

Briefing on Financial Statements for the Year Ended March 2016



May 12, 2016

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1. Business performance for Fiscal Year Ended March 31, 2016

(1) Business Results

Overview of FY2016/3

[Net sales] -1.4bn yen (-26%) YoY; -1.9bn yen (-4%) vs. revised forecast on Nov. 12

Net sales declined from a year ago due to a reactionary fall in demand for smartphones compared with FY2015/3 and a slowdown in the Chinese market.

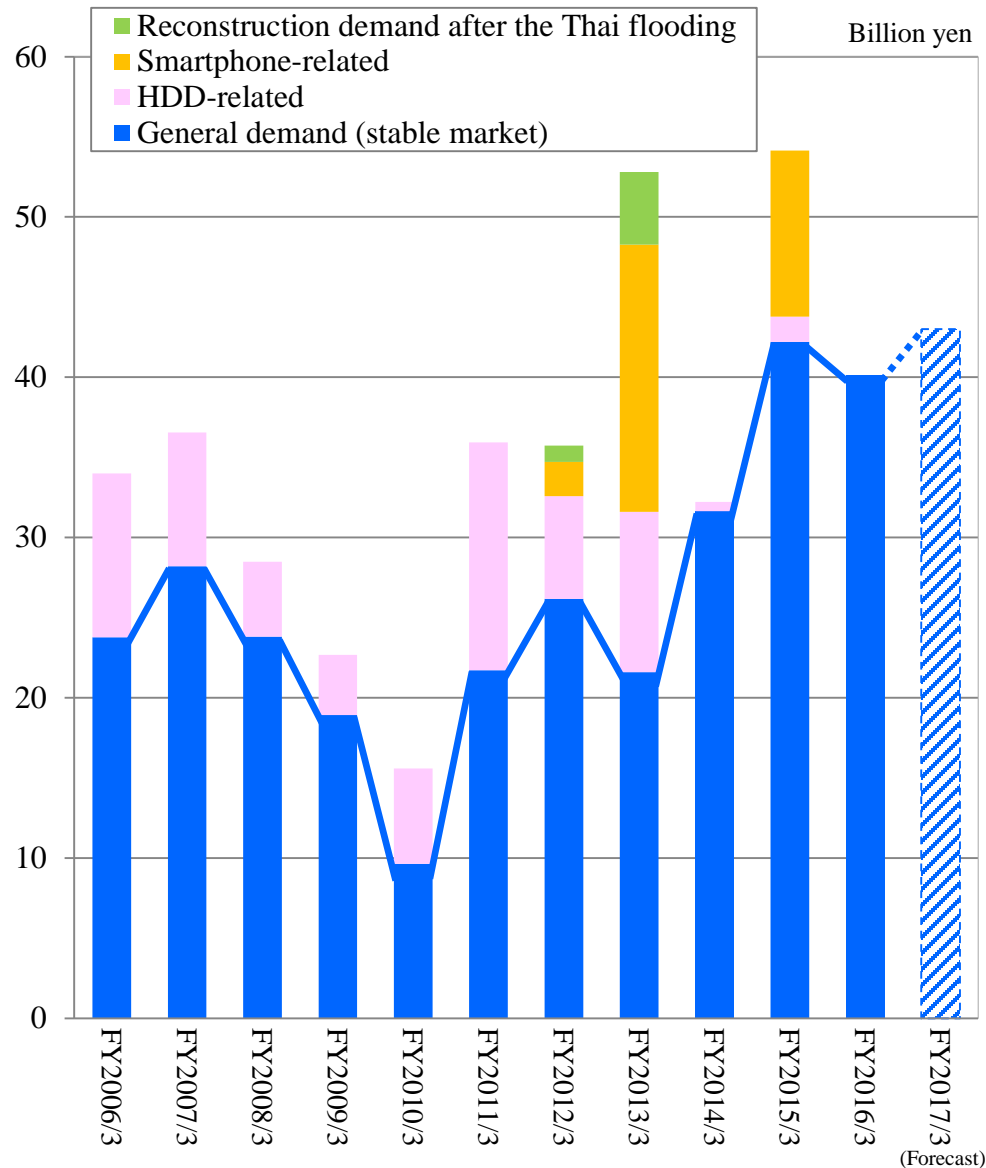
[Net income] -4.4bn yen (83%) YoY; -0.9bn yen (-51%) vs. revised forecast on Nov. 12

Affected by the decline in sales, deterioration in the cost rate due to production adjustment, and the stronger yen against the Chinese yuan.

Billion yen

	FY2012/3 (2011/4 - 2012/3)	FY2013/3 (2012/4 - 2013/3)	FY2014/3 (2013/4 - 2014/3)	FY2015/3 (2014/4 - 2015/3)	FY2016/3 (2015/4 - 2016/3)		
					Full-year	Year-on-Year	Difference from revised forecasts (on Nov. 12)
Net sales	35.7	52.8	32.2	54.1	40.1	-14.0	-1.9
Gross profit (Gross profit margin)	8.4 (23.4%)	14.7 (27.8%)	7.1 (22.0%)	14.2 (26.3%)	9.0 (22.3%)	-5.2 (-4.0%)	-- (--)
Operating income (Operating income margin)	4.1 (11.4%)	8.4 (16.0%)	1.2 (3.7%)	7.3 (13.4%)	2.1 (5.3%)	-5.2 (-8.1%)	-0.9 (-1.8%)
Ordinary income (Ordinary income margin)	3.9 (10.8%)	6.8 (12.9%)	1.9 (6.0%)	7.7 (14.3%)	1.1 (2.7%)	-6.6 (-11.6%)	-1.4 (-3.2%)
Net income (Net income margin)	2.3 (6.4%)	4.2 (8.0%)	0.3 (1.1%)	5.3 (9.8%)	0.9 (2.2%)	-4.4 (-7.6%)	-0.9 (-2.1%)
Net income per share	33.9 yen	57.2 yen	4.7 yen	74.4 yen	13.0 yen	-61.4 yen	-13.7 yen

(2) Sales situation breakdown

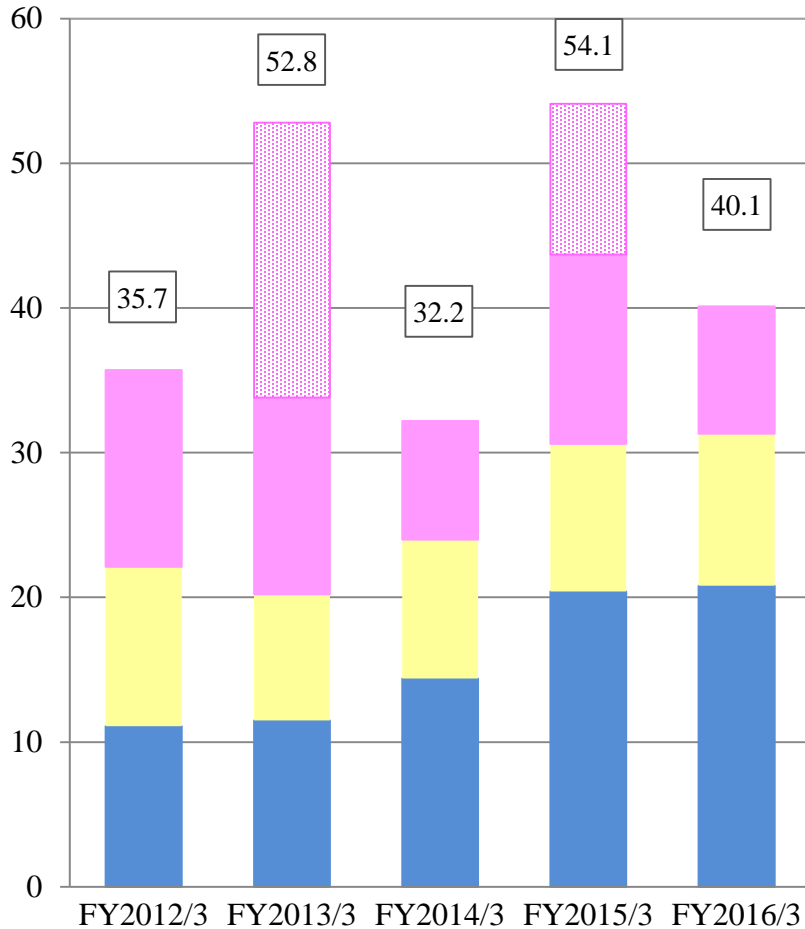


- Started to sell products for smartphones in FY2012/3.
 (Timing of future special demand is uncertain)
- HDD-related, demand is coming to a halt.
 [Reconstruction demand after the Thai flooding was in FY2012/3 and FY2013/3.]
- Launched new products for auto parts in the 3Q of FY2014/3 to boost sales.

(3) Net Sales by Business Segment

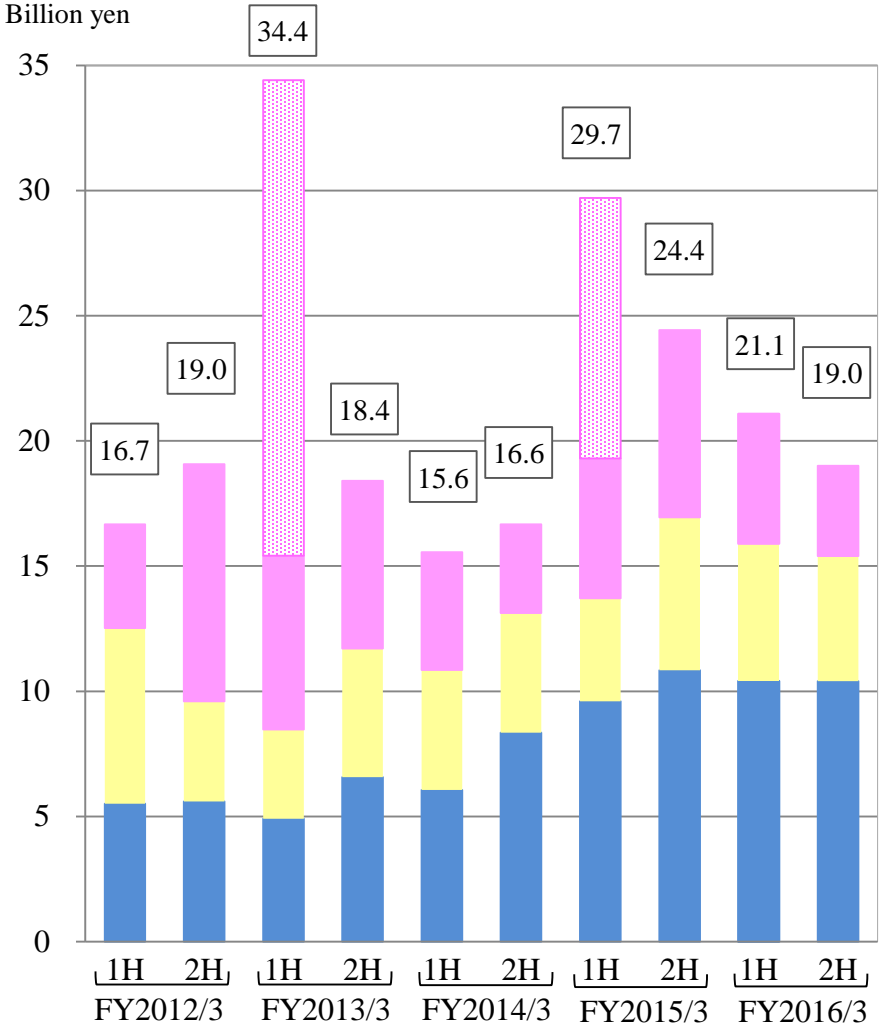
Full-year

Billion yen



Six-month

Billion yen

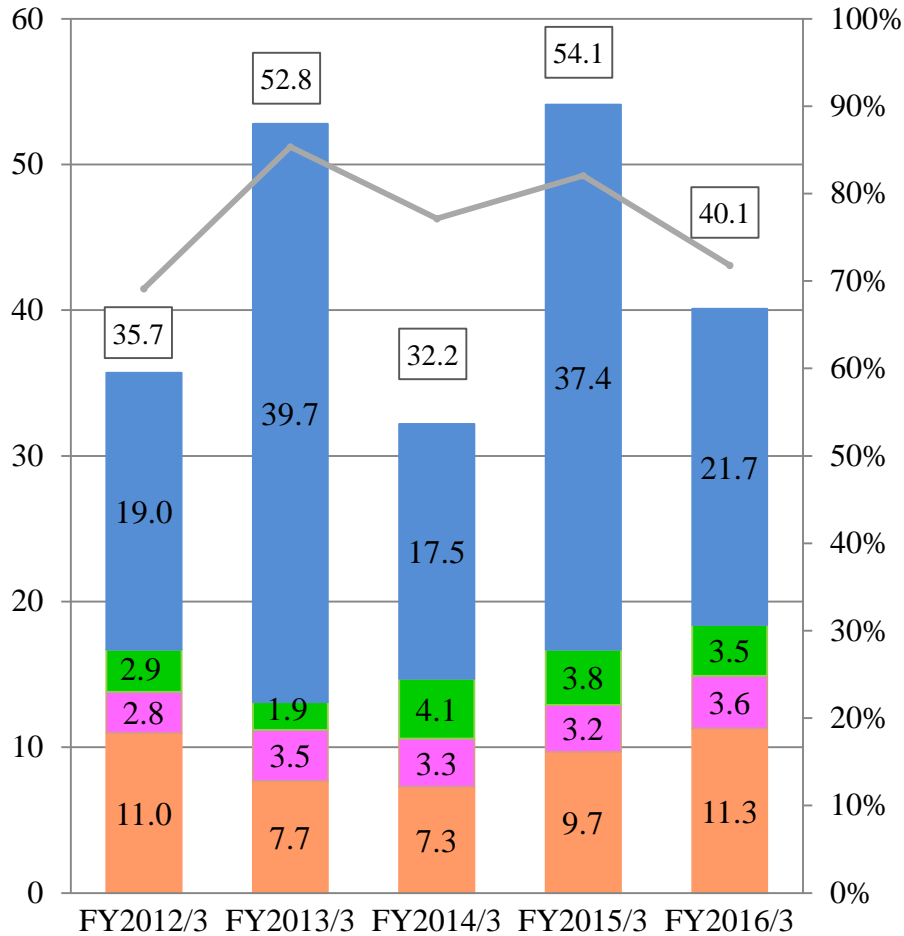


- IT
- Other (hydraulic and pneumatic equipment, medical equipment and others)
- Automobile

(4) Net Sales by Geographic Segment

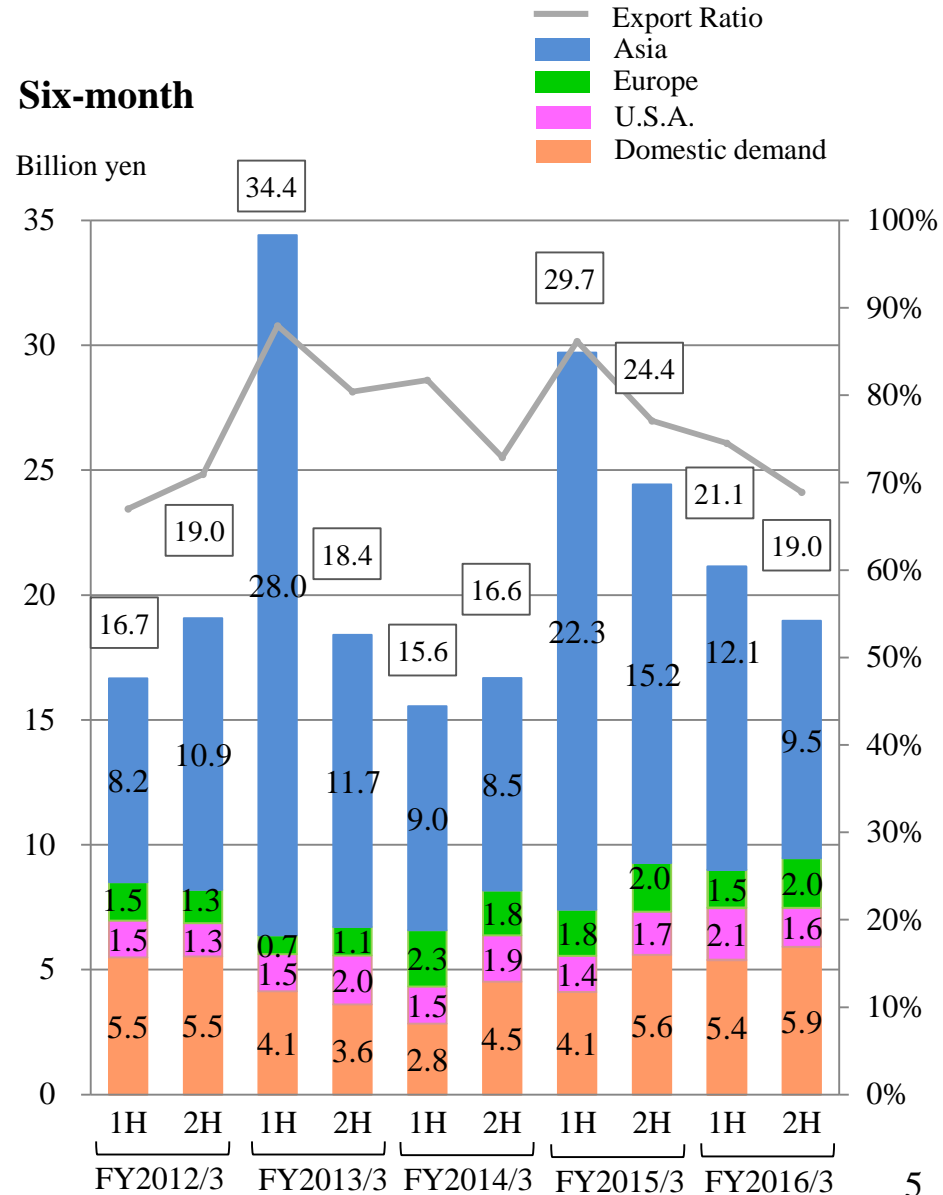
Full-year

Billion yen



Six-month

Billion yen



(5) Balance Sheets

Billion yen

	2015/3E	2016/3E	Difference from 2015/3E
Total assets	56.8	47.9	-8.9
Current assets	36.8	30.7	-6.1
Cash and deposits	5.2	4.7	-0.5
Trade notes and accounts receivable	7.1	5.9	-1.2
Inventories	22.7	18.3	Note 1 -4.4
Deferred tax assets and others	1.8	1.8	-0.0
Non-current assets	20.0	17.2	-2.8
Property, plant and equipment	11.4	9.9	Note 2 -1.5
Intangible assets	0.8	0.7	-0.1
Investments and other assets	7.8	6.6	Note 3 -1.2
Total liabilities	19.5	15.3	-4.2
Current liabilities	17.8	14.0	-3.8
Trade notes and accounts payable	8.3	5.9	-2.4
Short-term loans payable	6.9	6.1	Note 4 -0.8
Accrued income tax and others	2.6	2.0	-0.6
Non-current liabilities	1.7	1.3	-0.4
Total net assets	37.3	32.6	-4.7
Common stock, Capital surplus	18.2	18.2	0.0
Retained earnings	16.0	15.7	-0.3
Treasury shares	-2.7	-4.8	Note 5 -2.1
Valuation difference on available-for-sale securities	2.8	1.8	-1.0
Foreign currency translation adjustment and others	3.0	1.7	-1.3
(Capital adequacy ratio)	(64.1%)	(66.2%)	(+2.1%)

Note 1
Decreased due to production adjustments
Effect of exchange rate: -1.4

Note 2
Storehouse in China factory and others:
+ 0.1
Production machines: + 0.5
Depreciation and others: - 1.3
Effect of exchange rate: - 0.8

Note 3
Valuation of investment securities: - 1.2

Note 4
The difference from C/F short-term loans payable (-0.2), -0.6, resulted from a foreign exchange difference associated with China yuan-denominated loans payable.

Note 5
Number of treasury shares (thousand):
5,285 → 8,023 (+2,738)

(6) Cash flows

Billion yen

	FY2015/3 (2014/4 - 2015/3)	FY2016/3 (2015/4 - 2016/3)
Cash flows from operating activities	3.1	4.2
Income before taxes, depreciation and amortization	8.8	Note 1 2.3
Gross working capital	-3.1	Note 2 2.5
Corporate and other taxes	-2.6	-0.6
Cash flows from investing activities	-1.7	-0.9
Capital investment in factories	-1.4	Note 3 -0.4
Indian subsidiary	-0.3	Note 4 -0.3
Purchase of investment securities and others	0.0	-0.2
Cash flows from financing activities	-2.8	-3.5
Short-term loans payable	-0.2	-0.2
Dividends paid	-0.9	-1.1
Purchase of treasury shares	-1.7	Note 5 -2.2
Effect of exchange rate change on cash and cash equivalents	0.3	-0.1
Net increase (decrease) in cash and cash equivalents	-1.1	-0.3
Cash and cash equivalents at the end of the term	4.9	4.6

Note 1:

Income before taxes: 1.19

Depreciation and amortization: 1.09

Note 2

Notes and accounts receivable: 0.94

Notes and accounts payable: -1.77

Inventories: 2.89

Other current assets: 0.49

Note 3

Production machines in China: -0.36

Production machines in Japan: -0.08

Note 4

Long-term loans: -0.33

Note 5

2,972 thousand shares purchased

2. Business Conditions and Outlook

(1) Outlook for Fiscal Year Ending March 31, 2017

Outlook for FY2017/3

- The domestic market will continue to recover moderately. The European and U.S. markets are expected to be strong. The Chinese market remains uncertain, although certain sectors will recover.
- Products related to auto parts are on a recovery trend. Turret lathes will make a positive contribution to results.
- Special demand for products for smartphones is unknown and is not reflected in the forecast.

Billion yen

	FY2016/3 (2015/4 - 2016/3)			FY2017/3 (2016/4 - 2017/3) forecasts			
	1H	2H	Full-year	1H	2H	Full-year	Year-on-Year
Net sales	21.1	19.0	40.1	20.0	23.0	43.0	+2.9
Operating income	1.3	0.8	2.1	1.5	2.0	3.5	+1.4
(Operating income margin)	(6.2%)	(4.2%)	(5.3%)	(7.5%)	(8.7%)	(8.1%)	(+2.8%)
Ordinary income	0.8	0.3	1.1	1.3	1.9	3.2	+2.1
(Ordinary income margin)	(4.0%)	(1.3%)	(2.7%)	(6.5%)	(8.3%)	(7.4%)	(+4.7%)
Net income	0.7	0.2	0.9	0.9	1.4	2.3	+1.4
(Net income margin)	(3.2%)	(1.0%)	(2.2%)	(4.5%)	(6.1%)	(5.3%)	(+3.2%)
Net income per share	10.1 yen	2.9 yen	13.0 yen	13.8 yen	21.6 yen	35.4 yen	+22.4 yen

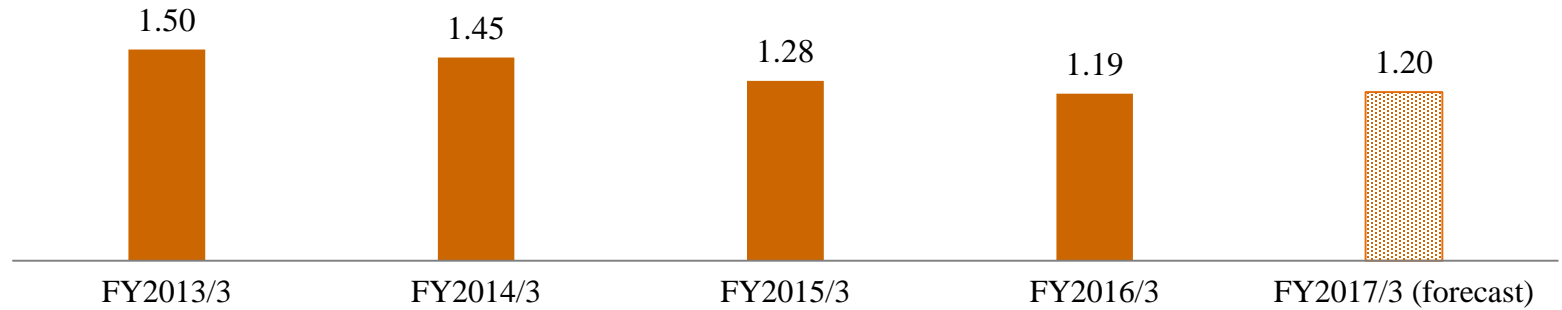
(2) New Products

		Orders start	Main target
Released in FY2016/3	Automatic lathes M06/08J-II, M06/08D-II, M06/08SD-II, M06/08SY-II	2Q of FY2016/3	Automobile parts and Others
	Automatic lathes BW209Z	3Q of FY2016/3	IT, Automobile small sized parts and Others
	Turning center TMA8JC, TMA8F	3Q of FY2016/3	IT, Automobile parts and Others
Scheduled for release in FY2017/3	Automatic lathes B038M, SS38M-5AX	2Q of FY2017/3	IT, Automobile parts and Others
	Automatic lathes M06/08JL5-II	2Q of FY2017/3	Automobile parts and Others
	Automatic lathes 2 models	3Q of FY2017/3	IT, Automobile small sized parts and Others
	Automatic lathes 3 models	4Q of FY2017/3	IT, Automobile parts and Others

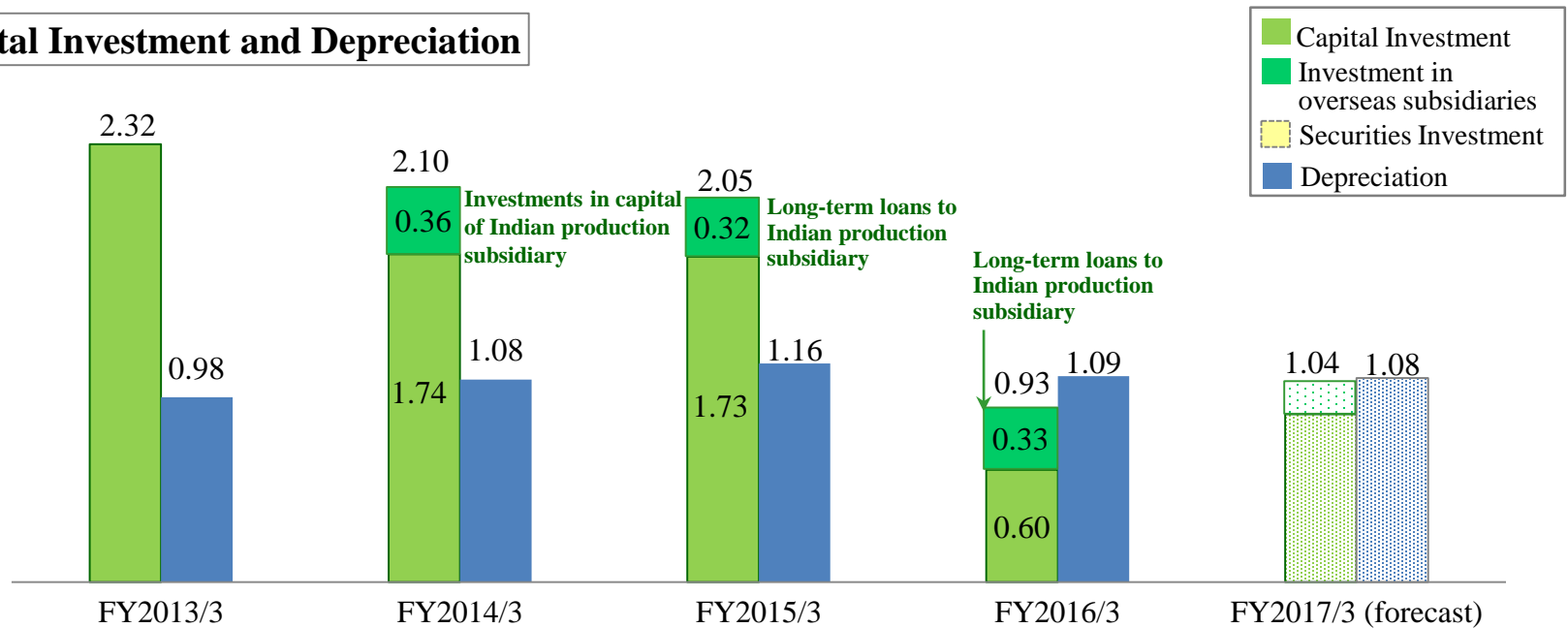
(3) R&D Expenditures, Capital Investment and Depreciation

Billion yen

R&D Expenditures



Capital Investment and Depreciation

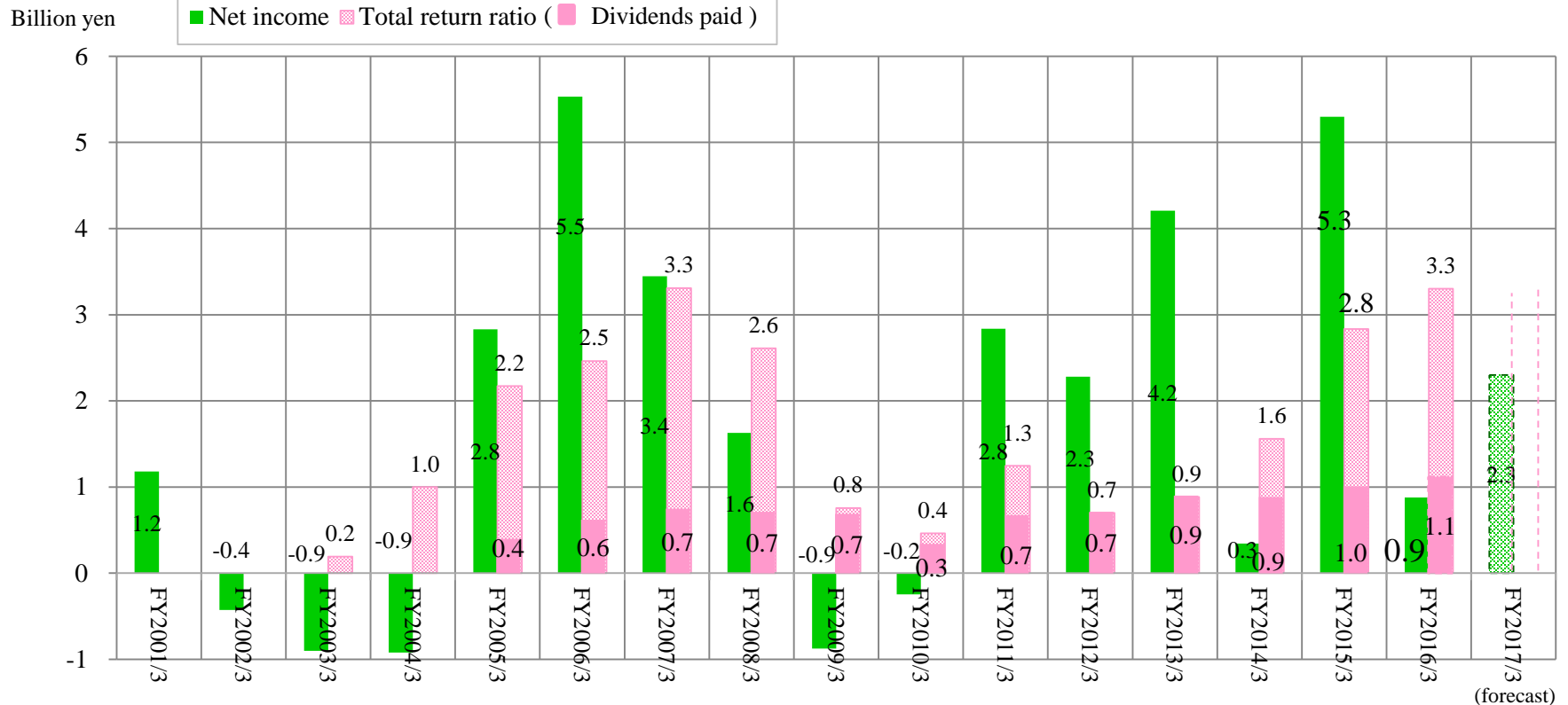


3. Shareholder Returns

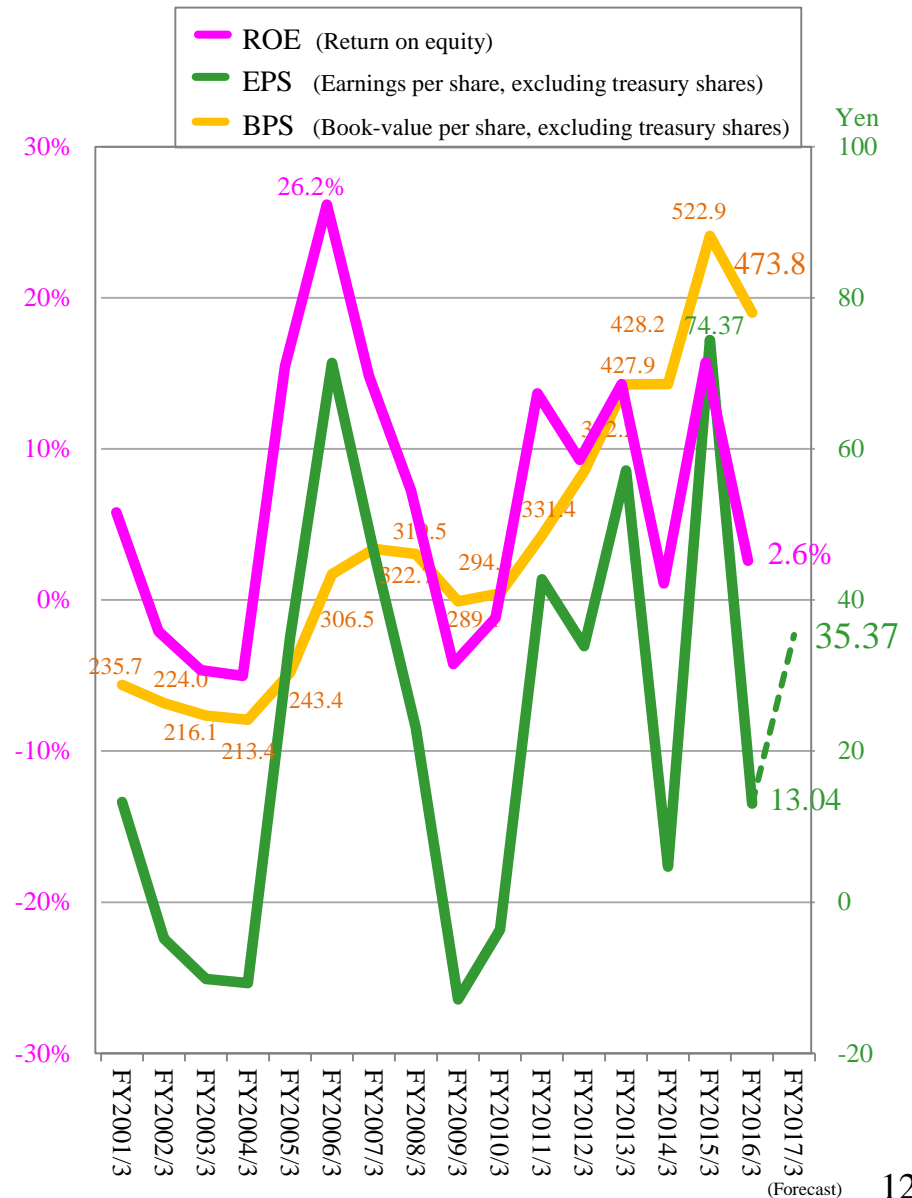
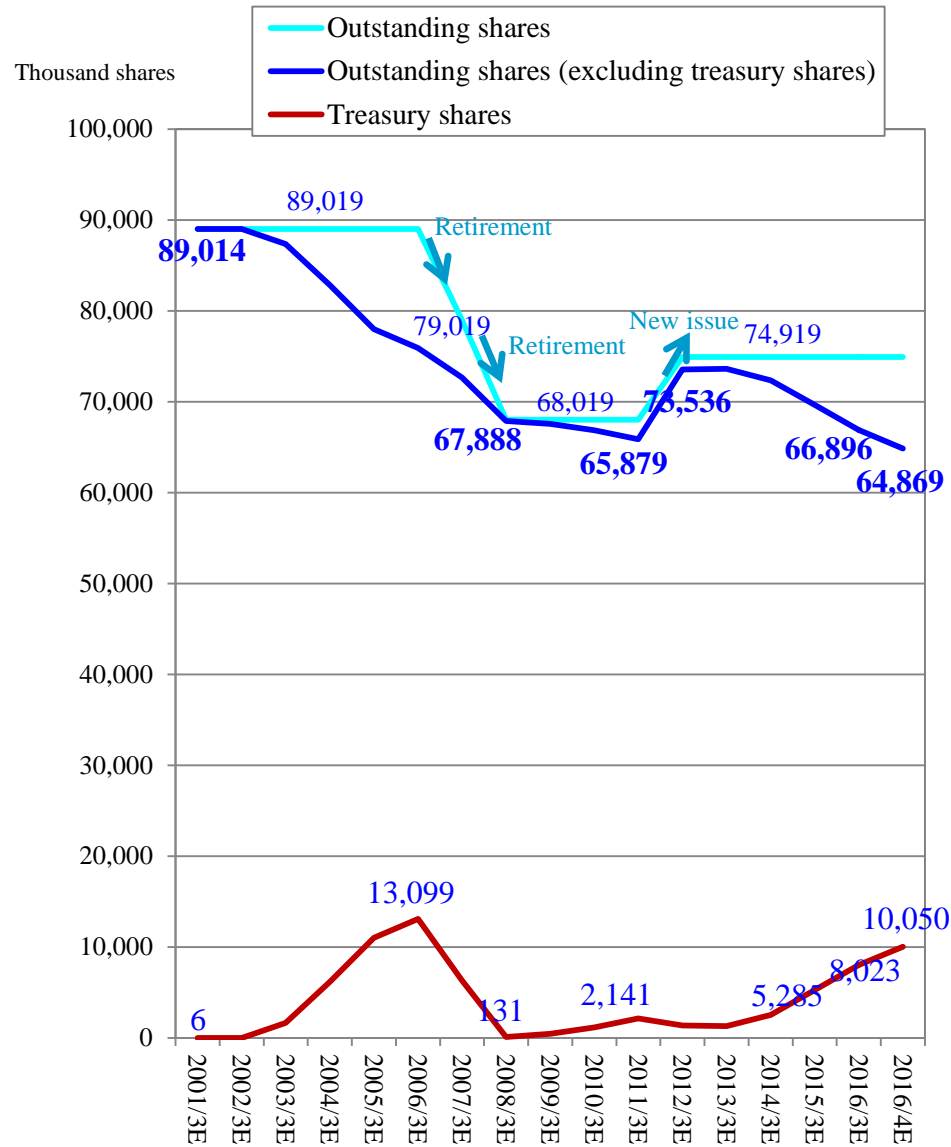
(1) Shareholder Returns

Billion yen

	FY02/3	FY03/3	FY04/3	FY05/3	FY06/3	FY07/3	FY08/3	FY09/3	FY10/3	FY11/3	FY12/3	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3 (forecast)
Dividends paid (Full-year per share)	0.0 (0 yen)	0.0 (0 yen)	0.0 (0 yen)	0.4 (5 yen)	0.6 (8 yen)	0.7 (10 yen)	0.7 (10 yen)	0.7 (10 yen)	0.3 (5 yen)	0.7 (10 yen)	0.7 (10 yen)	0.9 (12 yen)	0.9 (12 yen)	1.0 (14 yen)	1.1 (16 yen)	-- (16 yen)
Purchase of treasury shares	0.0	0.2	1.0	1.8	1.9	2.6	1.9	0.1	0.1	0.6	0.0	0.0	0.7	1.8	2.2	--
Total return	0.0	0.2	1.0	2.2	2.5	3.3	2.6	0.8	0.4	1.3	0.7	0.9	1.6	2.8	3.3	--
Dividend payout ratio	--	--	--	14.1%	11.2%	21.6%	43.4%	--	--	23.4%	29.5%	21.0%	254.2%	18.8%	122.7%	45.2%
Total return ratio	0.0%	--	--	76.7%	44.5%	95.9%	160.2%	--	--	44.0%	30.6%	21.0%	453.5%	53.5%	380.2%	--



(2) Acquisition of Treasury Stock

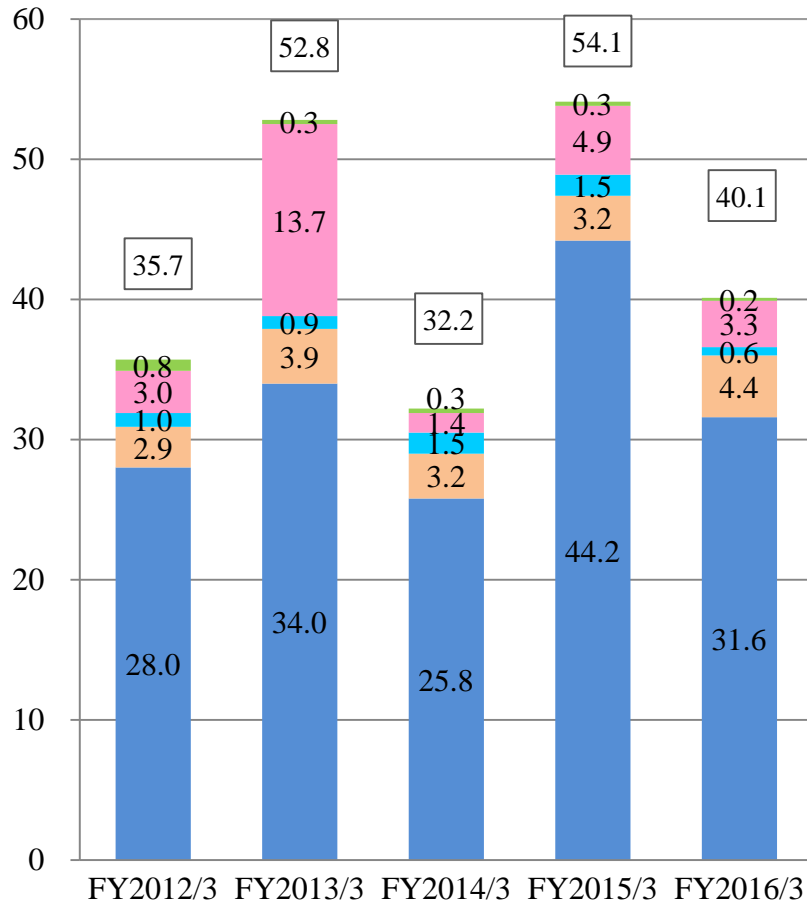


4. Reference

Net Sales by Machinery Category

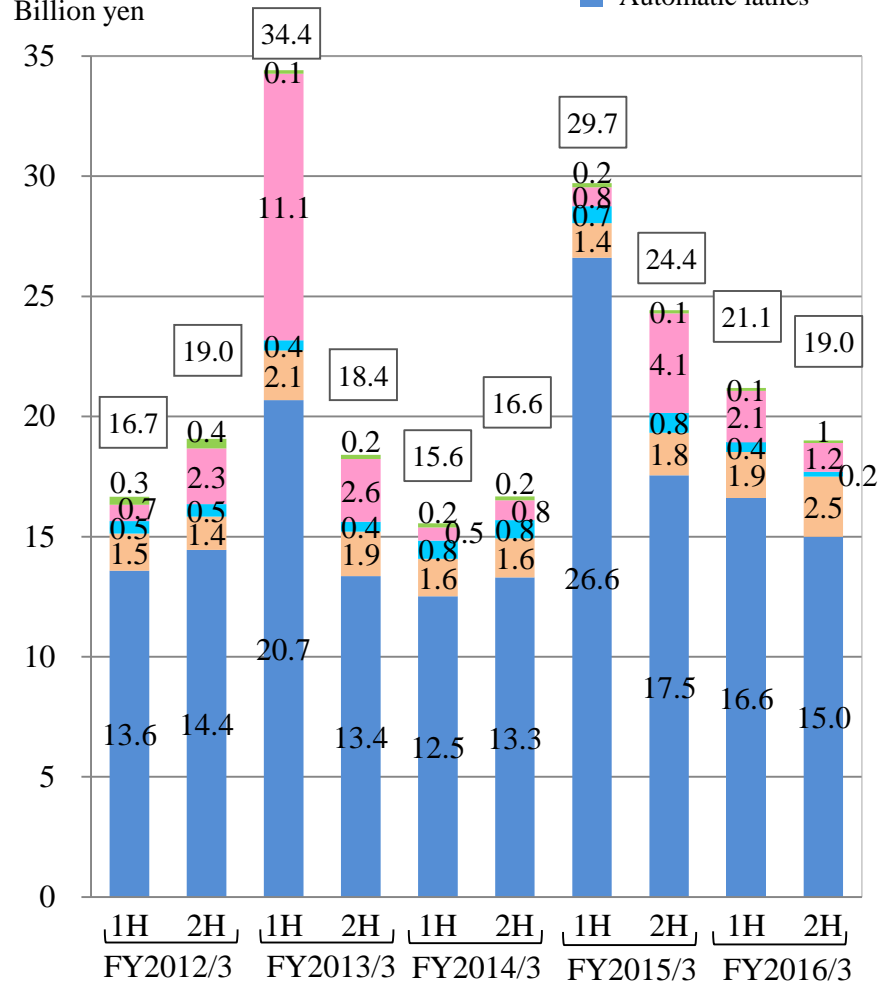
Full-year

Billion yen

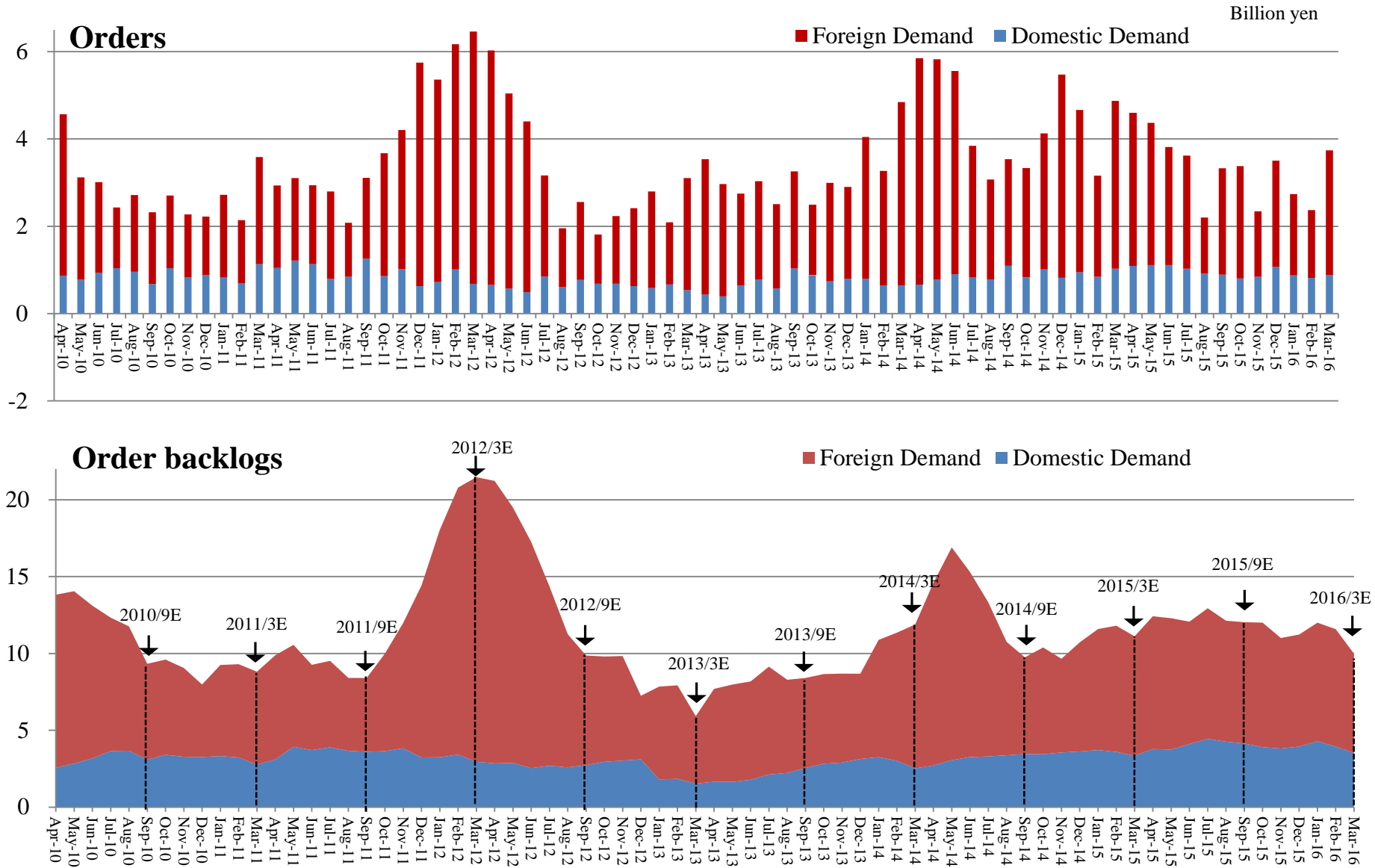


Six-month

Billion yen

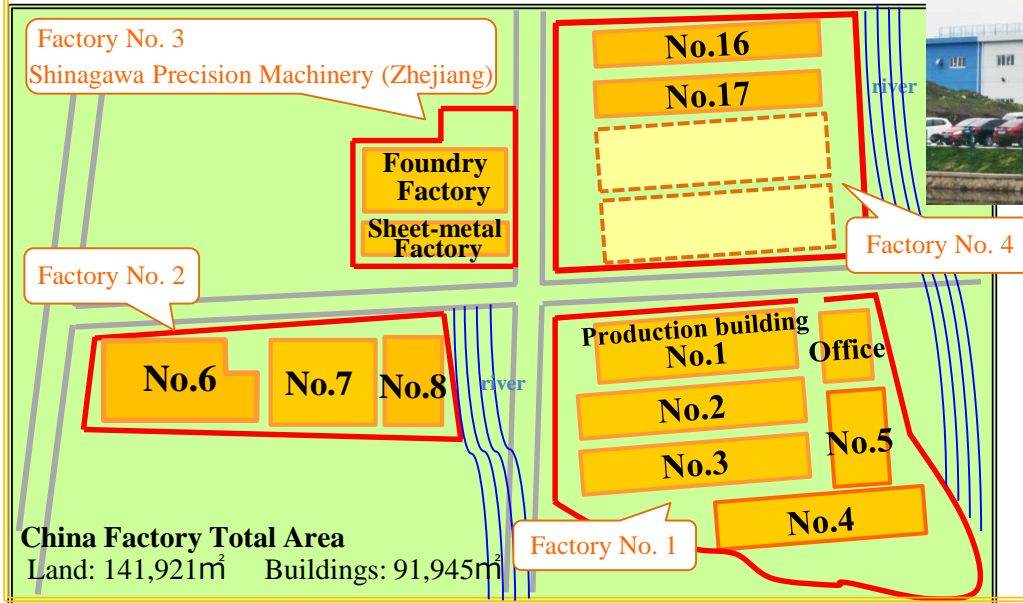


Orders Received and Order Backlogs



Factories in China and India

【 China Factory 】



The content in this material is premised on various assumptions and does not ensure or guarantee the realization of the planned figures and/or future policies stated herein.