are no changes from ending date of FY2018/3 to as of the end of the month prior to the date this report was submitted (May 31<sup>st</sup>, 2018) except stated in parentheses [ ].

Notes:

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

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

*Adjusted Number of Shares Granted*

*= Number of Shares Granted before adjustment × Stock split (or reverse stock split) ratio*

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

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

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

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

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

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

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

3. The amount of capital increase occurring when shares are issued upon exercise of a share subscription right shall be 1/2 of the capital increase limit as calculated according to Article 17, Item 1 of the Corporate Calculation Rules, with resulting fractions less than one yen to be rounded up.
4. In the event that the Company experiences a merger (only if the company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split (in each case only if the Company becomes a split company), or stock swap or stock

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

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

(1) Number of share subscription rights for the Reorganized Company to be provided

The number of provided share subscription rights shall be the same as the number of Remaining share subscription rights possessed by the holder of the Remaining share subscription rights.

(2) Type of Reorganized Company shares issued upon exercise of the share subscription rights

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

(3) Number of Reorganized Company shares issued upon exercise of the share subscription rights

The number of issued shares shall be determined in accordance with “Number of shares issued upon exercise of stock acquisition rights” in the table above, with consideration for the conditions and other details of the Structural Reorganization.

(4) Amount to be paid by the holder of the share subscription right upon exercise of that right

The amount to be paid by the holder of the provided share subscription right upon exercise of that right shall be the amount calculated by multiplying the post-reorganization paid-in amount (determined by adjusting the Exercise Price with consideration for the conditions and other details of the Structural Reorganization) by the number of Reorganized Company shares issued upon exercise of the stock acquisition rights as determined according to (3) above.

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

(5) Period in which the share subscription rights can be exercised

The period shall be from either the later of the start date determined in “Exercise period for share subscription rights” above or the date on which the Structural Reorganization took effect until the end date determined in “Exercise period for stock acquisition rights” above.

(6) Restrictions on acquisition of share subscription rights by transfer

The acquisition of share subscription rights by transfer requires approval by a resolution of the Reorganized Company Board of Directors.

(7) Provisions for acquisition of the share subscription rights

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

(8) Other conditions concerning exercise of the share subscription rights

These shall be decided in accordance with “Conditions for exercise of the share subscription rights” above.

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

(1) A resolution approving a merger agreement by which the Company becomes an extinct company

(2) A resolution approving a split agreement or split plan by which the Company becomes a split company

(3) A resolution approving a stock swap agreement or stock transfer plan by which the Company becomes a wholly owned subsidiary

(4) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of any shares issued by the Company

(5) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of shares which were issued by the company upon exercise of share subscription rights, or in order for the Company to acquire all of this class of stock pursuant to a resolution by the General Meeting of Shareholders.

6. Categories and numbers of persons to whom rights are granted will be separately defined and ratified at the Board of Directors meeting.

7. Exercise Price shall be the higher of 1) averaged share price, which shall be calculated from the closing price of the shares at Tokyo Stock Exchange each day for a month before the month of exercise, multiplied by 1.025, or 2) closing price of the shares on the day before the day of exercise.

8. (1) The share subscription rights can only be exercised when the holder of the share subscription rights has lost his/her position as a director of the Company (including executive officers of the Company with a committee system of corporate governance) or executive officer. However, the share subscription rights can be exercised only during the period from the date following the day on which the holder of the share subscription rights lost his/her position (hereafter referred to as the “Right Exercise Start Date”) until the day when 7 days have passed after the Right Exercise Start Date (or if that day is not a business day, the preceding business day).

(2) In the event that the holder of the share subscription rights dies, the heirs of the holder may exercise the share subscription rights. However in this case, the share subscription rights can be exercised only during the period from the date following the next date of the holder’s death until the day when 6 months have passed from this date (or if that day is not a business day, the preceding business day).

(b) Contents of the rights plan

Not applicable.

(c) Other information about Share subscription rights

Not applicable.

(3) Exercises of Moving strike convertible bonds and others

Not applicable.

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

| Period                                                                    | Changes in the number of shares issued (shares) | Balance of the number of shares issued (shares) | Changes in common stock (Millions yen) | Balance of common stock (Millions yen) | Changes in additional paid-in capital (Millions yen) | Balance of additional paid-in capital (Millions yen) |
|---------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|----------------------------------------|----------------------------------------|------------------------------------------------------|------------------------------------------------------|
| April 1 <sup>st</sup> , 2013-<br>March 31 <sup>st</sup> , 2014<br>*Note 1 | 23,600                                          | 41,278,381                                      | 21                                     | 10,238                                 | 21                                                   | 17,610                                               |
| April 1 <sup>st</sup> , 2014-<br>March 31 <sup>st</sup> , 2015<br>*Note 1 | 62,300                                          | 41,340,681                                      | 57                                     | 10,295                                 | 57                                                   | 17,667                                               |
| April 1 <sup>st</sup> , 2015-<br>March 31 <sup>st</sup> , 2016<br>*Note 1 | 82,700                                          | 41,423,381                                      | 79                                     | 10,374                                 | 79                                                   | 17,746                                               |
| April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017<br>*Note 1 | 72,200                                          | 41,495,581                                      | 87                                     | 10,462                                 | 87                                                   | 17,834                                               |
| April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018<br>*Note 1 | 80,300                                          | 41,575,881                                      | 99                                     | 10,561                                 | 99                                                   | 17,933                                               |

Note1: Breakdown by reason for changes in the number of shares issued, the amount of capital, and the amount of paid-in capital

| Date                                                            | Reason for change                                                     | Changes in the number of shares issued (shares) | Changes in common stock (Millions yen) | Changes in the amount of paid-in capital (Millions yen) |
|-----------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------|----------------------------------------|---------------------------------------------------------|
| April 1 <sup>st</sup> , 2013 -<br>March 31 <sup>st</sup> , 2014 | Increase due to exercise of share subscription rights of stock option | 23,600                                          | 21                                     | 21                                                      |
| April 1 <sup>st</sup> , 2014 -<br>March 31 <sup>st</sup> , 2015 | Increase due to exercise of share subscription rights of stock option | 62,300                                          | 57                                     | 57                                                      |
| April 1 <sup>st</sup> , 2015 -<br>March 31 <sup>st</sup> , 2016 | Increase due to exercise of share subscription rights of stock option | 82,700                                          | 79                                     | 79                                                      |
| April 1 <sup>st</sup> , 2016 -<br>March 31 <sup>st</sup> , 2017 | Increase due to exercise of share subscription rights of stock option | 72,200                                          | 87                                     | 87                                                      |
| April 1 <sup>st</sup> , 2017 -<br>March 31 <sup>st</sup> , 2018 | Increase due to exercise of share subscription rights of stock option | 80,300                                          | 99                                     | 99                                                      |

Note2: Due to exercise of share subscription rights of stock option, the number of shares issues increased by 8,500 shares and common stock and paid-in capital increased by ¥10 million each during April 1<sup>st</sup>, 2018 to May 31<sup>st</sup>, 2018.

## (5) Details of shareholders

At March 31<sup>st</sup>, 2018

| Classification                  | Status of shares (1 unit = 100 shares) |                        |                      |                    |                        |             |                       |         | Shares under 1 unit (shares) |
|---------------------------------|----------------------------------------|------------------------|----------------------|--------------------|------------------------|-------------|-----------------------|---------|------------------------------|
|                                 | National and local governments         | Financial institutions | Securities companies | Other corporations | Foreign shareholders   |             | Individuals and other | Total   |                              |
|                                 |                                        |                        |                      |                    | Other than individuals | Individuals |                       |         |                              |
| Number of shareholders (person) | -                                      | 54                     | 45                   | 197                | 236                    | 21          | 13,635                | 14,188  | -                            |
| Number of shares held (units)   | -                                      | 147,445                | 5,629                | 40,488             | 135,124                | 148         | 86,504                | 415,338 | 42,081                       |
| Ratio (%)                       | -                                      | 35.50                  | 1.36                 | 9.75               | 32.52                  | 0.04        | 20.83                 | 100.00  | -                            |

Notes: 1. All statements above are based on the cut-off date for Annual general meeting of the shareholders.

2. Treasury stock of 36,251 shares is included in "Individuals and other" for 362 units and in "Shares under 1 unit" for 51 shares. The effective number as of March 31<sup>st</sup>, 2018 was also 36,251 shares.

## (6) Principal shareholders

At March 31<sup>st</sup>, 2018

| Name                                                                                                                                                 | Address                                                                                                                         | Number of Shares held (1,000s) | Number of Shares held as a percentage of total shares issued (%) |
|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------|
| The Master Trust Bank of Japan, Ltd. Trust account                                                                                                   | 2-11-3 Hamamatsu-cho, Minato-ku, Tokyo                                                                                          | 4,400                          | 10.59                                                            |
| Japan Trustee Services Bank, Ltd. Trust account                                                                                                      | 1-8-11 Harumi, Chuo-ku, Tokyo                                                                                                   | 2,770                          | 6.67                                                             |
| Japan Trustee Services Bank, Ltd. Trust account No.9                                                                                                 | 1-8-11 Harumi, Chuo-ku, Tokyo                                                                                                   | 1,607                          | 3.87                                                             |
| The Precise Measurement Technique Promotion Foundation                                                                                               | 3-1-6-203 Kyonan-cho, Musashino-shi, Tokyo                                                                                      | 1,058                          | 2.55                                                             |
| Tsugami Corporation                                                                                                                                  | 12-20 Tomizawa-cho, Nihombashi, Chuo-ku, Tokyo                                                                                  | 1,033                          | 2.49                                                             |
| J.P. Morgan Bank Luxembourg S.A. 380678 (Standing Proxy: Mizuho Bank Ltd. Settlement & Clearing Services Department)                                 | European Bank and Business Center 6 <sup>th</sup> , Route de Treves, Sennigerberg, Luxembourg (2-15-11 Konan, Minato-ku, Tokyo) | 711                            | 1.71                                                             |
| Japan Trustee Services Bank, Ltd. Trust account No.5                                                                                                 | 1-8-11 Harumi, Chuo-ku, Tokyo                                                                                                   | 690                            | 1.66                                                             |
| Mizuho Bank, Ltd.                                                                                                                                    | 1-5-5 Otemachi, Chiyoda-ku, Tokyo                                                                                               | 672                            | 1.62                                                             |
| State Street Bank and Trust Company (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Sales Department) | One Lincoln Street, Boston MA, USA (3-11-1 Nihombashi, Chuo-ku, Tokyo)                                                          | 650                            | 1.57                                                             |
| Ayako Yano                                                                                                                                           | Chiyoda-ku, Tokyo                                                                                                               | 612                            | 1.47                                                             |
| Total                                                                                                                                                | -                                                                                                                               | 14,207                         | 34.20                                                            |

Notes: 1. All statements above are based on the cut-off date for Annual general meeting of the shareholders.

2. The following corporations have submitted a Large Shareholding Report (change report). The reports of the number of shares held have been submitted on the dates listed below. However, because the Company was unable to verify the actual number of shares held at the end of FY2018/3, they are not considered to be among the "Major shareholders" above.

| Name                                      | Address                                                           | Shares held<br>(1,000s) | Shares held as a<br>percentage of<br>total shares<br>issued (%) | Reported date<br>(Reporting<br>obligation date)                |
|-------------------------------------------|-------------------------------------------------------------------|-------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|
| FIL Investments (Japan)<br>Limited        | 7-7-7 Roppongi,<br>Minato-ku, Tokyo                               | 1,935                   | 4.66                                                            | Nov, 22 <sup>nd</sup> , 2017<br>(Nov, 15 <sup>th</sup> , 2017) |
| Wellington Management<br>Company LLP (*1) | 280 Congress Street<br>Boston,<br>Massachusetts,<br>United States | 2,171                   | 5.22                                                            | Jan, 11 <sup>th</sup> , 2018<br>(Dec, 29 <sup>th</sup> , 2017) |

(\*1) Co-ownership among Wellington Management Company LLP (1,483 thousand shares) and Wellington Management Japan Pte Limited (687 thousand shares).

## (7) Status of voting rights

### [1] Shares issued

At March 31<sup>st</sup>, 2018

| Classification                                              | Number of shares<br>(Shares)             | Number of voting rights<br>(Units) | Description |
|-------------------------------------------------------------|------------------------------------------|------------------------------------|-------------|
| Shares without voting rights                                | -                                        | -                                  | -           |
| Shares with limited voting rights<br>(treasury stock, etc.) | -                                        | -                                  | -           |
| Shares with limited voting rights<br>(others)               | -                                        | -                                  | -           |
| Shares with full voting rights<br>(treasury stock, etc.)    | (Treasury stock)<br>Common stock: 36,200 | -                                  | -           |
| Shares with full voting rights<br>(others)                  | Common stock: 41,497,600                 | 414,976                            | -           |
| Shares under one unit                                       | Common stock: 42,081                     | -                                  | -           |
| Total shares issued                                         | 41,575,881                               | -                                  | -           |
| Total voting rights held by all<br>shareholders             | -                                        | 414,976                            | -           |

Notes: 1. All statements above are based on the cut-off date for Annual general meeting of the shareholders.

2. The common stock in the "Shares under one unit" includes 51 shares of treasury stock owned by the Company.

### [2] Treasury stock, etc.

At March 31<sup>st</sup>, 2018

| Shareholders                                 | Address of shareholders                       | Number of<br>shares held<br>under own<br>name<br>(Shares) | Number of<br>shares held<br>under the<br>names of<br>others<br>(Shares) | Total<br>(Shares) | Percent of<br>total shares<br>issued (%) |
|----------------------------------------------|-----------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------|-------------------|------------------------------------------|
| (Treasury stock)<br>Tokyo Seimitsu Co., Ltd. | 2968-2 Ishikawa-machi,<br>Hachioji-shi, Tokyo | 36,200                                                    | -                                                                       | 36,200            | 0.09                                     |
| Total                                        | -                                             | 36,200                                                    | -                                                                       | 36,200            | 0.09                                     |

Notes: 1. All statements above are based on the cut-off date for Annual general meeting of the shareholders.

## 2 [Acquisition of treasury stock]

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

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Not applicable.

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

| Classification                                            | Number of shares(shares) | Total amount (Millions yen) |
|-----------------------------------------------------------|--------------------------|-----------------------------|
| Treasury stock acquired during FY2018/3                   | 477                      | 2                           |
| Treasury stock acquired during the period for acquisition | 63                       | 0                           |

Note: "Treasury stock acquired during the period for acquisition" does not include the number of shares under 1 unit purchased during the period from June 1<sup>st</sup>, 2018 to the filing date of this Financial Document (Yuukashoken-houkokusho).

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

| Classification                                                                                                                          | FY2018/3         |                                         | Period for acquisition |                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------|------------------------|-----------------------------------------|
|                                                                                                                                         | Number of shares | Total disposition amount (Millions yen) | Number of shares       | Total disposition amount (Millions yen) |
| Acquired treasury stock for which subscribers were solicited                                                                            | -                | -                                       | -                      | -                                       |
| Acquired treasury stock which was disposed                                                                                              | -                | -                                       | -                      | -                                       |
| Acquired treasury stock for which transfer of shares was conducted in association with merger, stock exchange, or corporate separation. | -                | -                                       | -                      | -                                       |
| Others (-)                                                                                                                              | -                | -                                       | -                      | -                                       |
| Number of shares of treasury stock held                                                                                                 | 36,251           | -                                       | 36,314                 | -                                       |

Note: "Number of shares of treasury stock held during the period for acquisition" does not include shares under 1 unit which were sold between June 1<sup>st</sup>, 2018 to the filing date of this Financial Report (Yuukashoken-houkokusho) was submitted.

### 3 [Dividend policy]

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

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

For FY2018/3, the Company paid ¥92 per share as the dividend, including an interim dividend (¥41 per share) paid on Dec. 7<sup>th</sup>, 2017. The Company considers maintaining a core policy regarding the distribution of profits linked to the business performance of the Company and aims to pay stable dividends targeting a consolidated dividend payout ratio of 30%. Also, considering the aim to provide stable and continuous dividend payments, the Company deems to maintain an annual dividend of ¥20 per share regardless of consolidated profits of the Company. However, it is at the discretion of the Board to review this basic policy if the Company experiences losses in two consecutive years.

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

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

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

| Date of resolution                                                                          | Total dividend amount<br>(Millions yen) | Dividend per share<br>(yen) |
|---------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------|
| November 14 <sup>th</sup> , 2017<br>Resolution of the Board of Directors meeting            | 1,701                                   | 41.00                       |
| June 25 <sup>th</sup> , 2018<br>Resolution of the annual general meeting of<br>shareholders | 2,118                                   | 51.00                       |

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

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

| Fiscal term     | 91 <sup>st</sup> | 92 <sup>nd</sup> | 93 <sup>rd</sup> | 94 <sup>th</sup> | 95 <sup>th</sup> |
|-----------------|------------------|------------------|------------------|------------------|------------------|
| Fiscal Year-end | March, 2014      | March, 2015      | March, 2016      | March, 2017      | March, 2018      |
| Highest (yen)   | 2,528            | 2,985            | 2,987            | 3,965            | 5,130            |
| Lowest (yen)    | 1,635            | 1,610            | 1,970            | 2,038            | 3,165            |

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

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

| Month         | Oct, 2017 | November | December | Jan, 2018 | February | March |
|---------------|-----------|----------|----------|-----------|----------|-------|
| Highest (yen) | 4,480     | 5,130    | 4,760    | 5,060     | 4,855    | 4,690 |
| Lowest (yen)  | 3,910     | 4,440    | 4,440    | 4,570     | 4,130    | 4,040 |

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

## 5 [Directors and Auditors]

Number of Male directors: 14, Female directors: 0 (Female-to-number of Directors ratio:0%)

| Function                | Position                                            | Name             | Date of birth                 | Career profile                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                       | Term of office | Number of shares owned (1,000s) |
|-------------------------|-----------------------------------------------------|------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------------------------|
| Director                | Chairman                                            | Kunimasa Ota     | Feb. 16 <sup>th</sup> , 1949  | April 1971<br>June 1999<br>April 2001<br>April 2002<br>June 2002<br>April 2003<br>June 2004<br>April 2011<br>April 2015<br>April 2017 | Joined The Fuji Bank Limited. (now Mizuho Bank, Ltd.)<br>Director and Accounting Division Manager at Toho Rayon Co., Ltd.<br>Joined the Company<br>Managing Executive Officer of Administration Company<br>Director<br>President of the Administration Company<br>Representative Director<br>President<br>Chairman (Representative Director)<br>Chairman (Director)(current position) | *Note 3        | 15                              |
| Representative Director | President and CEO                                   | Hitoshi Yoshida  | Nov. 26 <sup>th</sup> , 1959  | April 1983<br>April 2002<br>June 2005<br>Oct. 2007<br>June 2011<br>April 2015                                                         | Joined the Company<br>Executive Officer of Metrology Company<br>Director<br>President of Metrology Company<br>Representative Director<br>President and CEO (current position)                                                                                                                                                                                                         | *Note 3        | 6                               |
| Representative Director | Vice President and COO                              | Ryuichi Kimura   | Dec. 30 <sup>th</sup> , 1962  | April 1986<br>April 2005<br>June 2005<br>Aug. 2007<br>June 2011<br>April 2015                                                         | Joined the Company<br>Executive Officer of Semiconductor Company<br>Director<br>President of Semiconductor Company<br>Representative Director<br>Vice President and COO (current position)                                                                                                                                                                                            | *Note 3        | 2                               |
| Representative Director | CFO                                                 | Koichi Kawamura  | Oct. 5 <sup>th</sup> , 1957   | April 1980<br>April 2008<br>June 2009<br>June 2011<br>April 2015                                                                      | Joined The Fuji Bank Limited. (now Mizuho Bank, Ltd.)<br>Joined the Company, Senior Executive officer of Administration Company<br>Director<br>President of Administration Company<br>Representative Director and CFO (current position)                                                                                                                                              | *Note 3        | 5                               |
| Director                | Senior Executive Officer of Semiconductor Company   | Akihiro Endo     | Jan. 10 <sup>th</sup> , 1958  | April 1981<br>Oct. 2002<br>Oct. 2005<br>April 2009<br>April 2012<br>June 2012                                                         | Joined Oki Electric Industry Co., Ltd.<br>Joined the Company<br>Executive Officer of Semiconductor Company<br>General manager of Technology div. (current position)<br>Senior executive officer of Semiconductor Company (current position)<br>Director (current position)                                                                                                            | *Note 3        | 2                               |
| Director                | Senior Executive Officer of Metrology Company       | Masahiro Tomoeda | May 4 <sup>th</sup> , 1955    | April 1986<br>Oct. 2002<br>April 2005<br>April 2013<br>June 2014                                                                      | Joined the Company<br>Executive Officer of Metrology Company<br>General Manager of Sales Division, Metrology Company (current position)<br>Senior Executive Officer of Metrology Company (current position)<br>Director (current position)                                                                                                                                            | *Note 3        | 2                               |
| Director                | Managing Executive Officer of Semiconductor Company | Takahiro Hokida  | April 24 <sup>th</sup> , 1962 | July 1986<br>Oct. 1995<br>April 2010<br>April 2012<br>April 2014<br>June 2015                                                         | Joined YDK Co., Ltd<br>Joined the Company<br>Executive officer of Semiconductor Company<br>General Manager of Test Technology Division (current position)<br>Managing executive officer of Semiconductor Company (current position)<br>Director (current position)                                                                                                                    | *Note 3        | 1                               |

| Function | Position  | Name               | Date of birth                 | Career history                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Term of office | Number of shares owned (1,000s) |    |
|----------|-----------|--------------------|-------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------------------------|----|
| Director | Part-time | Wolfgang Bonatz    | Dec. 21 <sup>st</sup> , 1964  | Oct. 1992<br>April 1996<br>Nov. 1999<br>Oct. 2001<br>June 2002                              | Joined Tokyo Seimitsu Europe GmbH (now Accretch (Europe) GmbH).<br>Operations Manager<br>Director<br>President (current position)<br>Director (part-time) of the Company (current position)                                                                                                                                                                                                                                                                                                                                                                                              | *Note 3        | 2                               |    |
| Director | Part-time | Hirokazu Matsumoto | Sep. 28 <sup>th</sup> , 1947  | April 1976<br>Mar. 1983<br>Feb. 1988<br>April 1999<br>April 2001<br>April 2008<br>June 2013 | Researcher, Measurement Research Center at Agency of Industrial Science and Technology<br>Visiting Researcher, National Bureau of Standards, USA<br>Optical Measurement Section Manager, Quantum Dept., Agency of Industrial Science and Technology<br>Visiting Professor of Graduate School at Tokyo University of Science<br>Deputy Director / Lengths and Dimensions Division Leader, Metrology Institute of Japan<br>Project Professor of Dept. of Precision Engineering, School of Engineering at the University of Tokyo<br>Director (part-time) of the Company (Current position) | *Note 3        | -                               |    |
| Director | Part-time | Shozo Saito        | July 9 <sup>th</sup> , 1950   | June 2007<br>June 2010<br>June 2012<br>June 2015                                            | Executive Officer, Corporate Senior Vice President of Toshiba Corporation<br>Executive Officer, Corporate Executive Vice President<br>Director, Representative Executive Officer, and Corporate Senior Executive Vice President<br>Director (part-time) of the Company (Current position)                                                                                                                                                                                                                                                                                                | *Note 3        | -                               |    |
| Auditor  | Full-time | Shinji Akimoto     | Nov., 29 <sup>th</sup> , 1963 | April 1987<br>April 2000<br>April 2002<br>April 2007<br>June 2018                           | Joined the Company<br>General Manager, Human Resources Planning Dept., Planning Div.<br>General Manager, Human Resources Dept., Administration Company<br>Executive Officer<br>Auditor (current position)                                                                                                                                                                                                                                                                                                                                                                                | *Note 4        | 2                               |    |
| Auditor  | Part-time | Naomi Inoue        | Nov. 6 <sup>th</sup> , 1950   | April 1974<br>May 1998<br>April 2002<br>April 2007<br>April 2008<br>Mar. 2010<br>June 2013  | Joined The Fuji Bank, Limited. (now Mizuho Bank, Ltd.)<br>General Manager, Related Business Dept.<br>Executive Officer of Mizuho Bank, Ltd.<br>Managing Director<br>Auditor of Mizuho Securities Co., Ltd.<br>President of Mizuho Information & Research Institute, Inc.<br>President of Joban Kosan, Ltd. (current position) and Auditor (part-time) of the Company (current position)                                                                                                                                                                                                  | *Note 5        | -                               |    |
| Auditor  | Part-time | Yoshiro Hayashi    | July 2 <sup>nd</sup> , 1948   | June 2003<br>June 2006<br>June 2014<br>June 2015                                            | Audit & Supervisory Board Member of Toyota Motor Corporation<br>President of Panasonic EV Energy Co., Ltd (now Primearth EV Energy Co., Ltd)<br>External Director of Toyo Kohan Co., Ltd (Current Position)<br>Auditor (part-time) of the Company (current position)                                                                                                                                                                                                                                                                                                                     | *Note 6        | -                               |    |
| Auditor  | Part-time | Masahiro Maeda     | July 15 <sup>th</sup> , 1957  | Mar. 1981<br>Jan. 1991<br>Jan. 2000<br>Feb. 2000<br>Feb. 2005<br>June 2015<br>June 2017     | Joined Tohmatsu Aoki & Co.<br>Joined Tadashi Furumoto Certified public Accounting and Tax Office<br>Representative of Masahiro Maeda Certified Public Accounting and Tax Office (current position)<br>Representative of Mas Tax Consulting Co., Ltd. (current position)<br>CEO of Revival Support Co. Ltd. (current position)<br>External Auditor of Asia Pile Holding Corporation (current position)<br>Auditor (part-time) of the Company (current position)                                                                                                                           | *Note 5        | -                               |    |
| Total    |           |                    |                               |                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |                                 | 42 |

Notes:

1. Directors Hirokazu Matsumoto, and Shozo Saito are external corporate directors.
2. Auditors Naomi Inoue, Yoshiro Hayashi, and Masahiro Maeda are external corporate auditors.
3. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 1 year following the conclusion of the Regular General Meeting of Shareholders which was held on June 25<sup>th</sup>, 2018.
4. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 25<sup>th</sup>, 2018.
5. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 26<sup>th</sup>, 2017.
6. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 23<sup>rd</sup>, 2015.

## 6 [Corporate governance and others]

### (1) Status of Corporate Governance

#### (1) Corporate Governance philosophy

- I. The Company operates corporate governance systems described as follows, which have been ratified by the Board of Director in May, 2006 (most recently revised in June, 2017).
  1. Basic corporate governance philosophy

The philosophy of the Company can be expressed as “Creating the World’s No.1 products through uniting worldwide outstanding technologies, wisdoms, and information, and growing together”. In order to establish WIN-WIN relationship with all stakeholders including shareholders, customers, suppliers and employees and to sustain long-term growth, the Company keeps diligent and transparent operations through strengthening corporate governance and compliance.
  2. Systems to ensure that Directors of the Company, directors of its subsidiaries, and these employees’ business dealings meet laws and articles of incorporation
    - i. To meet appropriate corporate governance standards, the Board of Directors of the Company and its subsidiaries have put in place an effective internal control system and established a system for compliance with laws, regulations, and the articles of incorporation.
    - ii. The Company has the “Accretech Group Code of Conduct” to ensure that in all business activities, employees always observe laws, regulations, the articles of incorporation, company rules, and social rules, to conduct themselves in an ethical and honest manner.
    - iii. The Company has a “Compliance Committee,” chaired by the Director in charge of the Administration Company, to maintain the internal organization for the compliance and to promotion of compliance policies, and to set up procedures that all personnel in the Company and affiliated companies must adhere to.
    - iv. The Company has a system for reporting incidents relating to compliance, by which the responsible directors report details and action plans to the Board of Directors and Auditors in a timely manner.
    - v. The Company has the Audit dept. which is overseen directly by the President and CEO, and carries out the Company and its subsidiaries’ internal audits in order to verify issues such as compliance with laws, regulations, the articles of incorporation, company rules, and validity of management decision making.
    - vi. The Company has an internal whistleblower system to accept reports or provide consultation on incorrect behaviors of the Company and its subsidiaries that are against social norms or corporate ethics. Appropriate measures are taken to protect whistleblowers and maintain transparency.
    - vii. The Board of Auditors audits the effectiveness and functions of the internal control system.
  3. Systems of information management of Director’s business dealings
    - i. Directors shall secure all information and documents related to business dealings based on the “Information Security Control Rules”.
    - ii. Upon requests by Directors and Auditors, this information will be made available for inspection.
  4. Systems for the Company and its subsidiaries’ risk managements
    - i. The Company works to prevent potential risks. If risks appear, all personnel in the Company immediately carry out activities quickly and calmly.
    - ii. The Company has “Regulations for risk management” for the purpose of understanding risks that may affect the business operations and its management. The Company has also a “Risk Management Committee,” chaired by President and CEO. This committee helps prevent potential risks, while developing a system for emergency preparedness in accordance with Regulations for risk management.
    - iii. If the Audit dept. finds any violation of laws, regulations, the articles of corporation or internal rules, or any performance of duties that may cause a loss due to some other reasons at the Company or its subsidiaries, the Manager of the Audit dept. immediately notifies the President and CEO and instructs employees to implement corrective or improvement actions.
    - iv. In the event of a risk scenario arising, the committee would immediately establish a

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

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

## II. Status of the risk management system

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

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

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

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

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

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

1. Limited indemnity

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

2. Ratification of compliance with limited responsibility

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

3. Approval from shareholder's meeting

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

4. Expiration of limited liability contract

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

(2) Internal audits and independent audits

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

1. The Board of Auditors, as a parallel organization to the Board of Directors, is composed of 1 internal auditor and 3 external corporate auditors. Through means such as attending meetings of the Board of Directors and other important meetings, holding hearings concerning the status of business practices, and examining important financial documents, the members carry out audits related to the business practices, accounting processes, financial management, and other activities of the Company, checking for any actions which violate laws, regulations, or the duty of good faith.
2. The Audit Dept. is a different internal auditing organization. This organization is overseen directly by the President and CEO, and is composed of 1 member. It is primarily tasked with checking compliance against laws and regulations, conforming to the articles of incorporation, and validating management actions through internal audit. If the Audit dept. finds any violation against laws, article of incorporation and /or regulations, the Audit dept. must immediately report to the Company's President and CEO and issue instructions for corrections.

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

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

III. Auditors financial expertise

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

(3) External Corporate Directors and Auditors

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

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

|                              | Name               | Relationship   | Capital relationship<br>(number of shares of<br>the Company owned) | Commercial or other<br>business relationship |
|------------------------------|--------------------|----------------|--------------------------------------------------------------------|----------------------------------------------|
| External corporate directors | Hirokazu Matsumoto | Not applicable | 0 shares                                                           | None                                         |
|                              | Shozo Saito        | Not applicable | 0 shares                                                           | None                                         |
| External corporate auditors  | Naomi Inoue        | Not applicable | 0 shares                                                           | None                                         |
|                              | Yoshiro Hayashi    | Not applicable | 0 shares                                                           | None                                         |
|                              | Masahiro Maeda     | Not applicable | 0 shares                                                           | None                                         |

- Hirokazu Matsumoto, an external corporate director, is a researcher at the University of Tokyo. There is no business relationship and/or interest to be stated in this report between the Company and the University.
- Shozo Saito, an external corporate director, had joined Toshiba Corporation. There is a business relationship that the Company sells some equipment to Toshiba Corporation.
- Naomi Inoue, an external corporate auditor, had joined the Mizuho Bank., Ltd. The Company has loans payable from Mizuho Banking Group. He is also a President of Joban Kosan, Ltd. There is no business relationship between the Company and Joban Kosan, Ltd.
- Yoshiro Hayashi, an external corporate auditor, had joined Toyota Motor Corporation. There is a business relationship that the Company sells some equipment to Toyota Motor Corporation. He is also an external director of Toyo Kohan Co., Ltd., but there is no business relationship and/or interest to be stated in this report between the Company and Toyo Kohan Co., Ltd.
- Masahiro Maeda, external corporate auditor, is certified as both public accountant and Tax accountant. He is also a representative of an accounting firm, but there is no business relationship and/or interest to be stated in this report between the Company and his accounting firm. In addition, there is no business relationship between the Company and the companies of which he is assigned as a representative.

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

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

III. Status of appointing external corporate director and auditors

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

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

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

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

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

(4) Compensation paid to directors and auditors

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

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

| Type                                           | Total numbers of compensation (Millions yen) | Type of compensation (Millions yen) |              |       |                     | Applicable directors and auditors (person) |
|------------------------------------------------|----------------------------------------------|-------------------------------------|--------------|-------|---------------------|--------------------------------------------|
|                                                |                                              | Basic compensation                  | Stock Option | Bonus | Retirement Benefits |                                            |
| Directors (except external Corporate Director) | 407                                          | 289                                 | 118          | -     | -                   | 9                                          |
| Auditors (except external Corporate Auditors)  | 19                                           | 19                                  | -            | -     | -                   | 1                                          |
| External Corporate Director and Auditors       | 45                                           | 45                                  | -            | -     | -                   | 7                                          |

Notes

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

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

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

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

III. Important notification of salary to the director-employees

Not applicable.

IV. Policy of determining compensation for the Directors/Auditors

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

1. Compensation for the Directors

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

Compensation for internal directors consists of monthly compensation, performance-linked compensation and incentive compensation in order to make compensation levels appropriately linked to the business performance and sustainable growth of the company value.

The compensation for the external directors consists of only monthly compensation.

2. Compensation for the Auditors

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

(5) Shares held by the Company

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

Number of Brands: 30 brands

Total amounts Accounted on Balance Sheet: ¥4,815 million

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

FY2017/3 (from April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

Specific Shares for investment

| Brand                                | Number of share holdings by the Company (shares) | Accounted on Balance Sheet (Millions yen) | Purpose of share holdings              |
|--------------------------------------|--------------------------------------------------|-------------------------------------------|----------------------------------------|
| NSK Ltd.                             | 296,900                                          | 472                                       | Sales activity(such as smooth dealing) |
| TPR Co., Ltd.                        | 100,000                                          | 365                                       | Same as at above                       |
| Mizuho Financial Group, Inc.         | 1,767,410                                        | 360                                       | Same as at above                       |
| Asahi Diamond Industrial Co., Ltd.   | 400,000                                          | 326                                       | Same as at above                       |
| Kyocera Corporation                  | 31,000                                           | 192                                       | Same as at above                       |
| THK Co., Ltd.                        | 60,000                                           | 168                                       | Same as at above                       |
| Yamazaki Co., Ltd.                   | 160,000                                          | 160                                       | Same as at above                       |
| Formfactor, Inc.                     | 66,667                                           | 87                                        | Same as at above                       |
| Tomita Co., Ltd.                     | 126,794                                          | 96                                        | Same as at above                       |
| Toa Corporation                      | 38,000                                           | 76                                        | Same as at above                       |
| Tokyo TY Financial Group, Inc.       | 18,500                                           | 61                                        | Same as at above                       |
| Mitsubishi UFJ Financial Group, Inc. | 80,000                                           | 55                                        | Same as at above                       |
| Asahi Glass Co., Ltd.                | 51,000                                           | 46                                        | Same as at above                       |
| Micron Machinery Co., Ltd.           | 10,000                                           | 35                                        | Same as at above                       |
| Taiho Kogyo Co., Ltd.                | 20,000                                           | 33                                        | Same as at above                       |
| Eiwa Corporation                     | 29,040                                           | 26                                        | Same as at above                       |
| Mebuki Financial Group, Inc.         | 56,756                                           | 25                                        | Same as at above                       |
| Kuroda Precision Industries Ltd.     | 40,750                                           | 15                                        | Same as at above                       |
| Sato Shoji Corporation               | 14,834                                           | 12                                        | Same as at above                       |
| JX Holdings, Inc.                    | 21,400                                           | 11                                        | Same as at above                       |
| Resona Holdings Inc.                 | 16,275                                           | 9                                         | Same as at above                       |
| Okuma Corporation                    | 7,497                                            | 8                                         | Same as at above                       |
| Tsukuba Bank, Ltd.                   | 28,000                                           | 8                                         | Same as at above                       |
| Nihon Denkei Co., Ltd.               | 6,348                                            | 7                                         | Same as at above                       |

Shares subject to deemed holding

| Brand                                 | Number of share holdings by the company (shares) | Accounted on Balance Sheet (Millions yen) | Purpose of share holdings        |
|---------------------------------------|--------------------------------------------------|-------------------------------------------|----------------------------------|
| Tsugami Corporation                   | 2,592,000                                        | 1,918                                     | The Company holds voting rights. |
| Advantest Corporation                 | 40,400                                           | 84                                        | Same as at above                 |
| Sumitomo Mitsui Financial Group, Inc. | 10,800                                           | 43                                        | Same as at above                 |
| Nikon Corporation                     | 19,000                                           | 30                                        | Same as at above                 |
| Oki Electric Industry Co., Ltd.       | 5,100                                            | 8                                         | Same as at above                 |
| Innotech Corporation                  | 10,000                                           | 6                                         | Same as at above                 |

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

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

Specific Shares for investment

| Brand                                | Number of share holdings by the Company (shares) | Accounted on Balance Sheet (Millions yen) | Purpose of share holdings              |
|--------------------------------------|--------------------------------------------------|-------------------------------------------|----------------------------------------|
| Precision Tsugami (China) Co., Ltd   | 12,400,000                                       | 1,905                                     | Sales activity(such as smooth dealing) |
| Asahi Diamond Industrial Co., Ltd.   | 400,000                                          | 448                                       | Same as at above                       |
| NSK Ltd.                             | 296,900                                          | 423                                       | Same as at above                       |
| Mizuho Financial Group, Inc.         | 1,767,410                                        | 338                                       | Same as at above                       |
| TPR Co., Ltd.                        | 100,000                                          | 307                                       | Same as at above                       |
| THK Co., Ltd.                        | 60,000                                           | 264                                       | Same as at above                       |
| Kyocera Corporation                  | 31,000                                           | 186                                       | Same as at above                       |
| Yamazaki Co., Ltd.                   | 160,000                                          | 177                                       | Same as at above                       |
| Tomita Co., Ltd.                     | 127,596                                          | 154                                       | Same as at above                       |
| Formfactor, Inc.                     | 66,667                                           | 95                                        | Same as at above                       |
| Toa Corporation                      | 38,000                                           | 85                                        | Same as at above                       |
| Mitsubishi UFJ Financial Group, Inc. | 80,000                                           | 55                                        | Same as at above                       |
| Tokyo TY Financial Group, Inc.       | 18,500                                           | 46                                        | Same as at above                       |
| Micron Machinery Co., Ltd.           | 30,000                                           | 41                                        | Same as at above                       |
| Taiho Kogyo Co., Ltd.                | 20,000                                           | 30                                        | Same as at above                       |
| Eiwa Corporation                     | 29,040                                           | 27                                        | Same as at above                       |
| Mebuki Financial Group, Inc.         | 56,756                                           | 23                                        | Same as at above                       |
| Kuroda Precision Industries Ltd.     | 8,150                                            | 19                                        | Same as at above                       |
| Sato Shoji Corporation               | 14,834                                           | 17                                        | Same as at above                       |
| Nihon Denkei Co., Ltd.               | 7,249                                            | 13                                        | Same as at above                       |
| Tsukuba Bank, Ltd.                   | 28,000                                           | 9                                         | Same as at above                       |
| Okuma Corporation                    | 1,499                                            | 9                                         | Same as at above                       |
| Resona Holdings Inc.                 | 16,275                                           | 9                                         | Same as at above                       |
| Sanken Electric Co., Ltd.,           | 10,000                                           | 7                                         | Same as at above                       |

### Shares subject to deemed holding

| Brand                                 | Number of share holdings by the company (shares) | Accounted on Balance Sheet (Millions yen) | Purpose of share holdings        |
|---------------------------------------|--------------------------------------------------|-------------------------------------------|----------------------------------|
| Tsugami Corporation                   | 2,592,000                                        | 3,468                                     | The Company holds voting rights. |
| Advantest Corporation                 | 40,400                                           | 90                                        | Same as at above                 |
| Sumitomo Mitsui Financial Group, Inc. | 10,800                                           | 48                                        | Same as at above                 |
| Nikon Corporation                     | 19,000                                           | 36                                        | Same as at above                 |
| Innotech Corporation                  | 10,000                                           | 12                                        | Same as at above                 |
| Oki Electric Industry Co., Ltd.       | 5,100                                            | 7                                         | Same as at above                 |

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

### III. Purposes of share holdings by the Company with the purpose of net investment Not applicable.

#### (6) Financial Auditing

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

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

##### II. Assistants to the audits Certified Public Accountants: 7, Others: 9

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

- I. In order for the Company to be able to carry out its capital strategy in a flexible manner that is appropriate for changes in the business environment, the articles of incorporation state that "under the provisions of Article 165, Paragraph 2 of the Company Law of Japan, the Company may, by resolution of the Board of Directors, acquire its own shares through market trading and other means that are identified in Paragraph 1 of the same article."
- II. In order to return profits to the shareholders in a flexible manner, the articles of incorporation state that "the Company may, by resolution of the Board of Directors, pay an interim dividend to shareholders or registered pledgees listed or recorded in the latest shareholder registry on September 30<sup>th</sup> of each year."

#### (8) The maximum number of directors as determined by the articles of incorporation The Company determined maximum number of directors as 15 by the articles of incorporation.

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

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

(2) Status of remuneration to auditors, and others

(1) Remuneration for public accountants

|                           | FY2017/3                                                 |                                                              | FY2018/3                                                 |                                                              |
|---------------------------|----------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------|
|                           | Remuneration related to Audit & assurance (Millions yen) | Remuneration not related to Audit & assurance (Millions yen) | Remuneration related to Audit & assurance (Millions yen) | Remuneration not related to Audit & assurance (Millions yen) |
| The Company               | 43                                                       | 8                                                            | 42                                                       | -                                                            |
| Consolidated Subsidiaries | 12                                                       | -                                                            | 12                                                       | -                                                            |
| Total                     | 56                                                       | 8                                                            | 55                                                       | -                                                            |

(2) Other important remunerations

FY2017/3 (April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

The Company's consolidated subsidiaries, Accretech America Inc., Accretech (Europe) GmbH, Accretech (China) Co., Ltd., and Accretech Taiwan Co., Ltd., paid total ¥13 million to Ernst & Young, which belongs to the same network as the Company's Public Accountant as remuneration for audit & assurance for the Fiscal Year. In addition, there has been remuneration of ¥2 million other than for the purpose of audit & assurance.

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

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

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

FY2017/3 (April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

Financial Consulting and others.

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

Not applicable.

(4) Policy of determining remuneration to independent auditors

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

## Section 5 [Financial Information]

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

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

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

### 2. Audit reports

Pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act, the Company has had its consolidated financial statements of FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018), and non-consolidated financial statements of FY2018/3 (April 1<sup>st</sup>, 2017 - March 31<sup>st</sup>, 2018) audited by Ernst & Young ShinNihon LLC.

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

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

# 1. [Consolidated Financial Statements]

(1) Consolidated financial statements

[1] Consolidated balance sheets

Millions yen

|                                         | <b>FY2017/3</b><br>(March 31 <sup>st</sup> , 2017) | <b>FY2018/3</b><br>(March 31 <sup>st</sup> , 2018) |
|-----------------------------------------|----------------------------------------------------|----------------------------------------------------|
| <b>ASSETS</b>                           |                                                    |                                                    |
| Current Assets                          |                                                    |                                                    |
| Cash and cash equivalents               | 33,853                                             | 37,220                                             |
| Notes and accounts receivable           | 23,675                                             | *2 28,005                                          |
| Electronically recorded monetary claims | 4,733                                              | *2 5,434                                           |
| Merchandise and finished goods          | 2,101                                              | 1,918                                              |
| Work in progress                        | 11,325                                             | 15,223                                             |
| Raw materials and supplies              | 3,886                                              | 5,183                                              |
| Deferred tax assets                     | 1,156                                              | 1,359                                              |
| Others                                  | 2,227                                              | 2,146                                              |
| Allowance for doubtful accounts         | - 168                                              | - 142                                              |
| Total current assets                    | 82,792                                             | 96,349                                             |
| Fixed Assets                            |                                                    |                                                    |
| Tangible fixed assets                   |                                                    |                                                    |
| Building and structures                 | 25,685                                             | 26,091                                             |
| Accumulated depreciation                | - 11,208                                           | - 12,093                                           |
| Building and structures(net)            | 14,476                                             | 13,998                                             |
| Machinery, equipment and vehicles       | 9,234                                              | 9,065                                              |
| Accumulated depreciation                | - 7,012                                            | - 7,109                                            |
| Machinery, equipment and vehicles (net) | 2,222                                              | 1,956                                              |
| Equipment                               | 5,880                                              | 6,410                                              |
| Accumulated depreciation                | - 4,065                                            | - 4,391                                            |
| Equipment(net)                          | 1,814                                              | 2,019                                              |
| Land                                    | 5,806                                              | 5,822                                              |
| Lease assets                            | 48                                                 | 94                                                 |
| Accumulated depreciation                | - 17                                               | - 47                                               |
| Lease assets (net)                      | 30                                                 | 47                                                 |
| Construction in process account         | 97                                                 | 413                                                |
| Total Tangible Fixed Assets             | 24,448                                             | 24,258                                             |
| Intangible Fixed Assets                 |                                                    |                                                    |
| Goodwill                                | 284                                                | 185                                                |
| Others                                  | 645                                                | 1,671                                              |
| Total Intangible Fixed Assets           | 929                                                | 1,857                                              |
| Investments and other assets            |                                                    |                                                    |
| Investment securities                   | *1 2,778                                           | *1 5,684                                           |
| Long-term loans                         | 7                                                  | 89                                                 |
| Net defined benefit assets              | 2,532                                              | 4,124                                              |
| Differed tax assets                     | 437                                                | 110                                                |
| Others                                  | *1 538                                             | *1 522                                             |
| Allowance for doubtful accounts         | - 0                                                | - 0                                                |
| Total Investments and other assets      | 6,293                                              | 10,530                                             |
| Total Fixed Assets                      | 31,670                                             | 36,645                                             |
| Total Assets                            | 114,463                                            | 132,995                                            |

|                                               | <b>FY2017/3</b><br>(March 31 <sup>st</sup> , 2017) | <b>FY2018/3</b><br>(March 31 <sup>st</sup> , 2018) |
|-----------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| <b>LIABILITIES</b>                            |                                                    |                                                    |
| Current Liabilities                           |                                                    |                                                    |
| Notes and accounts payable                    | 7,497                                              | *2 8,200                                           |
| Electronically recorded obligations-operating | 8,291                                              | *2 13,670                                          |
| Short-term debt                               | 1,300                                              | 1,300                                              |
| Lease liabilities                             | 8                                                  | 18                                                 |
| Income taxes payable                          | 4,115                                              | 3,254                                              |
| Differed tax liabilities                      | 6                                                  | -                                                  |
| Bonus reserve                                 | 1,099                                              | 1,238                                              |
| Reserve for director's bonuses                | 11                                                 | 10                                                 |
| Others                                        | 4,239                                              | *2 5,115                                           |
| Total current liabilities                     | 26,570                                             | 32,807                                             |
| Long-term Liabilities                         |                                                    |                                                    |
| Lease liabilities                             | 24                                                 | 33                                                 |
| Deferred tax liabilities                      | 2                                                  | 102                                                |
| Allowance for director retirement benefits    | 148                                                | 139                                                |
| Net defined benefit liabilities               | 508                                                | 542                                                |
| Others                                        | 15                                                 | 16                                                 |
| Total long-term liabilities                   | 698                                                | 833                                                |
| Total Liabilities                             | 27,269                                             | 33,640                                             |
| <b>NET ASSETS</b>                             |                                                    |                                                    |
| Shareholder's Equity                          |                                                    |                                                    |
| Common stock                                  | 10,462                                             | 10,561                                             |
| Capital surplus                               | 21,480                                             | 21,579                                             |
| Retained earnings                             | 52,665                                             | 62,105                                             |
| Treasury stock                                | - 116                                              | - 118                                              |
| Total Shareholder's Equity                    | 84,491                                             | 94,128                                             |
| Accumulated other comprehensive income        |                                                    |                                                    |
| Holding gain or loss in investment            | 825                                                | 1,564                                              |
| Foreign currency translation adjustment       | 255                                                | 811                                                |
| Remeasurements of defined benefit plans       | 804                                                | 1,858                                              |
| Total accumulated other comprehensive income  | 1,885                                              | 4,234                                              |
| Share subscription rights                     | 506                                                | 623                                                |
| Minority interests                            | 310                                                | 368                                                |
| Total Net Assets                              | 87,194                                             | 99,354                                             |
| Total Liabilities and Net Assets              | 114,463                                            | 132,995                                            |

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

Millions yen

|                                                           | <b>FY2017/3</b><br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | <b>FY2018/3</b><br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Net Sales                                                 | 77,792                                                                              | 88,194                                                                              |
| Cost of goods sold                                        | *1, *3 48,152                                                                       | *1, *3 53,818                                                                       |
| Gross Profit on Sales                                     | 29,640                                                                              | 34,375                                                                              |
| Selling, general and administrative expenses              | *2, *3 15,981                                                                       | *2, *3 17,092                                                                       |
| Operating profit (loss)                                   | 13,659                                                                              | 17,283                                                                              |
| Non-Operating income                                      |                                                                                     |                                                                                     |
| Interest                                                  | 21                                                                                  | 24                                                                                  |
| Dividend income                                           | 144                                                                                 | 58                                                                                  |
| Subsidy income                                            | 54                                                                                  | 20                                                                                  |
| Others                                                    | 98                                                                                  | 67                                                                                  |
| Total Non-operating income                                | 318                                                                                 | 170                                                                                 |
| Non-operating expenses                                    |                                                                                     |                                                                                     |
| Interest expenses                                         | 25                                                                                  | 25                                                                                  |
| Foreign exchange loss                                     | 68                                                                                  | 75                                                                                  |
| Loss on disposal or sales of fixed assets                 | 6                                                                                   | 23                                                                                  |
| Others                                                    | 11                                                                                  | 14                                                                                  |
| Total Non-operating expenses                              | 112                                                                                 | 138                                                                                 |
| Recurring profit (loss)                                   | 13,864                                                                              | 17,316                                                                              |
| Extraordinary gains                                       |                                                                                     |                                                                                     |
| Gain on sales of investment securities                    | 527                                                                                 | 3                                                                                   |
| Gain on reversal of share subscription rights             | 0                                                                                   | 1                                                                                   |
| Others                                                    | 56                                                                                  | -                                                                                   |
| Total Extraordinary gains                                 | 583                                                                                 | 4                                                                                   |
| Extraordinary losses                                      |                                                                                     |                                                                                     |
| Loss on valuation of golf club memberships                | -                                                                                   | 2                                                                                   |
| Loss on valuation of investments in capital of affiliates | 26                                                                                  | -                                                                                   |
| Others                                                    | 6                                                                                   | -                                                                                   |
| Total extraordinary losses                                | 32                                                                                  | 2                                                                                   |
| Profit (loss) before income taxes and minority interests  | 14,415                                                                              | 17,318                                                                              |
| Income tax and other taxes                                | 5,678                                                                               | 5,115                                                                               |
| Adjustment on income tax                                  | - 1,213                                                                             | - 572                                                                               |
| Total Income tax and others                               | 4,464                                                                               | 4,542                                                                               |
| Profit (loss) before minority interests                   | 9,951                                                                               | 12,775                                                                              |
| Net Profit(loss) attributable to minority interests       | 41                                                                                  | 58                                                                                  |
| Net Profit (loss) attributable to Owners of the Parent    | 9,909                                                                               | 12,717                                                                              |

[Consolidated statements of comprehensive income]

Millions yen

|                                                           | <b>FY2017/3</b><br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | <b>FY2018/3</b><br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Profit (Loss) before minority interests                   | 9,951                                                                               | 12,775                                                                              |
| Accumulated other comprehensive income                    |                                                                                     |                                                                                     |
| Holding gain or loss in investment                        | 66                                                                                  | 738                                                                                 |
| Foreign currency translation adjustment                   | - 369                                                                               | 555                                                                                 |
| Remeasurements of defined benefit plans                   | 723                                                                                 | 1,054                                                                               |
| Total accumulated other comprehensive income              | *1 420                                                                              | *1 2,348                                                                            |
| <b>Comprehensive Income</b>                               | <b>10,371</b>                                                                       | <b>15,124</b>                                                                       |
| (breakdown)                                               |                                                                                     |                                                                                     |
| Comprehensive income attributable to owners of the parent | 10,328                                                                              | 15,066                                                                              |
| Comprehensive income attributable to minority interests   | 42                                                                                  | 58                                                                                  |

[3] Consolidated statements of changes in net assets

FY 2017/3 (April 1<sup>st</sup>, 2016 – March 31<sup>st</sup>, 2017)

Millions yen

|                                                       | Shareholder's equity |                 |                   |                |                            |
|-------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                       | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total Shareholder's equity |
| Balance as of beginning of fiscal year                | 10,374               | 21,392          | 45,630            | - 115          | 77,282                     |
| Changes during the fiscal year                        |                      |                 |                   |                |                            |
| Issue of new shares                                   | 87                   | 87              |                   |                | 175                        |
| Cash dividends paid                                   |                      |                 | - 2,773           |                | - 2,773                    |
| Net profit attributable to owners of the parent       |                      |                 | 9,909             |                | 9,909                      |
| Purchases of treasury stock                           |                      |                 |                   | - 1            | - 1                        |
| Change in scope of Consolidation                      |                      |                 | -101              |                | -101                       |
| Changes of items other than Shareholders' equity(net) |                      |                 |                   |                |                            |
| Total changes during the fiscal year                  | 87                   | 87              | 7,034             | - 1            | 7,209                      |
| Balance as of end of the fiscal year                  | 10,462               | 21,480          | 52,665            | - 116          | 84,491                     |

|                                                       | Accumulated other comprehensive income |                                         |                                         |                                              | Share Subscription Rights | Minority Interests | Total Net Assets |
|-------------------------------------------------------|----------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|--------------------|------------------|
|                                                       | Holding gain or loss in investment     | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                    |                  |
| Balance as of beginning of fiscal year                | 759                                    | 650                                     | 80                                      | 1,491                                        | 436                       | 208                | 79,418           |
| Changes during the fiscal year                        |                                        |                                         |                                         |                                              |                           |                    |                  |
| Issue of new shares                                   |                                        |                                         |                                         |                                              |                           |                    | 175              |
| Cash dividends paid                                   |                                        |                                         |                                         |                                              |                           |                    | - 2,773          |
| Net profit attributable to owners of the parent       |                                        |                                         |                                         |                                              |                           |                    | 9,909            |
| Purchases of treasury stock                           |                                        |                                         |                                         |                                              |                           |                    | - 1              |
| Change in scope of Consolidation                      |                                        |                                         |                                         |                                              |                           |                    | -101             |
| Changes of items other than Shareholders' equity(net) | 66                                     | - 395                                   | 723                                     | 394                                          | 69                        | 102                | 566              |
| Total changes during the fiscal year                  | 66                                     | - 395                                   | 723                                     | 394                                          | 69                        | 102                | 7,775            |
| Balance as of end of the fiscal year                  | 825                                    | 255                                     | 804                                     | 1,885                                        | 506                       | 310                | 87,194           |

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

Millions yen

|                                                       | Shareholder's equity |                 |                   |                |                            |
|-------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                       | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total Shareholder's equity |
| Balance as of beginning of fiscal year                | 10,462               | 21,480          | 52,665            | - 116          | 84,491                     |
| Changes during the fiscal year                        |                      |                 |                   |                |                            |
| Issue of new shares                                   | 99                   | 99              |                   |                | 198                        |
| Cash dividends paid                                   |                      |                 | - 3,277           |                | - 3,277                    |
| Net profit attributable to owners of the parent       |                      |                 | 12,717            |                | 12,717                     |
| Purchases of treasury stock                           |                      |                 |                   | - 2            | - 2                        |
| Change in scope of Consolidation                      |                      | 0               |                   | 0              | 0                          |
| Changes of items other than Shareholders' equity(net) |                      |                 |                   |                |                            |
| Total changes during the fiscal year                  | 99                   | 99              | 9,440             | - 1            | 9,636                      |
| Balance as of end of the fiscal year                  | 10,561               | 21,579          | 62,105            | - 118          | 94,128                     |

|                                                       | Accumulated other comprehensive income |                                         |                                         |                                              | Share Subscription Rights | Minority Interests | Total Net Assets |
|-------------------------------------------------------|----------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------|--------------------|------------------|
|                                                       | Holding gain or loss in investment     | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                    |                  |
| Balance as of beginning of fiscal year                | 825                                    | 255                                     | 804                                     | 1,885                                        | 506                       | 310                | 87,194           |
| Changes during the fiscal year                        |                                        |                                         |                                         |                                              |                           |                    |                  |
| Issue of new shares                                   |                                        |                                         |                                         |                                              |                           |                    | 198              |
| Cash dividends paid                                   |                                        |                                         |                                         |                                              |                           |                    | - 3,277          |
| Net profit attributable to owners of the parent       |                                        |                                         |                                         |                                              |                           |                    | 12,717           |
| Purchases of treasury stock                           |                                        |                                         |                                         |                                              |                           |                    | - 2              |
| Change in scope of Consolidation                      |                                        |                                         |                                         |                                              |                           |                    | 0                |
| Changes of items other than Shareholders' equity(net) | 738                                    | 555                                     | 1,054                                   | 2,348                                        | 117                       | 58                 | 2,523            |
| Total changes during the fiscal year                  | 738                                    | 555                                     | 1,054                                   | 2,348                                        | 117                       | 58                 | 12,160           |
| Balance as of end of the fiscal year                  | 1,564                                  | 811                                     | 1,858                                   | 4,234                                        | 623                       | 368                | 99,354           |

[4] Consolidated statements of cash flows

Millions yen

|                                                                                                         | <b>FY2017/3</b><br>(April 1 <sup>st</sup> , 2016 -<br>March 31 <sup>st</sup> 2017) | <b>FY2018/3</b><br>(April 1 <sup>st</sup> , 2017 -<br>March 31 <sup>st</sup> 2018) |
|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <b>Cash flows from operating activities:</b>                                                            |                                                                                    |                                                                                    |
| Profit(loss) before income taxes and minority interests                                                 | 14,415                                                                             | 17,318                                                                             |
| Depreciation and amortization                                                                           | 2,380                                                                              | 2,541                                                                              |
| Amortization of goodwill                                                                                | 102                                                                                | 102                                                                                |
| Stock related expense                                                                                   | 116                                                                                | 184                                                                                |
| Change in allowance for employee retirement benefits<br>(-:decrease)                                    | - 128                                                                              | - 36                                                                               |
| Change in allowance for director retirement benefits<br>(-:decrease)                                    | 14                                                                                 | - 8                                                                                |
| Change in allowance for doubtful accounts (-:decrease)                                                  | 84                                                                                 | 6                                                                                  |
| Interest and dividend income                                                                            | - 165                                                                              | - 82                                                                               |
| Interest expense                                                                                        | 25                                                                                 | 25                                                                                 |
| Loss/income on sales of investment securities (-:income)                                                | - 527                                                                              | - 3                                                                                |
| Change in trade notes and accounts receivable (-: increase)                                             | - 2,375                                                                            | - 5,030                                                                            |
| Change in inventories (-: increase)                                                                     | - 1,575                                                                            | - 5,288                                                                            |
| Change in trade notes and accounts payable(-:decrease)                                                  | 3,885                                                                              | 6,080                                                                              |
| Others                                                                                                  | 50                                                                                 | 988                                                                                |
| Subtotal                                                                                                | 16,302                                                                             | 16,797                                                                             |
| Proceeds from interest and dividend income                                                              | 165                                                                                | 82                                                                                 |
| Payment of interest                                                                                     | - 26                                                                               | - 25                                                                               |
| Payment/Refund of income taxes (-: payment)                                                             | - 3,631                                                                            | - 5,923                                                                            |
| Net cash provided by (used in) operating activities                                                     | 12,809                                                                             | 10,931                                                                             |
| <b>Cash flows from investing activities:</b>                                                            |                                                                                    |                                                                                    |
| Payment for time deposits                                                                               | - 39                                                                               | - 133                                                                              |
| Proceeds from time deposits                                                                             | 92                                                                                 | 31                                                                                 |
| Payment for purchase of tangible fixed assets                                                           | - 5,118                                                                            | - 1,679                                                                            |
| Proceeds from sales of tangible fixed assets                                                            | 17                                                                                 | 5                                                                                  |
| Payment for purchase of intangible fixed assets                                                         | - 139                                                                              | - 1,124                                                                            |
| Payment for purchase of investment securities                                                           | - 2                                                                                | - 1,522                                                                            |
| Proceeds from sales of investment securities                                                            | 1,705                                                                              | 63                                                                                 |
| Payment for purchase of shares of affiliated company                                                    | -                                                                                  | - 378                                                                              |
| Payment for purchase of investments in capital of subsidiaries                                          | -                                                                                  | - 19                                                                               |
| Payment for loans receivable                                                                            | - 5                                                                                | - 1                                                                                |
| Proceeds from collection of loans receivable                                                            | 3                                                                                  | 108                                                                                |
| Net cash provided by (used in) investing activities                                                     | - 3,486                                                                            | - 4,649                                                                            |
| <b>Cash flows from financing activities:</b>                                                            |                                                                                    |                                                                                    |
| Change in short-term loans payable ( -: decrease)                                                       | 100                                                                                | -                                                                                  |
| Repayment of long-term debt                                                                             | - 400                                                                              | -                                                                                  |
| Repayment of lease liability                                                                            | - 7                                                                                | -15                                                                                |
| Proceeds from exercise of stock options                                                                 | 128                                                                                | 131                                                                                |
| Dividend payments                                                                                       | - 2,773                                                                            | - 3,277                                                                            |
| Others                                                                                                  | - 1                                                                                | - 1                                                                                |
| Net cash provided by (used in) financing activities                                                     | - 2,953                                                                            | - 3,163                                                                            |
| Effect of exchange rate changes on cash and cash equivalents                                            | - 130                                                                              | 147                                                                                |
| Net increase/decrease in cash and cash equivalents (-: decrease)                                        | 6,238                                                                              | 3,264                                                                              |
| Cash and cash equivalents at beginning of year                                                          | 27,308                                                                             | 33,825                                                                             |
| Net increase/decrease in cash and cash equivalents by change in consolidated subsidiaries (-: decrease) | 278                                                                                | -                                                                                  |
| Cash and cash equivalents at end of year                                                                | *1 33,825                                                                          | *1 37,090                                                                          |

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

1. Scope of consolidation

(1) Consolidated subsidiaries (16 companies)

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

(2) Non- Consolidated subsidiaries

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

All of the above 14 companies which were excluded from the consolidation range are all small companies, in terms of their total assets, total sales, total Net profit(depending on their equity), total retained earnings(depending on their equity), and others, and do not have a significant effect on our financial statements.

## 2. Equity Method

### (1) The equity method is not applied to any non-consolidated subsidiary

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

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

Affiliated companies where the equity method is not used all have an extremely small effect on the consolidated Net profit (depending on their equity), consolidated retained earnings (depending on their equity), and other financial amounts, and low importance. For these reasons, the equity method is not used for these companies, and a cost evaluation method is used for evaluation.

## 3. Accounting period of consolidated subsidiaries

The end-date of Fiscal term for following 6 companies are at December 31<sup>st</sup>. In order to prepare this Consolidated Financial Statement, the Company applied statements of these subsidiaries as of December 31<sup>st</sup>. Any significant business transactions which were completed between their Fiscal end and the Company's Fiscal end were properly adjusted in the consolidated review. The end of the fiscal year for remaining consolidated subsidiaries matches the end of the consolidated fiscal year of the Company.

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

Accretech (China) Co., Ltd.

Accretech Adamas (Thailand) Co., Ltd.

Accretech (Thailand) Co., Ltd.

Tosei Engineering (Pinghu) Co., Ltd.

Tosei (Thailand) Co., Ltd.

Tosei America Inc.

## 4. Significant accounting policies

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

#### (A) Securities

Shares of affiliated companies

carried at cost determined by the moving average method.

Other securities

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

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

#### (B) Inventories

Goods, finished products, materials, and supplies of the Company and its domestic consolidated subsidiaries are stated at cost determined by the first-in, first-out method.

Work in progress is stated at specific identification costs (using the method of devaluing the book price to reflect declines in profitability); however, overseas consolidated subsidiaries use the lower of cost determined by the first-in, first-out method.

### (2) Depreciation of significant assets

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

The Company and its domestic consolidated subsidiaries use the declining balance

method. However, the straight-line method is used for buildings (excluding equipment attached to buildings) which were acquired on or after April 1<sup>st</sup>, 1998, and the Leasehold and Constructs that were acquired on or after April 1<sup>st</sup>, 2016.

Overseas consolidated subsidiaries use the straight-line method.

The significant useful lives are as follows.

Buildings and structures 8 – 38 years

Machinery and equipment 2 - 11 years

(B) Intangible fixed assets (except lease assets)

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

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

(C) Lease assets

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

(3) Basis for significant reserves

(A) Allowance for doubtful accounts

For covering probable losses on collection of receivables, the allowance for doubtful accounts is calculated based on past experience for ordinary receivables. For companies in financial difficulties, it is based on individual estimates of the collectability of receivables, and consists of the amount estimated to be uncollectible.

(B) Allowance for bonuses

The Company and its domestic consolidated subsidiaries calculate the allowance for bonuses to employees based on the expected amount of payment.

(C) Accrued director's bonuses

The Company's domestic consolidated subsidiaries calculate the allowance for bonuses to directors based on the expected amount of payment during that consolidated fiscal year.

(D) Accrued director's retirement benefits

Domestic consolidated subsidiaries calculate the allowance for payment of director retirement benefits that are forecasted to occur upon director retirement based on internal regulations as at the end-date of fiscal year.

(4) Accounting Method for retirement obligations

(A) Method of periodic attribution of the estimated amount of retirement benefits

The attribution of estimated amounts for the current Fiscal year is based on the fixed amount method.

(B) Actuarial gain or loss, and Prior service cost

For actuarial gains and losses, proportional amounts are amortized beginning from the consolidated fiscal year following the next fiscal year in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated fiscal year. For Prior service cost, proportional amounts are amortized beginning from the consolidated fiscal year in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated fiscal year.

(5) Standard of Foreign currency translation of significant foreign currency based assets/liabilities

Receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are processed as gains or losses. Assets, liabilities, gains and losses of overseas consolidated subsidiaries denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are processed as Foreign currency translation adjustment or Minority interests in the net assets.

(6) Amortization of goodwill

Amortization of goodwill is evaluated for each acquisition, and is carried out over a reasonable

number of years (7 or 10 years).

(7) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements consist of cash on hand, available funds on deposit, and short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less, and that are substantially free of price fluctuation risk.

(8) Other significant accounting policies

(A) Accounting for consumption tax

Transactions subject to national and local consumption taxes are recorded as amounts exclusive of consumption tax.

(B) Consolidated tax-reporting

The Company Group applies consolidated tax-reporting system.

[Accounting principles not yet applied]

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

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

(1) Overview

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

Step 1: Identify the contract with a customer

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

Step 3: Determine the transaction price

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

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

(2) Date of effect

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

(3) Impact of applying the principle

The impact of applying principle above is currently being evaluated.

[Changes in presentation]

(Consolidated statements of income)

In FY2017/3, "Loss on disposal or sales of fixed assets" was included in the "Non-operating expenses" – "Others". However, it was listed separately in FY2018/3 because it exceeded 10% of the total amount of "Non-operating expenses". Accordingly, applicable accounts in the Consolidated Financial Statements for FY2017/3 have been denotatively reclassified. Therefore, the amount shown in the FY2017/3 Statements of ¥16 million in "Non-operating expenses" - "Others" was reclassified into ¥6 million of "Loss on disposal or sales of fixed assets" and ¥11 million of "Others".

In FY2017/3, "Gain on reversal of share subscription rights" was included in the "Extraordinary gains" – "Others". However, it was listed separately in FY2018/3 because it exceeded 10% of the total amount of "Extraordinary gains". Accordingly, applicable accounts in the Consolidated Financial Statements for FY2017/3 have been denotatively reclassified. Therefore, the amount shown in the FY2017/3 Statements of ¥56 million in "Extraordinary gains" - "Others" was reclassified into ¥0 million of "Gain on reversal of share subscription rights" and ¥56 million of "Others".

[Notes]

(Consolidated balance sheet)

\*1 Investment in non-consolidated subsidiaries

|                                                    | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
|----------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Investment securities                              | ¥100 million                                | ¥478 million                                |
| Other investment or other<br>assets(Capital stock) | ¥229 million                                | ¥249 million                                |

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

Accounting for trade notes (including Electronically recorded ones) in which the due date is set on the final day of the Fiscal Year is applied on the date of settlement. Because the final day of FY2018/3 was a non-business day, the following amounts of trade notes are included in the year end balance.

|                                                                | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
|----------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Trade notes receivable                                         | -                                           | ¥163 million                                |
| Electronically recorded monetary<br>claims                     | -                                           | ¥339 million                                |
| Trade notes payable                                            | -                                           | ¥255 million                                |
| Electronically recorded<br>obligations-operating               | -                                           | ¥1,623 million                              |
| Other current liabilities (Notes<br>for facility expenditures) | -                                           | ¥2 million                                  |

(Consolidated statements of income)

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

|               | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|---------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Cost of sales | ¥64 million                                                                  | ¥228 million                                                                 |

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

|                                                                           | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Research and development costs                                            | ¥4,663 million                                                               | ¥4,845 million                                                               |
| Salaries for employees                                                    | ¥3,726 million                                                               | ¥4,181 million                                                               |
| Provision for employees' bonuses                                          | ¥200 million                                                                 | ¥220 million                                                                 |
| Provision for retirement benefits for employees                           | ¥81 million                                                                  | ¥45 million                                                                  |
| Provision for retirement benefits for directors and<br>corporate auditors | ¥14 million                                                                  | ¥15 million                                                                  |
| Provision of allowance for doubtful accounts                              | ¥76 million                                                                  | ¥11 million                                                                  |
| Provision for directors' and corporate auditors' bonuses                  | ¥11 million                                                                  | ¥10 million                                                                  |

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

|                                | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|--------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Research and development costs | ¥6,791 million                                                               | ¥7,194 million                                                               |

(Consolidated statements of comprehensive income)

\*1 Adjustments and Tax effects related to Comprehensive income

|                                               | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|-----------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Unrealized Holding gain or loss on investment |                                                                              |                                                                              |
| Arising during the Fiscal Year                | ¥679 million                                                                 | ¥1,068 million                                                               |
| Reclassification Adjustments                  | ¥ - 583 million                                                              | ¥ - 3 million                                                                |
| Before Tax effect adjustment                  | ¥95 million                                                                  | ¥1,064 million                                                               |
| Tax effect                                    | ¥ - 29 million                                                               | ¥ - 326 million                                                              |
| Unrealized Holding gain or loss on investment | ¥66 million                                                                  | ¥738 million                                                                 |
| Foreign currency translation adjustment       |                                                                              |                                                                              |
| Arising during the Fiscal Year                | ¥ - 369 million                                                              | ¥555 million                                                                 |
| Reclassification Adjustments                  | -                                                                            | -                                                                            |
| Before Tax effect adjustment                  | ¥ - 369 million                                                              | ¥555 million                                                                 |
| Tax effect                                    | -                                                                            | -                                                                            |
| Foreign currency translation adjustment       | ¥ - 369 million                                                              | ¥555 million                                                                 |
| Remeasurements of defined benefit plans       |                                                                              |                                                                              |
| Arising during the Fiscal Year                | ¥940 million                                                                 | ¥1,645 million                                                               |
| Reclassification Adjustments                  | ¥102 million                                                                 | ¥ - 126 million                                                              |
| Before Tax effect adjustment                  | ¥1,043 million                                                               | ¥1,519 million                                                               |
| Tax effect                                    | ¥ - 319 million                                                              | ¥ - 464 million                                                              |
| Remeasurements of defined benefit plans       | ¥723 million                                                                 | ¥1,054 million                                                               |
| Total other comprehensive income              | ¥420 million                                                                 | ¥2,348 million                                                               |

(Consolidated statements of changes in net assets)

FY2017/3 (April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

1. Issued stock

| Stock class           | At beginning of Fiscal Year | Increase | Decrease | At end of Fiscal Year |
|-----------------------|-----------------------------|----------|----------|-----------------------|
| Common stock (shares) | 41,423,381                  | 72,200   | -        | 41,495,581            |

Note: Reason for the increase of 72,200 shares is exercise of share subscription rights from stock options.

2. Treasury stock

| Stock class           | At beginning of Fiscal Year | Increase | Decrease | At end of Fiscal Year |
|-----------------------|-----------------------------|----------|----------|-----------------------|
| Common stock (shares) | 35,393                      | 426      | -        | 35,819                |

Note: The increase of 426 shares was due to purchases of shares less than 1 unit.

### 3. Share subscription rights

| Company name | Breakdown                                                                     | Class of stock issued upon exercise of the right | Number of shares issued upon exercise of the right (shares) |          |          |                       | Balance at end of FY2017/3 (millions yen) |
|--------------|-------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------|----------|----------|-----------------------|-------------------------------------------|
|              |                                                                               |                                                  | At beginning of Fiscal Year                                 | Increase | Decrease | At end of Fiscal Year |                                           |
| The Company  | The 8 <sup>th</sup> share subscription rights (stock options) (Issued 2011)   | -                                                |                                                             | -        |          | 8                     |                                           |
|              | The 9 <sup>th</sup> share subscription rights (stock options) (Issued 2012)   | -                                                |                                                             | -        |          | 7                     |                                           |
|              | The 10 <sup>th</sup> share subscription rights (stock options) (Issued 2013)  | -                                                |                                                             | -        |          | 26                    |                                           |
|              | The 11 <sup>th</sup> share subscription rights (stock options) (Issued 2014)  | -                                                |                                                             | -        |          | 22                    |                                           |
|              | The 12 <sup>th</sup> share subscription rights (stock options) (Issued 2014)  | -                                                |                                                             | -        |          | 35                    |                                           |
|              | The 13 <sup>th</sup> share subscription rights (stock options) (Issued 2015)  | -                                                |                                                             | -        |          | 15                    |                                           |
|              | Share subscription rights issued July 2006 (stock-based compensation options) | -                                                |                                                             | -        |          | 27                    |                                           |
|              | Share subscription rights issued July 2007 (stock-based compensation options) | -                                                |                                                             | -        |          | 29                    |                                           |
|              | Share subscription rights issued July 2011 (stock-based compensation options) | -                                                |                                                             | -        |          | 39                    |                                           |
|              | Share subscription rights issued July 2012 (stock-based compensation options) | -                                                |                                                             | -        |          | 28                    |                                           |
|              | Share subscription rights issued July 2013 (stock-based compensation options) | -                                                |                                                             | -        |          | 59                    |                                           |
|              | Share subscription rights issued July 2014 (stock-based compensation options) | -                                                |                                                             | -        |          | 56                    |                                           |
|              | Share subscription rights issued July 2015 (stock-based compensation options) | -                                                |                                                             | -        |          | 76                    |                                           |
|              | Share subscription rights issued July 2016 (stock-based compensation options) | -                                                |                                                             | -        |          | 74                    |                                           |
|              | Total                                                                         | -                                                |                                                             | -        |          | 506                   |                                           |

#### 4. Dividends

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

| Resolution                                                           | Class of stock | Total amount of dividends (millions yen) | Dividend per share (yen) | Cut-off date                      | Effective date                  |
|----------------------------------------------------------------------|----------------|------------------------------------------|--------------------------|-----------------------------------|---------------------------------|
| June 21 <sup>st</sup> , 2016 Regular General Meeting of Shareholders | Common stock   | 1,365                                    | 33.00                    | March 31 <sup>st</sup> , 2016     | June 22 <sup>nd</sup> , 2016    |
| November 11 <sup>th</sup> , 2016 Board of Directors                  | Common stock   | 1,407                                    | 34.00                    | September 30 <sup>th</sup> , 2016 | December 7 <sup>th</sup> , 2016 |

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

| Resolution                                                            | Class of stock | Resource for dividends | Total amount of dividends (millions yen) | Dividend per share (yen) | Cut-off date                  | Effective date               |
|-----------------------------------------------------------------------|----------------|------------------------|------------------------------------------|--------------------------|-------------------------------|------------------------------|
| June 26 <sup>th</sup> , 2017, Regular General Meeting of Shareholders | Common stock   | Retained earnings      | 1,575                                    | 38.00                    | March 31 <sup>st</sup> , 2017 | June 27 <sup>th</sup> , 2017 |

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

1. Issued stock

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

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

2. Treasury stock

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

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

The decrease of 45 shares was due to sell of shares less than 1 unit.

### 3. Share subscription rights

| Company name | Breakdown                                                                     | Class of stock issued upon exercise of the right | Number of shares issued upon exercise of the right (shares) |          |          |                       | Balance at end of FY2018/3 (millions yen) |
|--------------|-------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------|----------|----------|-----------------------|-------------------------------------------|
|              |                                                                               |                                                  | At beginning of Fiscal Year                                 | Increase | Decrease | At end of Fiscal Year |                                           |
| The Company  | The 8 <sup>th</sup> share subscription rights (stock options) (Issued 2011)   | -                                                |                                                             | -        |          | 5                     |                                           |
|              | The 9 <sup>th</sup> share subscription rights (stock options) (Issued 2012)   | -                                                |                                                             | -        |          | 4                     |                                           |
|              | The 10 <sup>th</sup> share subscription rights (stock options) (Issued 2013)  | -                                                |                                                             | -        |          | 18                    |                                           |
|              | The 11 <sup>th</sup> share subscription rights (stock options) (Issued 2014)  | -                                                |                                                             | -        |          | 14                    |                                           |
|              | The 12 <sup>th</sup> share subscription rights (stock options) (Issued 2015)  | -                                                |                                                             | -        |          | 29                    |                                           |
|              | The 13 <sup>th</sup> share subscription rights (stock options) (Issued 2016)  | -                                                |                                                             | -        |          | 37                    |                                           |
|              | The 14 <sup>th</sup> share subscription rights (stock options) (Issued 2017)  | -                                                |                                                             | -        |          | 23                    |                                           |
|              | Share subscription rights issued July 2006 (stock-based compensation options) | -                                                |                                                             | -        |          | 27                    |                                           |
|              | Share subscription rights issued July 2007 (stock-based compensation options) | -                                                |                                                             | -        |          | 29                    |                                           |
|              | Share subscription rights issued July 2011 (stock-based compensation options) | -                                                |                                                             | -        |          | 33                    |                                           |
|              | Share subscription rights issued July 2012 (stock-based compensation options) | -                                                |                                                             | -        |          | 24                    |                                           |
|              | Share subscription rights issued July 2013 (stock-based compensation options) | -                                                |                                                             | -        |          | 50                    |                                           |
|              | Share subscription rights issued July 2014 (stock-based compensation options) | -                                                |                                                             | -        |          | 48                    |                                           |
|              | Share subscription rights issued July 2015 (stock-based compensation options) | -                                                |                                                             | -        |          | 73                    |                                           |
|              | Share subscription rights issued July 2016 (stock-based compensation options) | -                                                |                                                             | -        |          | 71                    |                                           |
|              | Share subscription rights issued July 2017 (stock-based compensation options) | -                                                |                                                             | -        |          | 133                   |                                           |
| <b>Total</b> |                                                                               | -                                                |                                                             | -        |          | <b>623</b>            |                                           |

#### 4. Dividends

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

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

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

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

(Consolidated statements of cash flows)

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

|                                                          | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|----------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Cash and cash equivalents (Balance sheets)               | ¥33,853 million                                                              | ¥37,220 million                                                              |
| Time deposits with original maturities over three months | ¥ - 28 million                                                               | ¥ - 130 million                                                              |
| Cash and cash equivalents(Statement of cash flows)       | ¥33,825 million                                                              | ¥37,090 million                                                              |

(Lease transactions)

1. Finance lease transactions

(Lessee)

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

(1) Description of lease assets

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

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

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

2 Operation Lease Transaction

(Lessee)

Estimative balance of lease premiums included in undissolvable operating lease transactions

|                     | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
|---------------------|---------------------------------------------|---------------------------------------------|
| Current portion     | ¥21 million                                 | ¥23 million                                 |
| Non-current portion | ¥37 million                                 | ¥127 million                                |
| Total               | ¥58 million                                 | ¥150 million                                |

(Investment securities)

## 1. Status of Financial Instruments

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

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

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

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

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

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

### (3) Risk management for Financial Instruments

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

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

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

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

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

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

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

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

## 2. Current Value of Financial Instruments

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

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

FY2017/3 (March 31<sup>st</sup>, 2017)

Millions Yen

|                                                   | Accounted value on consolidated balance sheet | Current Value | Difference |
|---------------------------------------------------|-----------------------------------------------|---------------|------------|
| (1) Cash and cash equivalents                     | 33,853                                        | 33,853        | -          |
| (2) Notes and accounts receivable                 | 23,675                                        | 23,675        | -          |
| (3) Electronically recorded monetary claims       | 4,733                                         | 4,733         | -          |
| (4) Investment securities (Others)                | 2,677                                         | 2,677         | -          |
| Assets Total                                      | 64,940                                        | 64,940        | -          |
| (1) Notes and accounts payable                    | 7,497                                         | 7,497         | -          |
| (2) Electronically recorded obligations-operating | 8,291                                         | 8,291         | -          |
| (3) Short-term debt                               | 1,300                                         | 1,300         | -          |
| Liability Total                                   | 17,089                                        | 17,089        | -          |

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

Millions Yen

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

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

Assets

(1) Cash and cash equivalents

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

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

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

(4) Investment Securities

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

Liabilities

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

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

(2) Long term debts

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

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

| Type                                   | March 31 <sup>st</sup> , 2017 | March 31 <sup>st</sup> , 2018 |
|----------------------------------------|-------------------------------|-------------------------------|
| Investment Securities (unlisted stock) | 101                           | 869                           |

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

Notes 3. Notes due for redemption

FY2017/3 (March 31<sup>st</sup>, 2017)

Millions yen

| Category                                | Less than 1 year | 1-5 years | 5 - 10 years | Over 10 years |
|-----------------------------------------|------------------|-----------|--------------|---------------|
| Bank deposits                           | 33,845           | -         | -            | -             |
| Notes and accounts receivable           | 23,675           | -         | -            | -             |
| Electronically recorded monetary claims | 4,733            | -         | -            | -             |
| Total                                   | 62,255           | -         | -            | -             |

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

Millions yen

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

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

FY2017/3 (March 31<sup>st</sup>, 2017)

Millions yen

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

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

Millions yen

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

(Securities)

1. Other Securities

FY2017/3 (March 31<sup>st</sup>, 2017)

Millions yen

| Type                                                                           | Accounted value on consolidated balance sheet | Carrying value | Difference |
|--------------------------------------------------------------------------------|-----------------------------------------------|----------------|------------|
| Securities with a carrying value higher than the acquisition cost<br>Stocks    | 2,665                                         | 1,472          | 1,192      |
| Subtotal                                                                       | 2,665                                         | 1,472          | 1,192      |
| Securities with a carrying value no higher than the acquisition cost<br>Stocks | 11                                            | 14             | - 2        |
| Subtotal                                                                       | 11                                            | 14             | - 2        |
| Total                                                                          | 2,677                                         | 1,487          | 1,190      |

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

Millions yen

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

2. Securities sold during the Fiscal term

FY2017/3 (April 1<sup>st</sup>, 2016 – March 31<sup>st</sup>, 2017)

Millions yen

| Type   | Sale price | Proceeds from sales | Loss on sales |
|--------|------------|---------------------|---------------|
| Stocks | 1,558      | 527                 | -             |
| Total  | 1,558      | 527                 | -             |

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

Millions yen

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

(Retirement benefits)

1. Description of retirement benefit plans

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

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

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

2. Defined Benefit Pension Plan (excepting where simplified method is applied)

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

|                                  | Millions Yen                                                                 |                                                                              |
|----------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                  | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
| Opening Balance                  | 3,309                                                                        | 3,530                                                                        |
| Service Cost                     | 248                                                                          | 262                                                                          |
| Interest Cost                    | 26                                                                           | 28                                                                           |
| Recognized Actuarial Differences | 58                                                                           | 10                                                                           |
| Benefit Paid                     | - 112                                                                        | - 148                                                                        |
| Closing Balance                  | 3,530                                                                        | 3,682                                                                        |

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

|                                  | Millions Yen                                                                 |                                                                              |
|----------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                  | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
| Opening Balance                  | 4,932                                                                        | 6,098                                                                        |
| Expected return on plan assets   | 34                                                                           | 40                                                                           |
| Recognized Actuarial Differences | 998                                                                          | 1,655                                                                        |
| Contribution from Entrepreneurs  | 193                                                                          | 88                                                                           |
| Benefit Paid                     | - 60                                                                         | - 76                                                                         |
| Closing Balance                  | 6,098                                                                        | 7,806                                                                        |

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

|                                                       | Millions Yen                                |                                             |
|-------------------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                       | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
| Projected retirement obligation (savings-type)        | 3,530                                       | 3,682                                       |
| Plan assets(pension)                                  | - 6,098                                     | - 7,806                                     |
|                                                       | - 2,568                                     | - 4,124                                     |
| Projected retirement obligation (except savings-type) | -                                           | -                                           |
| Net defined liabilities/assets on Balance sheet (net) | - 2,568                                     | - 4,124                                     |
| Net defined liabilities                               | -                                           | -                                           |
| Net defined assets                                    | - 2,568                                     | - 4,124                                     |
| Net defined liabilities/assets on Balance sheet (net) | - 2,568                                     | - 4,124                                     |

| (4) Components of net periodic pension and severance costs | Millions Yen                                                                 |                                                                              |
|------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                                            | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
| Service Cost                                               | 248                                                                          | 262                                                                          |
| Interest Cost                                              | 26                                                                           | 28                                                                           |
| Expected return on plan assets                             | - 34                                                                         | - 40                                                                         |
| Expense for actuarial difference                           | 158                                                                          | - 70                                                                         |
| Expense for prior service cost                             | - 55                                                                         | - 55                                                                         |
| net periodic pension and severance costs                   | 343                                                                          | 123                                                                          |

(5) Adjustments for retirement obligations

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

|                                     | Millions Yen                                                                 |                                                                              |
|-------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                     | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
| Unrecognized prior service cost     | - 55                                                                         | - 55                                                                         |
| Unrecognized actuarial gain or loss | 1,099                                                                        | 1,574                                                                        |
| Total                               | 1,043                                                                        | 1,519                                                                        |

(6) Accumulated adjustments for retirement obligations

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

|                                     | Millions Yen                                                                 |                                                                              |
|-------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                     | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
| Unrecognized prior service cost     | 251                                                                          | 195                                                                          |
| Unrecognized actuarial gain or loss | 908                                                                          | 2,483                                                                        |
| Total                               | 1,159                                                                        | 2,678                                                                        |

(7) Detail of Plan Assets

7-1. Detail of Plan Assets

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

|                 | %                                           |                                             |
|-----------------|---------------------------------------------|---------------------------------------------|
|                 | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
| Shares          | 43%                                         | 55%                                         |
| Deposits        | 39%                                         | 31%                                         |
| General Account | 12%                                         | 10%                                         |
| Bonds           | 5%                                          | 4%                                          |
| Others          | 1%                                          | 0%                                          |
| Total           | 100%                                        | 100%                                        |

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

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

## (8) Major basis of calculating actuarial gains or losses

|                                        | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|----------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Discount Rate                          | 0.8%                                                                         | 0.8%                                                                         |
| Expected Rate of return on plan assets |                                                                              |                                                                              |
| Plan assets (pension)                  | 2.5%                                                                         | 2.5%                                                                         |
| Employees' retirement benefits trust   | 0.0%                                                                         | 0.0%                                                                         |
| Expected salary increase rate          | 0.1% - 4.4%                                                                  | 0.1% - 4.4%                                                                  |

## 3. Defined benefit plan applying the simplified method

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

|                                            | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|--------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Opening Balance of net defined liabilities | 541                                                                          | 545                                                                          |
| Cost for retirement allowance              | 85                                                                           | 77                                                                           |
| Retirement allowance paid                  | - 47                                                                         | - 47                                                                         |
| Allowances allocated to plan assets        | - 33                                                                         | - 32                                                                         |
| Closing Balance of net defined liabilities | 545                                                                          | 542                                                                          |

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

|                                                       | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
|-------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Projected retirement obligation (savings-type)        | 784                                         | 798                                         |
| Plan assets (pension)                                 | - 298                                       | - 317                                       |
|                                                       | 485                                         | 480                                         |
| Projected retirement obligation (except savings-type) | 59                                          | 61                                          |
| Net defined liabilities/assets on Balance sheet (net) | 545                                         | 542                                         |
| Net defined liabilities                               | 545                                         | 542                                         |
| Net defined liabilities/assets on Balance sheet (net) | 545                                         | 542                                         |

## (3) Cost for retirement allowances

|                                                                  | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Cost for retirement allowances (calculated by simplified method) | 85                                                                           | 77                                                                           |

## 4. Defined Contribution plan

|                                                                   | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|-------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Contribution payable by the Company and consolidated subsidiaries | 138                                                                          | 149                                                                          |

(Stock options and others)

1. Account and amount charged as expenses

FY2017/3 (April 1<sup>st</sup>, 2016 to March 31<sup>st</sup>, 2017)

Millions yen

| Breakdown                                                                  | Account name: "Stock-based compensation expense" |                 |                                     |       |
|----------------------------------------------------------------------------|--------------------------------------------------|-----------------|-------------------------------------|-------|
|                                                                            | Cost of sales                                    | Selling expense | General and administrative expenses | Total |
| The 11 <sup>th</sup> share subscription rights                             | 2                                                | 0               | 2                                   | 5     |
| The 12 <sup>th</sup> share subscription rights                             | 8                                                | 3               | 8                                   | 20    |
| The 13 <sup>th</sup> share subscription rights                             | 6                                                | 2               | 6                                   | 15    |
| Share subscription rights issued July 2016 (stock-based compensation type) | -                                                | -               | 74                                  | 74    |
| Total                                                                      | 17                                               | 7               | 91                                  | 116   |

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

Millions yen

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

2. Gains and accounts from the expiration of exercising rights

Millions yen

|                                                             | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017) | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018) |
|-------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Reversal of Share Subscription Rights (Extraordinary Gains) | 0                                                                            | 1                                                                            |

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

#### The Company

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

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

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

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

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

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

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

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

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

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

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

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

|                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Categories and numbers of persons to whom rights are granted (persons) | Directors of the Company: 9<br>Employees of the Company: 258<br>Directors of subsidiaries: 13<br>Employees of subsidiaries: 92                                                                                                                                                                                                                                                                                                                                                                                         |
| Number and class of shares to be provided (shares)                     | Common stock: 76,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Date of issue                                                          | July 21 <sup>st</sup> , 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Conditions of settlement of rights                                     | Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons. |
| Period grantees provide service in return for stock options            | July 21 <sup>st</sup> , 2016 - July 21 <sup>st</sup> , 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Exercise period                                                        | July 22 <sup>nd</sup> , 2018 - June 30 <sup>th</sup> , 2023                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

#### The 14<sup>th</sup> share subscription rights

|                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Categories and numbers of persons to whom rights are granted (persons) | Directors of the Company: 8<br>Employees of the Company: 172<br>Directors of subsidiaries: 12<br>Employees of subsidiaries: 22                                                                                                                                                                                                                                                                                                                                                                                         |
| Number and class of shares to be provided (shares)                     | Common stock: 77,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Date of issue                                                          | July 24 <sup>th</sup> , 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Conditions of settlement of rights                                     | Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons. |
| Period grantees provide service in return for stock options            | July 24 <sup>th</sup> , 2017 - July 24 <sup>th</sup> , 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Exercise period                                                        | July 25 <sup>th</sup> , 2019 - June 30 <sup>th</sup> , 2024                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Share subscription rights issued July 2016 (stock-based compensation type)

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

Share subscription rights issued July 2017 (stock-based compensation type)

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

## (2) Scale and movement of stock options

## [1] Numbers of stock options

|                                                                   | The 8 <sup>th</sup><br>share<br>subscriptio<br>n rights | The 9 <sup>th</sup><br>share<br>subscriptio<br>n rights | The 10 <sup>th</sup><br>share<br>subscriptio<br>n rights | The 11 <sup>th</sup><br>share<br>subscriptio<br>n rights | The 12 <sup>th</sup><br>share<br>subscriptio<br>n rights | The 13 <sup>th</sup><br>share<br>subscriptio<br>n rights | The 14 <sup>th</sup><br>share<br>subscriptio<br>n rights |
|-------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Non-exercisable stock options                                     |                                                         |                                                         |                                                          |                                                          |                                                          |                                                          |                                                          |
| Stock options outstanding at end of previous Fiscal Year (shares) | -                                                       | -                                                       | -                                                        | -                                                        | 73,600                                                   | 76,300                                                   | -                                                        |
| Stock options granted (shares)                                    | -                                                       | -                                                       | -                                                        | -                                                        | -                                                        | -                                                        | 77,500                                                   |
| Forfeitures (shares)                                              | -                                                       | -                                                       | -                                                        | -                                                        | -                                                        | 400                                                      | -                                                        |
| Conversion to exercisable stock options (shares)                  | -                                                       | -                                                       | -                                                        | -                                                        | 73,600                                                   | -                                                        | -                                                        |
| Stock options outstanding (shares)                                | -                                                       | -                                                       | -                                                        | -                                                        | -                                                        | 75,900                                                   | 77,500                                                   |
| Exercisable stock options                                         |                                                         |                                                         |                                                          |                                                          |                                                          |                                                          |                                                          |
| Stock options outstanding at end of previous Fiscal Year (shares) | 15,200                                                  | 21,200                                                  | 40,300                                                   | 42,300                                                   | -                                                        | -                                                        | -                                                        |
| Conversion from non-exercisable stock options (shares)            | -                                                       | -                                                       | -                                                        | -                                                        | 73,600                                                   | -                                                        | -                                                        |
| Stock options exercised (shares)                                  | 4,200                                                   | 7,100                                                   | 11,800                                                   | 14,200                                                   | 22,000                                                   | -                                                        | -                                                        |
| Forfeitures (shares)                                              | 300                                                     | 500                                                     | 500                                                      | 500                                                      | 400                                                      | -                                                        | -                                                        |
| Stock options outstanding (shares)                                | 10,700                                                  | 13,600                                                  | 28,000                                                   | 27,600                                                   | 51,200                                                   | -                                                        | -                                                        |

|                                                                   | Share<br>subscription<br>rights<br>issued June<br>2005<br>(stock-based<br>compensatio<br>n type) | Share<br>subscription<br>rights<br>issued July<br>2006<br>(stock-based<br>compensatio<br>n type) | Share<br>subscription<br>rights<br>issued July<br>2007<br>(stock-based<br>compensatio<br>n type) | Share<br>subscription<br>rights<br>issued July<br>2011<br>(stock-based<br>compensatio<br>n type) | Share<br>subscription<br>rights<br>issued July<br>2012<br>(stock-based<br>compensatio<br>n type) | Share<br>subscription<br>rights<br>issued July<br>2013<br>(stock-based<br>compensatio<br>n type) | Share<br>subscription<br>rights<br>issued July<br>2014<br>(stock-based<br>compensatio<br>n type) |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Non-exercisable stock options                                     |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |
| Stock options outstanding at end of previous Fiscal Year (shares) | 8,000                                                                                            | 5,500                                                                                            | 7,200                                                                                            | 27,500                                                                                           | 27,500                                                                                           | 30,600                                                                                           | 33,600                                                                                           |
| Stock options granted (shares)                                    | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                |
| Forfeitures (shares)                                              | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                |
| Conversion to exercisable stock options (shares)                  | -                                                                                                | -                                                                                                | -                                                                                                | 4,000                                                                                            | 4,000                                                                                            | 4,700                                                                                            | 4,700                                                                                            |
| Stock options outstanding (shares)                                | 8,000                                                                                            | 5,500                                                                                            | 7,200                                                                                            | 23,500                                                                                           | 23,500                                                                                           | 25,900                                                                                           | 28,900                                                                                           |
| Exercisable stock options                                         |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |                                                                                                  |
| Stock options outstanding at end of previous Fiscal Year (shares) | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                |
| Conversion from non-exercisable stock options (shares)            | -                                                                                                | -                                                                                                | -                                                                                                | 4,000                                                                                            | 4,000                                                                                            | 4,700                                                                                            | 4,700                                                                                            |
| Stock options exercised (shares)                                  | -                                                                                                | -                                                                                                | -                                                                                                | 4,000                                                                                            | 4,000                                                                                            | 4,700                                                                                            | 4,700                                                                                            |
| Forfeitures (shares)                                              | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                |
| Stock options outstanding (shares)                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                | -                                                                                                |

|                                                                            | Share<br>subscription<br>rights issued<br>July 2015<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2016<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2017<br>(stock-based<br>compensation<br>type) |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Non-exercisable stock<br>options                                           |                                                                                              |                                                                                              |                                                                                              |
| Stock options<br>outstanding at end of<br>previous Fiscal Year<br>(shares) | 36,100                                                                                       | 37,000                                                                                       | -                                                                                            |
| Stock options granted<br>(shares)                                          | -                                                                                            | -                                                                                            | 41,900                                                                                       |
| Forfeitures (shares)                                                       | -                                                                                            | -                                                                                            | -                                                                                            |
| Conversion to<br>exercisable stock<br>options (shares)                     | 1,800                                                                                        | 1,800                                                                                        | -                                                                                            |
| Stock options<br>outstanding (shares)                                      | 34,300                                                                                       | 35,200                                                                                       | 41,900                                                                                       |
| Exercisable stock<br>options                                               |                                                                                              |                                                                                              |                                                                                              |
| Stock options<br>outstanding at end of<br>previous Fiscal Year<br>(shares) | -                                                                                            | -                                                                                            | -                                                                                            |
| Conversion from<br>non-exercisable stock<br>options (shares)               | 1,800                                                                                        | 1,800                                                                                        | -                                                                                            |
| Stock options exercised<br>(shares)                                        | 1,800                                                                                        | 1,800                                                                                        | -                                                                                            |
| Forfeitures (shares)                                                       | -                                                                                            | -                                                                                            | -                                                                                            |
| Stock options<br>outstanding (shares)                                      | -                                                                                            | -                                                                                            | -                                                                                            |

[2] Price information

|                                                                 | The 8 <sup>th</sup><br>share<br>subscription<br>rights | The 9 <sup>th</sup><br>share<br>subscription<br>rights | The 10 <sup>th</sup><br>share<br>subscription<br>rights | The 11 <sup>th</sup><br>share<br>subscription<br>rights | The 12 <sup>th</sup><br>share<br>subscription<br>rights | The 13 <sup>th</sup><br>share<br>subscription<br>rights | The 14 <sup>th</sup><br>share<br>subscription<br>rights |
|-----------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Paid-in value (yen)                                             | 1,642                                                  | 1,428                                                  | 2,162                                                   | 1,876                                                   | 2,825                                                   | 2,527                                                   | 3,950                                                   |
| Average market price of the stock at the time of exercise (yen) | 4,009                                                  | 3,924                                                  | 4,158                                                   | 4,219                                                   | 4,377                                                   | -                                                       | -                                                       |
| Fair value at the date of grant (yen)                           | 541                                                    | 334                                                    | 646                                                     | 521                                                     | 572                                                     | 580                                                     | 862                                                     |

|                                                                 | Share<br>subscription<br>rights issued<br>June 2005<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2006<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2007<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2011<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2012<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2013<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2014<br>(stock-based<br>compensation<br>type) |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Paid-in value (yen)                                             | 1                                                                                            | 1                                                                                            | 1                                                                                            | 1                                                                                            | 1                                                                                            | 1                                                                                            | 1                                                                                            |
| Average market price of the stock at the time of exercise (yen) | -                                                                                            | -                                                                                            | -                                                                                            | 3,630                                                                                        | 3,630                                                                                        | 3,630                                                                                        | 3,630                                                                                        |
| Fair value at the date of grant (yen)                           | -                                                                                            | 4,944                                                                                        | 4,046                                                                                        | 1,431                                                                                        | 1,036                                                                                        | 1,957                                                                                        | 1,672                                                                                        |

|                                                                 | Share<br>subscription<br>rights issued<br>July 2015<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2016<br>(stock-based<br>compensation<br>type) | Share<br>subscription<br>rights issued<br>July 2017<br>(stock-based<br>compensation<br>type) |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Paid-in value (yen)                                             | 1                                                                                            | 1                                                                                            | 1                                                                                            |
| Average market price of the stock at the time of exercise (yen) | 3,630                                                                                        | 3,630                                                                                        | -                                                                                            |
| Fair value at the date of grant (yen)                           | 2,129                                                                                        | 2,022                                                                                        | 3,182                                                                                        |

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

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

(2) Basic assumption and valuation method used

|                             | The 14th<br>share subscription rights | Share subscription rights issued<br>July 2017 (stock-based<br>compensation type) |
|-----------------------------|---------------------------------------|----------------------------------------------------------------------------------|
| Stock Price Volatility      | 34.379% *Note 1                       | 41.182% * Note 2                                                                 |
| Expected life               | 4.5 years *Note 3                     | 10 years *Note 3                                                                 |
| Expected dividend per share | ¥72 *Note 4                           | ¥72 *Note 4                                                                      |
| Risk-free interest rate     | - 0.075% *Note 5                      | 0.065% *Note 5                                                                   |

Notes:

1. Calculated based on the list stock price records from the past 4.5 years (Closing price of each business day from January 24<sup>th</sup>, 2013 - July 24<sup>th</sup>, 2017).
2. Calculated based on the list stock price records from the past 10 years (Closing price of each business day from July 24<sup>th</sup>, 2007 - July 24<sup>th</sup>, 2017).
3. Assumed to be the mid-point between the vesting date and the end of the contractual term.
4. Based on the dividend records from the 12 months preceding the vesting date (¥34 interim dividend and ¥38 year-end dividend for FY2017/3).
5. Based on the yield of Japanese government bonds over the expected life.

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

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

(Tax effect accounting)

| 1. Significant components of deferred tax assets and liabilities        | Millions yen                                |                                             |
|-------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                                         | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
| Deferred tax assets                                                     |                                             |                                             |
| Tangible fixed assets                                                   | 808                                         | 1,143                                       |
| Inventories                                                             | 466                                         | 598                                         |
| Securities contribution to employees' retirement benefits trust         | 399                                         | 411                                         |
| Provision for employees' bonuses                                        | 342                                         | 382                                         |
| Net defined benefit liabilities                                         | 275                                         | -                                           |
| Accrued enterprise tax                                                  | 194                                         | 191                                         |
| Accrued expense                                                         | 112                                         | 186                                         |
| Share subscription rights                                               | 119                                         | 150                                         |
| Investment Securities                                                   | 88                                          | 88                                          |
| Others                                                                  | 238                                         | 241                                         |
| Total Deferred tax assets                                               | 3,046                                       | 3,395                                       |
| Deferred tax liabilities                                                |                                             |                                             |
| Undistributed earnings of foreign subsidiaries                          | - 698                                       | - 732                                       |
| Holding gain or loss in investment                                      | - 364                                       | - 690                                       |
| Gain on securities contribution to employees' retirement benefits trust | - 365                                       | - 365                                       |
| Net defined benefit assets                                              | -                                           | - 200                                       |
| Others                                                                  | - 31                                        | - 38                                        |
| Total deferred tax liabilities                                          | - 1,459                                     | - 2,028                                     |
| Net deferred tax assets                                                 | 1,586                                       | 1,367                                       |

Note: Net deferred tax assets for FY2017/3 and FY2018/3 are included in following accounts on the Consolidated Balance sheet.

|                                                | Millions yen                                |                                             |
|------------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
| Current Assets - Deferred tax assets           | 1,156                                       | 1,359                                       |
| Fixed Assets - Deferred tax assets             | 437                                         | 110                                         |
| Current Liabilities - Deferred tax liabilities | - 6                                         | -                                           |
| Fixed Liabilities - Deferred tax liabilities   | - 2                                         | - 102                                       |

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

|                                                                                               | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
|-----------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                                                               | Statutory tax rate of the Company           | -                                           |
| (Reconciliation)                                                                              |                                             |                                             |
| Effect by special tax credits                                                                 | -                                           | - 5.39%                                     |
| Effect by differences of corporate tax rate between the Company and consolidated subsidiaries | -                                           | - 0.66%                                     |
| Permanent differences in accounting such as entertainment fee                                 | -                                           | 0.46%                                       |
| Inhabitant tax on per capita basis                                                            | -                                           | 0.31%                                       |
| Others                                                                                        | -                                           | 0.65%                                       |
| Effective corporate tax rate                                                                  | -                                           | 26.23%                                      |

Note: In FY2017/3. The Reconciliations between the effective corporate tax rates reflected in the consolidated financial statements and the statutory tax rate was less than 5% of statutory tax rate therefore these numbers are omitted.

(Segment information)

1. Overview of reportable segments

(1) Method of defining reportable segments

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

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

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

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

(2) Primary products of each reportable segment

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

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

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

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

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

FY2017/3 (April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

Millions yen

|                                                     | Reportable Segments |                         |         | Adjustment<br>*1 | Consolidated<br>Total<br>*2 |
|-----------------------------------------------------|---------------------|-------------------------|---------|------------------|-----------------------------|
|                                                     | SPE                 | Metrology<br>Instrument | Total   |                  |                             |
| I. Sales                                            |                     |                         |         |                  |                             |
| Sales to third party:                               | 50,291              | 27,501                  | 77,792  | -                | 77,792                      |
| Intersegment sales to transfer                      | -                   | -                       | -       | -                | -                           |
| Total                                               | 50,291              | 27,501                  | 77,792  | -                | 77,792                      |
| Segment Profit                                      | 8,820               | 4,839                   | 13,659  | -                | 13,659                      |
| Segment Assets                                      | 72,530              | 41,232                  | 113,763 | 699              | 114,463                     |
| Others                                              |                     |                         |         |                  |                             |
| - Depreciation and amortization                     | 1,668               | 711                     | 2,380   | -                | 2,380                       |
| - Amortization of Goodwill                          | 102                 | -                       | 102     | -                | 102                         |
| - Increase in Tangible / Intangible<br>Fixed assets | 3,647               | 498                     | 4,145   | -                | 4,145                       |

Notes

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

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

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

Millions yen

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

Notes

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

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

(Related Information)

FY2017/3 (April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

1. Information per each product and service

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

2. Information per geographical segment

(1) Sales

| Japan  | East Asia |        |        |        | South East Asia | Other Areas | Total  |
|--------|-----------|--------|--------|--------|-----------------|-------------|--------|
|        | Taiwan    | China  | Others | Total  |                 |             |        |
| 31,888 | 14,331    | 12,200 | 5,096  | 31,628 | 5,278           | 8,997       | 77,792 |

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

(2) Tangible fixed assets

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

3. Transaction with Significant Customers

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

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

1. Information per each product and service

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

2. Information per geographical segment

(1) Sales

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

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

(2) Tangible fixed assets

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

3. Transaction with Significant Customers

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

(Impairment losses on fixed assets per each reportable segment)

Not applicable.

(Amortization and closing balance of goodwill per each reportable segment)

FY2017/3 (April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

Millions yen

|                            | Reportable Segments |                        |       | Consolidation<br>and<br>elimination | Total |
|----------------------------|---------------------|------------------------|-------|-------------------------------------|-------|
|                            | SPE                 | Metrology<br>Equipment | Total |                                     |       |
| Balance as at FY2017/3 end | 284                 | -                      | 284   | -                                   | 284   |

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

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

Millions yen

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

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

(Gain on negative goodwill per each reportable segment)

Not applicable.

(Related parties' information)

1. Related party transactions

Business transaction between the Company (Consolidated Financial Statement-Submitting Company) and Related parties

Director and/or the shareholders (limited to individual shareholders) of the Company (Consolidated Financial Statement-Submitting Company)

FY2017/3 (April 1<sup>st</sup>, 2016 - March 31<sup>st</sup>, 2017)

| Type     | Name of party or person | Address | Common Stock | Business or occupation | Percentage voting rights held by Company (holding Company) (%) | Relationship between the related party | Detail of transaction            | Amount of transaction (Millions Yen) | Ledger | Closing Balance (Millions yen) |
|----------|-------------------------|---------|--------------|------------------------|----------------------------------------------------------------|----------------------------------------|----------------------------------|--------------------------------------|--------|--------------------------------|
| Director | Hitoshi Yoshida         | -       | -            | President and CEO      | (holding) Direct: 0.00                                         | -                                      | Exercise of stock options (Note) | 10                                   | -      | -                              |

Note) These are the exercise of share subscription rights resolved at Regular General Meeting of Shareholders held on each June 27<sup>th</sup>, 2011, June 25<sup>th</sup>, 2012, June 24<sup>th</sup>, 2013 and June 24<sup>th</sup>, 2014. Amount of transaction describes an amount to be subscribed upon the exercise of the rights.

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

Not applicable.

2. Notes for Significant affiliates

Not applicable.

## (Per share information)

| FY2017/3<br>(April 1 <sup>st</sup> , 2016 - March 31 <sup>st</sup> , 2017) |              | FY2018/3<br>(April 1 <sup>st</sup> , 2017 - March 31 <sup>st</sup> , 2018) |              |
|----------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------|--------------|
| Net assets per share                                                       | 2,083.40 yen | Net assets per share                                                       | 2,367.92 yen |
| Basic Net profit per share                                                 | 239.32 yen   | Basic Net profit per share                                                 | 306.41 yen   |
| Diluted Net profit per share                                               | 237.80 yen   | Diluted Net profit per share                                               | 304.02 yen   |

Note: Basis for calculations

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

| Item                                                                                                | FY2017/3<br>(April 1 <sup>st</sup> , 2016-<br>March 31 <sup>st</sup> , 2017)         | FY2018/3<br>(April 1 <sup>st</sup> , 2017-<br>March 31 <sup>st</sup> , 2018)         |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Basic Net profit per share                                                                          |                                                                                      |                                                                                      |
| Net profit attributable to owners of the parent (Millions yen)                                      | 9,909                                                                                | 12,717                                                                               |
| Amount not attributed to common shareholders (Millions yen)                                         | -                                                                                    | -                                                                                    |
| Net profit attributable to common shares (Millions yen)                                             | 9,909                                                                                | 12,717                                                                               |
| Average number of shares of common stock during the fiscal year (shares)                            | 41,406,762                                                                           | 41,504,885                                                                           |
|                                                                                                     |                                                                                      |                                                                                      |
| Diluted Net profit per share                                                                        |                                                                                      |                                                                                      |
| Details of adjusted Net profit (Millions yen)                                                       | -                                                                                    | -                                                                                    |
| Details of increase in common stock (shares)                                                        | 264,511                                                                              | 326,435                                                                              |
| (Share Subscription rights)(shares)                                                                 | (264,511)                                                                            | (326,435)                                                                            |
| Securities excluded the calculation of diluted Net profit per share due to lack of dilutive effects | Share Subscription rights (Stock Option Type)(shares)<br>The 12 <sup>th</sup> 73,600 | Share Subscription rights (Stock Option Type)(shares)<br>The 14 <sup>th</sup> 77,500 |

2. Net assets per share

| Item                                                                                | FY2017/3<br>(March 31 <sup>st</sup> , 2017) | FY2018/3<br>(March 31 <sup>st</sup> , 2018) |
|-------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Total in the Net assets column of the consolidated balance sheet (Millions yen)     | 87,194                                      | 99,354                                      |
| Amounts to be excluded from Net assets (Millions yen)                               | 816                                         | 991                                         |
| (Share subscription rights (Millions yen))                                          | (506)                                       | (623)                                       |
| (Minority interest (Millions yen))                                                  | (310)                                       | (368)                                       |
| Net assets as at end of Fiscal Year available to common shareholders (Millions yen) | 86,377                                      | 98,362                                      |
| Number of common stock shares used to calculate net assets per share (shares)       | 41,459,762                                  | 41,539,630                                  |

(Significant subsequent events)

Not applicable.

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

(Schedule of borrowings)

| Category                                                                    | Balance at beginning of Fiscal Year (Millions yen) | Balance at end of Fiscal Year (Millions yen) | Average interest rate (%) | Repayment term                                              |
|-----------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|---------------------------|-------------------------------------------------------------|
| Short-term loans payable                                                    | 1,300                                              | 1,300                                        | 0.54                      | -                                                           |
| Lease obligation scheduled to be paid within 1 year                         | 8                                                  | 18                                           | 10.03                     | -                                                           |
| Lease obligation (expecting obligations scheduled to be paid within 1 year) | 24                                                 | 33                                           | 7.97                      | April 30 <sup>th</sup> , 2019 – May 31 <sup>st</sup> , 2022 |
| Total                                                                       | 1,332                                              | 1,351                                        | -                         | -                                                           |

Notes

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

| Category         | 1-2 years (Millions yen) | 2-3 years (Millions yen) | 3-4 years (Millions yen) | 4-5years (Millions yen) |
|------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| Lease obligation | 18                       | 10                       | 2                        | 1                       |
| Total            | 18                       | 10                       | 2                        | 1                       |

(Detail of Asset Retirement Obligations)

Not applicable.

(2) Others

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

[2] Quarterly business result of the consolidated fiscal year

| (Accumulated period)                                                             | 1 <sup>st</sup> Quarter | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter |
|----------------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Quarterly Net Sales<br>(Millions yen)                                            | 19,912                  | 43,663                  | 62,902                  | 88,194                  |
| Quarterly income before income<br>taxes and minority interests<br>(Millions yen) | 4,129                   | 9,037                   | 12,684                  | 17,318                  |
| Quarterly Net profit<br>attributable to Owners of the<br>parent (Millions yen)   | 2,884                   | 6,355                   | 8,958                   | 12,717                  |
| Quarterly Net profit per share<br>(yen)                                          | 69.56                   | 153.21                  | 215.88                  | 306.41                  |

| (Non-accumulated period)                | 1 <sup>st</sup> Quarter | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter |
|-----------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Quarterly Net profit per share<br>(yen) | 69.56                   | 83.65                   | 62.67                   | 90.53                   |

[3] Important lawsuits or similar issues  
Not applicable.

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