

Summary of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2013

January 31, 2013

TSUGAMI CORPORATION

Stock code: 6101

Representative: Takao Nishijima, Chairman and C.E.O

Contact: Yoshihiro Miura, Director, COO, Administration Division

Listings: Tokyo Stock Exchange

@URL: <http://www.tsugami.co.jp>

Tel: +81-3-3808-1711

Scheduled report submission date: February 13, 2013

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 nine months of the fiscal year ending March 31, 2013 (From April 1, 2012 to December 31, 2012)

(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	%
First nine months of the fiscal year ending March 31, 2013	44,373	83.9	7,360	246.0	6,602	238.3	4,031	221.1
First nine months of the fiscal year ended March 31, 2012	24,128	-15.1	2,127	-36.1	1,951	-37.1	1,255	-50.7

(Note): Comprehensive income: First nine months of the fiscal year ending March 31, 2013: 3,784 million yen (484.8%)

First nine months of the fiscal year ended March 31, 2012: 647 million yen (-76.9%)

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
First nine months of the fiscal year ending March 31, 2013	54.77	53.98
First nine months of the fiscal year ended March 31, 2012	18.97	18.72

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
First nine months of the fiscal year ending March 31, 2013	44,026	30,855	69.0	412.91
Fiscal year ended March 31, 2012	50,757	27,717	53.9	372.21

(Reference): Shareholders' equity: First nine months of the fiscal year ending March 31, 2013: 30,397 million yen

Fiscal year ended March 2012: 27,371 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, 2012	--	5.00	--	5.00	10.00
Fiscal year ending March 31, 2013	--	6.00	--		
Fiscal year ending March 31, 2013 (forecast)				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, 2013 (From April 1, 2012 to March 31, 2013)

(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
Full-year	55,000	53.9	88,000	115.3	8,400	116.7	5,200	128.0	70.68

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

*Notes

- (1) Important changes in subsidiaries during the first nine months under review (changes in specified subsidiaries that caused the scope of consolidation to change): yes
Companies added to the scope: 2 companies (names TSUGAMI KOREA Co., Ltd,
Shinagawa Precision Machinery (Zhejiang) Co., Ltd.)
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: applied
(ii) Changes in accounting policy other than those stated in item (i) above: none
(iii) Changes in accounting estimates: yes
(iv) Restatements: none

(Note) Starting the first quarter of the fiscal year ending March 31, 2013, the Company is applying a new depreciation method. A change in accounting policy can be difficult to distinguish from a change in accounting estimates. For details, please refer to 2. Summary information (notes), (2) Changes in accounting policy and in accounting estimates, and restatements on page 3 of the accompanying documents.

(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):

3Q of FY2013	74,919,379 shares	FY2012	74,919,379 shares
3Q of FY2013	1,301,838 shares	FY2012	1,382,906 shares
3Q of FY2013	73,598,999 shares	3Q of FY2012	66,181,462 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 nine months.

Accompanying Documents

Contents

1	Qualitative Information Relating to Consolidated Quarterly Results, Etc	2
	(1) Qualitative Information Relating to Consolidated Operating Results	2
	(2) Qualitative Information Relating to the Consolidated Financial Position	2
	(3) Qualitative Information Relating to Consolidated Business Performance Forecasts	2
2	Summary information (notes)	3
	(1) Important changes in subsidiaries during the first nine month under review	3
	(2) Changes in accounting policy and in accounting estimates, and restatements	3
3.	Consolidated financial statements	4
	(1) Consolidated balance sheets	4
	(2) Consolidated statements of income and comprehensive income	6
	Consolidated statements of income	6
	Consolidated statements of comprehensive income	7
	(3) Consolidated statements of cash flows	8
	(4) Notes relating to assumptions for the going concern	9
	(5) Notes for cases where shareholders' equity underwent a major change in value	9
	(6) Segment information	9
4.	Supplementary Information	11
	(1) Overseas net sales	11
	(2) Net sales by machinery category	11

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

(1) Qualitative Information Relating to Consolidated Operating Results

During the first nine months of the fiscal year under review, the Japanese economy was aided by reconstruction demand following the Great East Japan Earthquake, but uncertainty remained because of the aggravated European debt crisis and the stronger yen.

The machine tool industry did not fully escape the challenging situation created by sluggish growth in domestic demand and slowdowns in the Chinese and other emerging economies.

In this environment, net sales and income rose at Tsugami Corporation (the "Company") and its affiliates (the "Group"), attributable to reconstruction demand after the Thai flooding and an aggressive approach to the smartphone market.

Net sales, operating income, and ordinary income for the first nine months of the fiscal year under review were 44,373 million yen (increased 83.9% year on year), 7,360 million yen (increased 246.0% year on year), and 6,602 million yen (increased 238.3% year on year), respectively. Net income was 4,031 million yen (increased 221.1% year on year).

(2) Qualitative Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 44,026 million yen at the end of the first nine months under review, decreasing 6,730 million yen from the end of the previous fiscal year. The decrease resulted primarily from a decrease of 949 million yen in inventories, 4,872 million yen in trade notes and accounts receivable, 830 million yen in investment securities and 387 million yen in investment in affiliates (*1), which offset a 1,627 million yen increase in tangible fixed assets(*2).

Liabilities came to 13,171 million yen, down 9,868 million yen from the end of the previous fiscal year. The decline resulted mainly from a fall of 8,761 million yen in trade notes and accounts payable and 967 million yen in Accrued income tax.

Net assets stood at 30,855 million yen at the end of the first nine months under review, increasing 3,138 million yen from the end of the previous fiscal year. The growth mainly reflected 4,031 million yen increase in net income which offset 809 million yen in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 69.0%, rising 15.1 percentage points from the end of the previous fiscal year.

(*1) A decrease of 465 million yen due to a change in the scope of consolidation is included.

(*2) An increase of 557 million yen due to a change in the scope of consolidation is included.

(ii) State of cash flows

Cash and cash equivalents amounted to 4,948 million yen at the end of the first nine months under review, decreasing 315 million yen from the end of the previous fiscal year. A description of each cash flow during the first nine months was as follows:

(Cash flows from operating activities)

Cash generated through operating activities was 2,667 million yen (increased 1,054 million yen at previous year).

The result principally reflected increases in cash, mainly attributable to net income before taxes of 6,461 million yen, depreciation and amortization expenses of 678 million yen, 5,179 million yen decrease in trade notes and accounts receivable, 1,680 million yen decrease in inventories and 742 million yen decrease in consumption taxes receivable, which offset decrease in cash, a 9,773 million yen decrease in trade notes and accounts payable and 2,890 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 1,822 million yen (decreased 1,353 million yen at previous year).

The cash outflow was primarily attributable to a decrease in cash that resulted from a 1,645 million yen outlay for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Cash used for financing activities was 1,256 million yen (increased 195 million yen at previous year).

The cash outflow resulted mainly from decrease in cash, including repayment of short-term borrowings of 146 million yen, redemptions of corporate bonds of 300 million yen and dividends paid of 809 million yen.

(3) Qualitative Information Relating to Consolidated Business Performance Forecasts

Our business performance forecasts for the fiscal year ending March 31, 2013, which were announced on May 10, 2012, remain unchanged.

We plan to pay annual dividends of 12 yen per share according to our initial plan, including interim dividends of 6 yen per share and year-end dividends of 6 yen per share, for the fiscal year ending March 31, 2013.

2. Summary information (notes)

(1) Important changes in subsidiaries during the first nine month under review

Starting the first quarter of the fiscal year ending March 31, 2013, TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co., Ltd., subsidiaries of the Company, are included in the scope of consolidation, because their significance has increased.

(2) Changes in accounting policy and in accounting estimates, and restatements

A change in accounting policy that is difficult to distinguish from a change in accounting estimates

(Change in depreciation method)

Starting the first quarter of the fiscal year ending March 31, 2013, with the revision of the Corporation Tax Act, the Company and its domestic consolidated subsidiaries are depreciating tangible fixed assets acquired on or after April 1, 2012 under the revised Corporation Tax Act.

Because of the change, operating income, ordinary income, and income before taxes and other adjustments for the first nine months under review each increased 17 million yen compared to the amount calculated by previous method.

3. Consolidated financial statements

(1) Consolidated balance sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2012)	Figures at the end of the consolidated first nine months under review (As of December 31, 2012)
Assets		
Current assets		
Cash and deposits	5,314	5,094
Trade notes and accounts receivable	10,536	5,664
Products and other commodities	4,275	6,263
Goods in process	6,926	4,260
Raw materials and supplies	7,606	7,334
Deferred tax assets	535	397
Other current assets	1,973	848
Allowance for doubtful accounts	-59	-80
Total current assets	37,108	29,783
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	3,555	4,835
Machinery, equipment and vehicles (net)	2,134	3,159
Land	581	568
Leased assets (net)	15	10
Construction in progress	684	4
Other tangible fixed assets (net)	262	283
Total tangible fixed assets	7,234	8,862
Intangible fixed assets	149	309
Investments and other assets		
Investment securities	4,967	4,137
Investments in affiliates	1,141	753
Long-term loans receivable	1	7
Deferred tax assets	1	1
Other intangible fixed assets	121	150
Total investments and other assets	6,233	5,050
Total fixed assets	13,616	14,222
Deferred assets	32	21
Total assets	50,757	44,026

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2012)	Figures at the end of the consolidated first nine months under review (As of December 31, 2012)
Liabilities		
Current liabilities		
Trade notes and accounts payable	16,503	7,742
Short-term borrowings	2,107	2,000
Corporate bonds due for redemption within one year	300	300
Accrued income tax	1,413	446
Reserve for bonus payment	272	161
Reserve for product warranties	148	226
Other current liabilities	730	938
Total current liabilities	21,476	11,815
Long-term liabilities		
Corporate bonds	300	--
Deferred tax liabilities	420	541
Reserve for retirement benefits	774	755
Reserve for directors' retirement benefits	12	15
Other long-term liabilities	56	43
Total long-term liabilities	1,563	1,356
Total liabilities	23,040	13,171
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,884	5,884
Retained earnings	8,535	11,780
Treasury stock	-499	-471
Total shareholders' equity	26,264	29,538
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,114	549
Deferred gains (losses) on hedges	1	1
Translation adjustments	-9	307
Total accumulated other comprehensive income	1,106	859
Subscription rights to shares	345	457
Total net assets	27,717	30,855
Total liabilities and net assets	50,757	44,026

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2011 to December 31, 2011)	Consolidated first nine months under review (From April 1, 2012 to December 31, 2012)
Net sales	24,128	44,373
Cost of sales	18,821	32,310
Gross profit	5,306	12,063
Selling, general and administrative expenses		
Salaries and allowances	790	882
Provision for allowance for doubtful accounts	--	7
Provision for reserve for bonus payments	54	68
Retirement benefit expenses	56	57
Provision for reserve for directors' retirement benefits	3	3
Research and development expenses	599	1,101
Insurance premiums	88	111
Provision for reserve for product warranties	64	176
Other	1,520	2,294
Total selling, general and administrative expenses	3,179	4,702
Operating income	2,127	7,360
Non-operating income		
Interest received	1	13
Dividends received	47	54
Insurance benefits received	40	37
Other non-operating income	60	22
Total non-operating income	150	128
Non-operating expenses		
Interest paid	49	63
Foreign exchange losses	151	610
Loss on sale of notes	92	50
Other non-operating expenses	31	162
Total non-operating expenses	325	886
Ordinary income	1,951	6,602
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary expenses		
Loss on retirement of fixed assets	7	44
Impairment loss	--	63
Loss on devaluation of investment securities	10	34
Other	8	--
Total extraordinary expenses	26	142
Income before taxes and other adjustments	1,925	6,461
Corporate, inhabitant and enterprise taxes	647	1,935
Deferred taxes	22	494
Total corporate and other taxes	670	2,430
Income before minority interests	1,255	4,031
Minority interests in income	--	--
Net income	1,255	4,031

(Consolidated statements of comprehensive income)

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2011 to December 31, 2011)	Consolidated first nine months under review (From April 1, 2012 to December 31, 2012)
Income before minority interests	1,255	4,031
Other comprehensive income		
Unrealized gains on marketable securities	-527	-564
Deferred gains (losses) on hedges	-5	0
Translation adjustments	-75	317
Total other comprehensive income	-608	-246
Comprehensive Income	647	3,784
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	647	3,784
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated statements of cash flows

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2011 to December 31, 2011)	Consolidated first nine months under review (From April 1, 2012 to December 31, 2012)
Cash flows from operating activities		
Net income before taxes and other adjustments	1,925	6,461
Depreciation and amortization expenses	553	678
Loss (gain) on devaluation of investment securities	10	34
Loss on retirement of fixed assets	7	44
Impairment loss	--	63
Increase (decrease) in allowance for doubtful accounts	-3	19
Increase (decrease) in reserve for retirement benefits	-6	-18
Interest and dividends received	-48	-67
Interest paid	49	63
Loss (gain) on sales of tangible fixed assets	-0	-0
Decrease (increase) in trade notes and accounts receivable	767	5,179
Decrease (increase) in inventories	-2,288	1,680
Decrease (increase) in advance payments	15	471
Increase (decrease) in trade notes and accounts payable	733	-9,773
Decrease (increase) in consumption taxes refund receivable	6	742
Other cash flows	-65	-27
Sub total	1,656	5,551
Interest and dividends received	48	67
Interest paid	-55	-61
Corporate and other taxes paid	-595	-2,890
Cash flows from operating activities	1,054	2,667
Cash flows from investing activities		
Payments into time deposits	-30	-280
Refund of time deposits	30	271
Expenditure for acquisition of tangible fixed assets	-868	-1,645
Proceeds from disposal of tangible fixed assets	34	4
Expenditure for acquisition of intangible fixed assets	-26	-130
Expenditure for acquisition of investment securities	-1	-1
Proceeds from transfer of business	--	63
Payment for investment in affiliates	-467	-75
Other cash flows	-24	-29
Cash flows from investing activities	-1,353	-1,822
Cash flows from financing activities		
Short-term borrowings	2,361	7,997
Repayment of short-term borrowings	-1,272	-8,144
Redemption of corporate bonds	-300	-300
Income from disposal of treasury stock	77	10
Expenditure for acquisition of treasury stock	-2	-2
Dividends paid	-661	-809
Repayments of lease obligations	-8	-7
Cash flows from financing activities	195	-1,256
Translation differences for cash and cash equivalents	-17	68
Net increase (decrease) in cash and cash equivalents	-121	-343
Cash and cash equivalents at the beginning of the term	4,061	5,264
Increase in cash and cash equivalents from newly consolidated subsidiary	--	27
Cash and cash equivalents at the end of the term	3,939	4,948

(4) Notes relating to assumptions for the going concern
No corresponding item exists.

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

(6) Segment information

I. Consolidated first nine months previous year (From April 1, 2011 to December 31, 2011)

1. Information relating to net sales, income or loss by reportable segment

(Million yen)

	Reportable segment		
	Japan	China	Total
Net sales			
Net sales to external customers	17,933	6,195	24,128
Intersegment net sales or transfer to other accounts	5,704	2,023	7,727
Total	23,637	8,218	31,856
Segment income	1,745	395	2,141

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

(Million yen)

Income	Amount
Total income for reportable segments	2,141
Elimination of unrealized income and others	-14
Operating income in consolidated statements of income	2,127

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

II. Consolidated first nine months under review (from April 1, 2012 to December 31, 2012)

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	19,587	24,067	718	44,373
Intersegment net sales or transfer to other accounts	10,446	3,215	31	13,693
Total	30,034	27,282	749	58,067
Segment income	3,334	3,939	111	7,385

2. Total income or loss for reportable segments, its difference from the amount stated in consolidated statements of income, and major factors for the difference

(Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	7,385
Elimination of unrealized income and others	-25
Operating income in consolidated statements of income	7,360

3. Information relating to impairment loss on fixed assets or goodwill, etc.

Consolidated first nine months under review (From April 1, 2012 to December 31, 2012)

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	63	--	--	--	63

4. Change in reportable segments

Starting the first quarter of the fiscal year ending March 31, 2013, TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co., Ltd., both subsidiaries of the Company, are included in the scope of consolidation. As a result, the reportable segments have changed from two segments—Japan and China—to three segments: Japan, China, and South Korea. The amounts for TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co., Ltd. are included in the South Korea segment, and the China segment, respectively.

4. Supplementary Information

(1) Overseas net sales

Consolidated first nine months under review (From April 1, 2012 to December 31, 2012)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	34,696	2,675	1,243	38,614
II Consolidated net sales				44,373
III Ratio of overseas net sales to consolidated net sales (%)	78.2	6.0	2.8	87.0

(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 nine months previous year (From April 1, 2011 to December 31, 2011)		Consolidated first nine months under review (From April 1, 2012 to December 31, 2012)		Year-on-year change	
		%		%		%
Automatic lathes	19,138	79.3	24,416	55.0	5,277	27.6
Grinding machines	2,339	9.7	3,162	7.1	823	35.2
Machining centers	943	3.9	609	1.4	-333	-35.4
Rolling machines and specialized machines.	1,176	4.9	15,937	35.9	14,761	--
Other	530	2.2	247	0.6	-283	-53.4
Total	24,128	100.0	44,373	100.0	20,245	83.9
(Overseas net sales)	(15,757)	(65.3)	(38,614)	(87.0)	(22,857)	(145.1)