

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2012

November 14, 2011

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled report submission date: November 14, 2011

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: Yes (for institutional investors and analysts)

Scheduled date of commencement of dividend payments: November 28, 2011

1. Consolidated business performance for the first half of the fiscal year ending March 31, 2012

(From April 1, 2011 to September 30, 2011)

(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	%
1H of the fiscal year ending March 31, 2012	16,664	-17.8	1,397	-44.0	1,221	-47.9	873	-57.2
1H of the fiscal year ended March 31, 2011	20,266	331.9	2,495	--	2,342	--	2,039	--

(Note): Comprehensive income: 1H of the fiscal year ending March 31, 2012: 102 million yen (-94.2%)

1H of the fiscal year ended March 31, 2011: 1,759 million yen (-- %)

	Net income per share		Net income per share after residual equity adjustment	
	Yen		Yen	
1H of the fiscal year ending March 31, 2012	13.22		13.04	
1H of the fiscal year ended March 31, 2011	30.58		30.03	

(2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio
	Million yen		Million yen		%
1H of the fiscal year ending March 31, 2012	38,384		22,008		56.6
Fiscal year ended March 31, 2011	35,860		22,122		60.9

(Reference): Shareholders' equity: 1H of the fiscal year ending March 31, 2012: ¥21,733 million

Fiscal year ended March 2011: ¥21,831 million

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, 2011	--	5.00	--	5.00	10.00
Fiscal year ending March 31, 2012	--	5.00			
Fiscal year ending March 31, 2012 (forecast)			--	5.00	10.00

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

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2012

(From April 1, 2011 to March 31, 2012)

(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	36,000	0.2	3,600	-3.5	3,500	-0.1	2,200	-22.5	33.29

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

4. Others

(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: applied

(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):

2Q of FY2012	68,019,379 shares	FY2011	68,019,379 shares
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(ii) Numbers of treasury shares at the end of the terms:

2Q of FY2012	1,686,737 shares	FY2011	2,140,680 shares
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(iii) Average numbers of shares outstanding during the
periods (quarterly consolidated accumulation periods):

2Q of FY2012	66,095,316 shares	2Q of FY2011	66,705,397 shares
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* 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 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 business forecasts presented above are produced on the basis of information accessible on the date of their announcement. Actual performance may differ materially from these forecasts due to underlying uncertainties.

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. 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) Segment information	9
(6) Notes for cases where shareholders' equity underwent a major change in value	10
3. 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) Qualitative Information Relating to Consolidated Operating Results

During the first half under review, production activities in Japan, which had declined after the Great East Japan Earthquake, began to recover. However, the economy continued to face a challenging situation, reflecting a slowdown in exports due to the record strength of the yen and the effect of economic instability in Europe and the United States.

In the machine tool industry, domestic demand recovered moderately, and demand from emerging countries in Asia, especially China, was strong. However, uncertainty emerged because of the effects of the sharp appreciation of the yen in the second half of the period and monetary tightening in China, which had driven foreign demand.

In this environment, Tsugami Corporation (the "Company") and its affiliates (the "Group") bolstered production in China and strove to cut production costs. However, the Group was not able to avoid the effect of the sharp appreciation of the yen.

As a result of these initiatives, net sales for the first half of the fiscal year under review came to 16,664 million yen, (decreasing 17.8% from previous year.) Operating income for the first half amounted to 1,397 million yen (decreasing 44.0% from previous year). Ordinary income for the period totaled to 1,221 million yen (decreasing 47.9% from previous year). Net income for the period totaled to 873 million yen (decreasing 57.2% from previous year).

(2) Qualitative Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 38,384 million yen at the end of the first half under review, rising 2,523 million yen from the end of the previous fiscal year. The increase resulted primarily from a 846 million yen increase in cash and deposit, 1,573 million yen growth in inventories and 635 million yen in trade notes and accounts payable, which offset a 983 million yen decline in investment securities.

Liabilities grew 2,636 million yen from the end of the previous fiscal year, and reached 16,375 million yen at the end of the first half under review. The result was mainly attributable to a 2,195 million yen increase in trade notes and accounts payable and 1,060 million yen in short-term borrowings, which offset a 406 million yen fall in deferred tax liabilities and a 150 million yen decrease in corporate bonds.

Net assets stood at 22,008 million yen at the end of the first half under review, decreasing 113 million yen from the end of the previous fiscal year. The decline mainly reflected a 620 million yen in unrealized gains on marketable securities and 329 million yen in dividends paid which offset 873 million yen in net income.

As a result of the changes stated above, the capital adequacy ratio came to 56.6%, declining 4.3 percentage points from the end of the previous fiscal year.

(ii) State of cash flows during the half under review

Cash and cash equivalents amounted to 4,908 million yen at the end of the first half under review, increasing 846 million yen from the end of the previous fiscal year. A description of each cash flow during the first half was as follows:

(Cash flows from operating activities)

Cash generated through operating activities was 1,117 million yen (increasing 3,750 million yen previous year). The result principally reflected increases in cash, mainly attributable to net income before taxes of 1,210 million yen, depreciation and amortization expenses of 360 million yen and 2,333 million yen increase in trade notes and accounts payable, which more than compensated for the 739 million yen rise in trade notes and accounts receivable and 1,675 million yen increase in inventories.

(Cash flows from investing activities)

Cash used for investing activities was 900 million yen (decreasing 370 million yen previous year). The cash outflow was primarily attributable to a decrease in cash that resulted from a 392 million yen outlay for the acquisition of tangible fixed assets and 467 million yen investment in affiliates (establishment of local corporation in India)

(Cash flows from financing activities)

Cash generated by for financing activities was 648 million yen (decreasing 1,625 million yen previous year). The cash inflow resulted mainly from a 1,090 million yen increase in short-term borrowing, which offset fund decreases from factors including redemptions of corporate bonds of 150 million yen and dividends paid of 329 million yen.

(Note) The increase in inventories and the increase in short-term borrowings in "State of assets, liabilities and net assets" and those in "State of cash flows during the half under review" differ because of the effect of foreign exchange conversion.

(3) Qualitative Information Relating to Consolidated Business Performance Forecasts

Our initial business performance forecasts for the fiscal year ending March 31, 2012, which are the same as the forecasts announced October 17, 2011, remain unchanged.

We plan to pay annual dividends of 10 yen per share according to our initial plan, including interim dividends of 5 yen per share and year-end dividends of 5 yen per share, for the fiscal year ending March 31, 2012.

4. Consolidated financial statements

(1) Consolidated balance sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2011)	Figures at the end of the consolidated first half under review (As of September 30, 2011)
Assets		
Current assets		
Cash and deposits	4,111	4,958
Trade notes and accounts receivable	7,729	8,365
Products and other commodities	2,925	2,915
Goods in process	5,181	5,155
Raw materials and supplies	2,611	4,221
Deferred tax assets	289	332
Other current assets	786	736
Allowance for doubtful accounts	-56	-54
Total current assets	23,578	26,631
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	3,681	3,574
Machinery, equipment and vehicles (net)	1,881	1,784
Land	591	591
Leased assets (net)	17	18
Construction in progress	18	200
Other tangible fixed assets (net)	243	223
Total tangible fixed assets	6,433	6,393
Intangible fixed assets	139	150
Investments and other assets		
Investment securities	4,927	3,944
Investments in affiliates	670	1,115
Long-term loans receivable	1	1
Deferred tax assets	1	1
Other intangible fixed assets	88	132
Total investments and other assets	5,689	5,194
Total fixed assets	12,263	11,737
Deferred assets	18	15
Total assets	35,860	38,384

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2011)	Figures at the end of the consolidated first half under review (As of September 30, 2011)
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,011	10,206
Short-term borrowings	2,089	3,149
Corporate bonds due for redemption within one year	300	300
Accrued income tax	374	390
Reserve for bonus payment	248	279
Reserve for product warranties	107	102
Other current liabilities	640	563
Total current liabilities	11,771	14,992
Long-term liabilities		
Corporate bonds	600	450
Deferred tax liabilities	480	73
Reserve for retirement benefits	791	785
Reserve for directors' retirement benefits	12	9
Other long-term liabilities	82	63
Total long-term liabilities	1,966	1,382
Total liabilities	13,738	16,375
Net assets		
Shareholders' equity		
Common stock	10,599	10,599
Capital surplus	4,157	4,138
Retained earnings	6,962	7,491
Treasury stock	-771	-608
Total shareholders' equity	20,947	21,620
Accumulated other comprehensive income		
Unrealized gains on marketable securities	993	373
Deferred gains (losses) on hedges	5	-0
Translation adjustments	-114	-259
Total accumulated other comprehensive income	884	113
Subscription rights to shares	290	275
Total net assets	22,122	22,008
Total liabilities and net assets	35,860	38,384

(2) Consolidated statements of income and comprehensive income
 (Consolidated statements of income)
 (For the first consolidated half)

	(Million yen)	
	Consolidated first half previous year (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Net sales	20,266	16,664
Cost of sales	15,916	13,157
Gross profit	4,349	3,506
Selling, general and administrative expenses		
Salaries and allowances	387	516
Provision for allowance for doubtful accounts	88	--
Provision for reserve for bonus payments	69	74
Retirement benefit expenses	36	37
Provision for reserve for directors' retirement benefits	--	2
Research and development expenses	371	394
Insurance premiums	57	63
Provision for reserve for product warranties	72	41
Other	771	979
Total selling, general and administrative expenses	1,853	2,109
Operating income (loss)	2,495	1,397
Non-operating income		
Interest received	0	1
Dividends received	65	23
Insurance benefits received	1	4
Other non-operating income	24	44
Total non-operating income	91	73
Non-operating expenses		
Interest paid	26	28
Foreign exchange losses	184	142
Loss on sale of notes	17	54
Other non-operating expenses	16	23
Total non-operating expenses	244	249
Ordinary income (loss)	2,342	1,221
Extraordinary income		
Gain on sales of fixed assets	--	0
Gain on sales of investment securities	5	--
Total extraordinary income	5	0
Extraordinary expenses		
Loss on retirement of fixed assets	0	0
Loss on devaluation of investment securities	146	10
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Other	--	0
Total extraordinary expenses	158	11
Income/loss before taxes and other adjustments	2,189	1,210
Corporate, inhabitant and enterprise taxes	227	429
Deferred taxes	-77	-92
Total corporate and other taxes	150	337
Income before minority interests	2,039	873
Minority interests in income	--	--
Net income	2,039	873

(Consolidated Statements of Comprehensive Income)
(For the first consolidated half)

	(Million yen)	
	Consolidated first half previous year (From April 1, 2011 to September 30, 2011)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Income before minority interests	2,039	873
Other comprehensive income		
Unrealized gains on marketable securities	-293	-620
Deferred gains (losses) on hedges	130	-5
Translation adjustments	-116	-145
Total other comprehensive income	-280	-770
Comprehensive Income	1,759	102
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	1,759	102
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated statements of cash flows

	(Million yen)	
	Consolidated first half previous year (From April 1, 2010 to September 30, 2010)	Consolidated first half under review (From April 1, 2011 to September 30, 2011)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	2,189	1,210
Depreciation and amortization expenses	343	360
Loss (gain) on devaluation of investment securities	146	10
Loss (gain) on sales of investment securities	-5	--
Increase (decrease) in allowance for doubtful accounts	16	-2
Increase (decrease) in reserve for retirement benefits	-19	-5
Interest and dividends received	-65	-24
Interest paid	26	28
Loss (gain) on sales of tangible fixed assets	--	-0
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Decrease (increase) in trade notes and accounts receivable	-2,475	-739
Decrease (increase) in inventories	-2,851	-1,675
Increase (decrease) in trade notes and accounts payable	6,651	2,333
Other cash flows	-122	26
Sub total	3,845	1,522
Interest and dividends received	11	24
Interest paid	-21	-37
Corporate and other taxes paid	-85	-391
Cash flows from operating activities	3,750	1,117
Cash flows from investing activities		
Payments into time deposits	-30	-30
Refund of time deposits	30	30
Expenditure for acquisition of tangible fixed assets	-373	-392
Income from disposal of tangible fixed assets	--	5
Expenditure for acquisition of investment securities	-0	-0
Income from disposal of investment securities	33	--
Payment for investment in affiliates	--	-467
Other cash flows	-29	-45
Cash flows from investing activities	-370	-900
Cash flows from financing activities		
Short-term borrowings	700	2,349
Repayment of short-term borrowings	-1,604	-1,259
Redemption of corporate bonds	-150	-150
Income from disposal of treasury stock	0	45
Expenditure for acquisition of treasury stock	-231	-1
Dividends paid	-334	-329
Repayments of lease obligations	-4	-5
Cash flows from financing activities	-1,625	648
Translation differences for cash and cash equivalents	-47	-19
Net increase (decrease) in cash and cash equivalents	1,706	846
Cash and cash equivalents at the beginning of the term	3,842	4,061
Cash and cash equivalents at the end of the term	5,549	4,908

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

- (5) Segment information
[Information by business segment]

I. Consolidated first half previous year (From April 1, 2010 to September 30, 2010)

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	16,215	4,050	20,266
Intersegment net sales or transfer to other accounts	4,004	1,882	5,887
Total	20,220	5,933	26,153
Segment income	1,863	645	2,508

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	2,508
Elimination of unrealized income and others	-13
Operating income in consolidated statements of income	2,495

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

II. Consolidated first half under review (from April 1, 2011 to September 30, 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	12,120	4,543	16,664
Intersegment net sales or transfer to other accounts	4,408	1,258	5,667
Total	16,529	5,802	22,331
Segment income	1,212	186	1,398

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	1,398
Elimination of unrealized income and others	-1
Operating income in consolidated statements of income	1,397

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

(6) Notes for cases where shareholders' equity underwent a major change in value

No corresponding item existed.

3. Supplementary Information

(1) Overseas net sales

Consolidated first half under review (From April 1, 2011 to September 30, 2011)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	8,165	1,471	1,528	11,165
II Consolidated net sales				16,664
III Ratio of overseas net sales to consolidated net sales (%)	49.0	8.8	9.2	67.0

(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, Vietnam, Taiwan, India and the Philippines

(2) America.... the United States

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

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 half previous year (From April 1, 2010 to September 30, 2010)		Consolidated first half under review (From April 1, 2011 to September 30, 2011)		Year-on-year change	
		%		%		%
Automatic lathes	17,289	85.3	13,583	81.5	-3,705	-21.4
Grinding machines	906	4.5	1,540	9.3	633	69.9
Machining centers	707	3.5	519	3.1	-187	-26.5
Rolling machines and specialized machines.	1,017	5.0	680	4.1	-337	-33.2
Other	344	1.7	340	2.0	-4	-1.2
Total	20,266	100.0	16,664	100.0	-3,601	-17.8
(Overseas net sales)	(15,928)	(78.6)	(11,165)	(67.0)	(-4,763)	(-29.9)