

## Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2015

July 30, 2014

TSUGAMI CORPORATION

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Scheduled date of commencement of dividend payments: --

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: None

### 1. Consolidated business performance for the first quarter of the fiscal year ending March 31, 2015

(From April 1, 2014 to June 30, 2014)

(Figures are rounded down to the nearest one million yen.)

#### (1) Consolidated operating results (cumulative totals)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of the fiscal year ending March 31, 2015	12,670	81.2	1,903	358.6	1,676	49.8	1,094	31.1
Q1 of the fiscal year ended March 31, 2014	6,992	-64.3	415	-87.5	1,119	-60.6	834	-54.2

(Note): Comprehensive income: Q1 of the fiscal year ending March 31, 2015: 1,082 million yen (-10.7%)

Q1 of the fiscal year ended March 31, 2014: 1,212 million yen (13.2%)

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
Q1 of the fiscal year ending March 31, 2015	15.17	14.91
Q1 of the fiscal year ended March 31, 2014	11.33	11.16

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Q1 of the fiscal year ending March 31, 2015	56,082	32,188	56.3	437.66
Fiscal year ended March 31, 2013	52,250	31,587	59.3	428.18

(Reference): Shareholders' equity: Q1 of the fiscal year ending March 31, 2015: 31,550 million yen

Fiscal year ended March 31, 2014: 30,981 million yen

### 2. State of dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2014	--	6.00	--	6.00	12.00
Fiscal year ending March 31, 2015	--				
Fiscal year ending March 31, 2015 (forecast)		6.00	--	6.00	12.00

(Note) Revision of dividend forecasts for the quarter under review: none

### 3. Consolidated business performance forecasts for the fiscal year ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	26,000	67.2	4,000	404.7	3,800	172.0	2,600	194.2	35.93
Full-year	46,000	42.7	6,000	406.6	5,800	200.1	4,000	--	55.28

(Note) Revision of consolidated business performance forecasts for the quarter under review: none

\*Notes

(1) Important changes in subsidiaries during the quarter under review  
(changes in specified subsidiaries that caused the scope of consolidation to change): none  
Companies added to the scope: -- companies (names )  
Companies removed from the scope: -- companies (names )

(2) Application of peculiar accounting treatment for quarterly consolidated financial statements: none

(3) Changes in accounting policy and in accounting estimates, and restatements  
(i) Changes in accounting policy due to the revision of accounting standards and the like: yes  
(ii) Changes in accounting policy other than those stated in item (i) above: none  
(iii) Changes in accounting estimates: none  
(iv) Restatements: none

(4) Numbers of outstanding shares (common shares)  
(i) Numbers of outstanding shares at the end of the terms  
(including treasury shares):  
(ii) Numbers of treasury shares at the end of the terms:  
(iii) Average numbers of shares outstanding during the  
periods (quarterly consolidated accumulation periods):

Q1 of FY2014	74,919,379 shares	FY2013	74,919,379 shares
Q1 of FY2014	2,830,350 shares	FY2013	2,562,250 shares
Q1 of FY2014	72,163,329 shares	Q1 of FY2013	73,683,735 shares

\* State of quarterly review execution

This quarterly financial summary falls outside the scope of quarterly reviews based on the Financial Instruments and Exchange Act. Reviews of the quarterly financial statements presented herein in compliance with the Financial Instruments and Exchange Act had not been completed at the time this quarterly financial summary was disclosed.

\* Explanations for the appropriate use of business forecasts and other items warranting special mention

The forward-looking statements, including business forecasts, included in this document are based on information available on the date of announcement and certain assumptions we consider reasonable. Actual performance may differ materially from the statements due to a range of factors. For assumptions for business forecasts and notes on the use of business forecasts, please refer to "Qualitative Information Relating to Consolidated Business Performance Forecasts" on page 2 of the accompanying documents of this summary of financial results for the first quarter.

## Accompanying Documents

### Contents

1. Qualitative Information Relating to Consolidated Quarterly Results, Etc	2
(1) Information Relating to Consolidated Operating Results	2
(2) Information Relating to the Consolidated Financial Position	2
(3) Information Relating to Consolidated Business Performance Forecasts	2
2. Summary information (notes)	3
Changes in accounting policy and in accounting estimates, and restatements	3
3. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statements of Income	6
Quarterly Consolidated Statements of Comprehensive Income	7
(3) Consolidated Statements of Cash Flows	8
(4) Notes relating to the Quarterly Consolidated Financial Statements	9
Notes relating to the going concern assumption	9
Notes for cases where shareholders' equity underwent a major change in value	9
Segment information	9
4. Supplementary Information	10
(1) Overseas net sales	10
(2) Net sales by machinery category	10

## 1. Qualitative Information Relating to Consolidated Quarterly Results, Etc.

### (1) Information Relating to Consolidated Operating Results

During the first quarter under review, certain sectors of the Japanese economy were adversely affected by the reaction to the spike in demand before the consumption tax hike, but overall the economy continued to recover moderately.

In the machine tool industry, the domestic market continued to show upward momentum, albeit modestly, and the U.S. and the European markets were growing steadily. In the Chinese market, which had been weak, there were signs of a recovery.

In this environment, both net sales and income at TSUGAMI Corporation (the "Company") and its affiliates (the "Group") rose year on year, primarily reflecting shipments of products for the IT products industry, for which orders started to be received in the fourth quarter of the previous fiscal year and the contribution of new products for automobiles that were launched in the previous fiscal year.

Net sales, operating income, and ordinary income for the quarter were 12,670 million yen (increased 81.2% year on year), 1,903 million yen (increased 358.6% year on year), and 1,676 million yen (increased 49.8% year on year), respectively. Net income was 1,094 million yen (increased 31.1% year on year).

### (2) Information Relating to the Consolidated Financial Position

#### (i) State of assets, liabilities and net assets

Assets totaled 56,082 million yen at the end of the first quarter under review, rising 3,832 million yen from the end of the previous fiscal year. The increase resulted primarily from an increase of 3,186 million yen in trade notes and accounts receivable and 2,364 million yen increase in inventories, which offset a 1,985 million yen decrease in cash and deposit.

Liabilities came to 23,893 million yen, up 3,230 million yen from the end of the previous fiscal year. The result was mainly attributable to an increase of 3,783 million yen in trade notes and accounts payable offsetting a 536 million yen decrease in accrued income tax.

Net assets stood at 32,188 million yen at the end of the first quarter under review, increasing 601 million yen from the end of the previous fiscal year. The growth mainly reflected an increase of 1,094 million yen in net income which offset 434 million yen in dividends paid and 157 million yen decrease in treasury stock.

As a result of the changes stated above, the capital adequacy ratio came to 56.3%, declining 3.0 percentage points from the end of the previous fiscal year.

#### (ii) State of cash flows during the quarter under review

Cash and cash equivalents amounted to 4,110 million yen at the end of the first quarter under review, decreasing 1,934 million yen from the end of the previous fiscal year. A description of each cash flow during the first quarter was as follows:

##### (Cash flows from operating activities)

Cash used for operating activities was 904 million yen.

The result principally reflected increases in cash, including a quarterly net income before taxes and other adjustments of 1,647 million yen, depreciation and amortization expenses of 249 million yen, and 3,433 million yen increase in trade notes and accounts payable, which offset decrease in cash, such as a 3,227 million yen rise in trade notes and accounts receivable, 2,573 million yen fall in inventories and 960 million yen in corporate and other taxes paid.

##### (Cash flows from investing activities)

Cash used for investing activities was 295 million yen.

The cash outflow was primarily attributable to decrease in cash that resulted from a 181 million yen outlay for the acquisition of tangible fixed assets and 172 million yen outlay for the intangible fixed assets.

##### (Cash flows from financing activities)

Cash used for financing activities was 710 million yen.

The cash outflow resulted mainly from decreases in cash, including expenditure for acquisition of treasury stock of 264 million yen and dividends paid of 441 million yen.

### (3) Information Relating to Consolidated Business Performance Forecasts

Our consolidated business performance forecasts for the first half and full year of the fiscal year ending March 31, 2015, and our dividend forecast remain unchanged from the initial forecasts (announced on May 13, 2014).

## 2. Summary information (notes)

### Changes in accounting policy and in accounting estimates, and restatements

#### Changes in accounting policy

##### (Application of Accounting Policies for Retirement Benefits)

We have reviewed the method for calculating retirement benefit obligations and service costs and have changed the method for allocating expected retirement benefits to periods from a fixed-amount method to a projected benefit method and the discount rate from a discount rate based on a number of years approximating to the employees' average remaining service years to a single weighted average discount rate reflecting the estimated periods of benefit payments and amounts for each estimated period by applying the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the "Accounting Standard for Retirement Benefits") and in the text of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012. Hereinafter the "Guidance on Accounting Standard for Retirement Benefits") from the first quarter under review.

The application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to retained earnings at the beginning of the first quarter under review.

As a result, the net defined benefit liability declined 168 million yen, and retained earnings rose 108 million yen at the beginning of the first quarter under review. The effect on earnings in the first quarter under review is minor.

## 2. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated first quarter under review (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	6,227	4,242
Trade notes and accounts receivable	6,686	9,873
Products and other commodities	7,374	7,566
Goods in process	4,631	6,586
Raw materials and supplies	8,953	9,169
Consumption taxes receivable	876	609
Deferred tax assets	577	519
Other	746	863
Allowance for doubtful accounts	-120	-140
Total current assets	35,953	39,291
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	5,142	5,060
Machinery, equipment and vehicles (net)	3,906	3,720
Land	564	564
Leased assets (net)	25	23
Construction in progress	473	895
Other (net)	307	309
Total tangible fixed assets	10,420	10,574
Intangible fixed assets	328	607
Investments and other assets		
Investment securities	4,247	4,330
Stocks of affiliates	11	11
Investments in affiliates	1,107	1,107
Long-term loans receivable	6	6
Deferred tax assets	1	1
Other	167	147
Total investments and other assets	5,541	5,604
Total fixed assets	16,290	16,786
Deferred assets	5	4
Total assets	52,250	56,082

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated first quarter under review (As of June 30, 2014)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	10,630	14,413
Short-term borrowings	6,075	5,968
Accrued income tax	1,113	576
Reserve for bonus payment	246	155
Reserve for product warranties	277	248
Other	973	1,234
<b>Total current liabilities</b>	<b>19,316</b>	<b>22,598</b>
<b>Long-term liabilities</b>		
Deferred tax liabilities	327	477
Reserve for directors' retirement benefits	14	15
Net defined benefit liability	946	746
Other	58	56
<b>Total long-term liabilities</b>	<b>1,346</b>	<b>1,295</b>
<b>Total liabilities</b>	<b>20,663</b>	<b>23,893</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	12,345	12,345
Capital surplus	5,889	5,884
Retained earnings	11,424	12,167
Treasury stock	-1,079	-1,236
<b>Total shareholders' equity</b>	<b>28,579</b>	<b>29,160</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains on marketable securities	1,391	1,447
Translation adjustments	1,134	1,043
Remeasurements of defined benefit plans	-123	-101
<b>Total accumulated other comprehensive income</b>	<b>2,401</b>	<b>2,390</b>
Subscription rights to shares	605	638
<b>Total net assets</b>	<b>31,587</b>	<b>32,188</b>
<b>Total liabilities and net assets</b>	<b>52,250</b>	<b>56,082</b>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2013 to June 30, 2013)	Consolidated first quarter under review (From April 1, 2014 to June 30, 2014)
Net sales	6,992	12,670
Cost of sales	5,152	9,260
Gross profit	1,839	3,409
Selling, general and administrative expenses		
Salaries and allowances	317	363
Provision for allowance for doubtful accounts	0	17
Provision for reserve for bonus payments	49	30
Retirement benefit expenses	17	19
Provision for reserve for directors' retirement benefits	3	1
Research and development expenses	363	279
Insurance premiums	32	40
Provision for reserve for product warranties	43	-27
Other	596	780
Total selling, general and administrative expenses	1,424	1,505
Operating income	415	1,903
Non-operating income		
Interest received	5	2
Dividends received	28	34
Rent received	8	9
Foreign exchange gains	708	--
Insurance benefits received	12	0
Other	33	17
Total non-operating income	797	64
Non-operating expenses		
Interest paid	34	52
Foreign exchange losses	--	169
Loss on sale of notes	24	38
Other	33	31
Total non-operating expenses	93	291
Ordinary income	1,119	1,676
Extraordinary income		
Gain on sales of fixed assets	0	--
Total extraordinary income	0	--
Extraordinary expenses		
Loss on retirement of fixed assets	0	3
Loss on sales of fixed assets	9	26
Loss on sales of investment securities	112	--
Total extraordinary expenses	122	29
Income before taxes and other adjustments	997	1,647
Corporate, inhabitant and enterprise taxes	134	443
Deferred taxes	28	109
Total corporate and other taxes	162	552
Income before minority interests	834	1,094
Minority interests in income	--	--
Net income	834	1,094



## (Quarterly Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2013 to June 30, 2013)	Consolidated first quarter under review (From April 1, 2014 to June 30, 2014)
Income before minority interests	834	1,094
Other comprehensive income		
Unrealized gains on marketable securities	113	56
Translation adjustments	264	-90
Remeasurements of defined benefit plans	--	22
Total other comprehensive income	377	-11
Comprehensive Income	1,212	1,082
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	1,212	1,082
Comprehensive income attributable to minority shareholders	--	--

## (3) Consolidated Statements of Cash Flows

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2013 to June 30, 2013)	Consolidated first quarter under review (From April 1, 2014 to June 30, 2014)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	997	1,647
Depreciation and amortization expenses	252	249
Increase (decrease) in allowance for doubtful accounts	1	19
Increase (decrease) in reserve for bonus payment	-82	-91
Increase (decrease) in reserve for retirement benefits	-8	--
Increase (decrease) in reserve for product warranties	-29	-27
Increase (decrease) in net defined benefit liability	--	4
Interest and dividends received	-33	-37
Interest paid	34	52
Loss (gain) on sales of investment securities	112	--
Loss (gain) on sales of tangible fixed assets	9	26
Foreign exchange losses (gains)	-276	93
Decrease (increase) in trade notes and accounts receivable	-350	-3,227
Decrease (increase) in inventories	667	-2,573
Decrease (increase) in advance payments	-39	6
Increase (decrease) in trade notes and accounts payable	-582	3,443
Decrease (increase) in consumption taxes refund receivable	456	272
Other	-43	207
Sub total	1,085	65
Interest and dividends received	33	32
Interest paid	-32	-41
Corporate and other taxes paid	-658	-960
Cash flows from operating activities	429	-904
Cash flows from investing activities		
Payments into time deposits	-108	-10
Refund of time deposits	53	65
Expenditure for acquisition of tangible fixed assets	-831	-181
Proceeds from sales of tangible fixed assets	2	4
Expenditure for acquisition of intangible fixed assets	-3	-172
Proceeds from sales of investment securities	323	--
Other	2	-1
Cash flows from investing activities	-559	-295
Cash flows from financing activities		
Short-term borrowings	4,552	1,484
Repayment of short-term borrowings	-4,115	-1,492
Redemption of corporate bonds	-150	--
Proceeds from sales of treasury stock	1	0
Expenditure for acquisition of treasury stock	-0	-264
Dividends paid	-441	-434
Repayments of lease obligations	-2	-3
Cash flows from financing activities	-156	-710
Translation differences for cash and cash equivalents	235	-23
Net increase (decrease) in cash and cash equivalents	-50	-1,934
Cash and cash equivalents at the beginning of the term	5,296	6,044
Cash and cash equivalents at the end of the term	5,245	4,110

(4) Notes relating to the Quarterly Consolidated Financial Statements

Notes relating to the going concern assumption  
No corresponding item exists.

Notes for cases where shareholders' equity underwent a major change in value  
No corresponding item exists.

Segment information

I. Consolidated first quarter previous year (From April 1, 2013 to June 30, 2013)

1. Information relating to net sales, income or loss by reportable segment. (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	3,749	2,626	616	6,992
Intersegment net sales or transfer to other accounts	2,277	1,639	--	3,916
Total	6,026	4,266	616	10,909
Segment income	-137	279	103	245

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	245
Elimination of unrealized income and others	169
Operating income in quarterly consolidated statements of income	415

3. Information relating to impairment loss on fixed assets or goodwill, etc.  
No corresponding item exists.

II. Consolidated first quarter under review (from April 1, 2014 to June 30, 2014)

1. Information relating to net sales, income or loss by reportable segment (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	5,468	6,906	294	12,670
Intersegment net sales or transfer to other accounts	4,338	2,703	5	7,048
Total	9,807	9,610	300	19,718
Segment income	334	1,682	25	2,042

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	2,042
Elimination of unrealized income and others	-138
Operating income in quarterly consolidated statements of income	1,903

3. Information relating to impairment loss on fixed assets or goodwill, etc.  
No corresponding item exists.

## 4. Supplementary Information

## (1) Overseas net sales

Consolidated first quarter under review (From April 1, 2014 to June 30, 2014)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	9,446	719	887	11,054
II Consolidated net sales				12,670
III Ratio of overseas net sales to consolidated net sales (%)	74.5	5.7	7.0	87.2

(Note) 1. National or regional classifications are based on geographic proximity.

2. Major countries or regions in each classification

(1) Asia..... China, Thailand, South Korea, Singapore, the Philippines and India

(2) America.... the United States and Mexico

(3) Europe..... Switzerland, Germany, France and Italy

3. Overseas net sales refer to net sales achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

## (2) Net sales by machinery category

(Million yen)

	Consolidated first quarter previous year (From April 1, 2013 to June 30, 2013)		Consolidated first quarter under review (From April 1, 2014 to June 30, 2014)		Year-on-year change	
		%		%		%
Automatic lathes	5,788	82.8	11,468	90.5	5,680	98.1
Grinding machines	546	7.8	486	3.8	-60	-11.1
Machining centers	322	4.6	427	3.4	104	32.4
Rolling machines and specialized machines.	250	3.6	215	1.7	-35	-14.0
Other	84	1.2	72	0.6	-11	-13.3
Total	6,992	100.0	12,670	100.0	5,677	81.2
(Overseas net sales )	5,772	82.6	11,054	87.2	5,281	91.5