

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

July 29, 2011

TSUGAMI CORPORATION

Stock code: 6101

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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, 2012

(From April 1, 2011 to June 30, 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	%
Q1 of the fiscal year ending March 31, 2012	8,379	-9.6	634	-37.5	565	-41.4	460	-47.2
Q1 of the fiscal year ended March 31, 2011	9,264	498.6	1,014	--	963	--	871	--

(Note): Comprehensive income: Fiscal year ending March 31, 2012: 545 million yen (-17.9%)

Fiscal year ended March 31, 2011: 664 million yen (-- %)

	Net income per share	Net quarterly income per share after residual equity adjustment
	Yen	Yen
Q1 of the fiscal year ending March 31, 2012	6.98	6.87
Q1 of the fiscal year ended March 31, 2011	13.04	12.80

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
Q1 of the fiscal year ending March 31, 2012	37,110	22,367	59.6
Fiscal year ended March 31, 2011	35,860	22,122	60.9

(Reference): Shareholders' equity: Q1 of the fiscal year ending March 31 2012: ¥22,126 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	--				
Fiscal year ending March 31, 2012 (forecast)		5.00	--	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
Interim	17,000	-16.1	1,800	-27.9	1,800	-23.2	1,100	-46.1	16.69
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: yes

Details of the changes are outlined in the "Notice of Revisions to Business Performance Forecasts" issued on July 29, 2011.

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: none
(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 FY2012	68,019,379 shares	FY2011	68,019,379 shares
Q1 of FY2012	1,883,572 shares	FY2011	2,140,680 shares
Q1 of FY2012	65,966,703 shares	Q1 of FY2011	66,882,989 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

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

(1) Qualitative Information Relating to Consolidated Operating Results

During the first quarter under review, production and personal spending declined sharply in Japan, reflecting temporary disruptions in supply chains and a mood of voluntary restraint among consumers in association with the earthquake. There were signs of a recovery seen from May, but uncertainty over the future of the economy increased, stemming from expected power problems in the summer and confusion in nuclear power policy.

Despite concern over the effect of the earthquake, the machine tool industry recovered gradually with demand from abroad, especially from China, remaining strong and with demand associated with reconstruction emerging in Japan.

In this environment, Tsugami Corporation (the "Company") and its affiliates (the "Group") developed their operations in emerging countries, especially China, in Asia, and in markets in Europe and the United States to offset a slow recovery in Japan.

Both net sales and income in the first quarter under review declined from the previous fiscal year because there was special demand for IT equipment, especially hard disc drives (HDD), in the first quarter of the previous fiscal year. Net sales, operating income, and ordinary income for the quarter were 8,379 million yen, 634 million yen, and 565 million yen, respectively. Net income was 460 million yen.

(2) Qualitative Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 37,110 million yen at the end of the first quarter under review, rising 1,249 million yen from the end of the previous fiscal year. The increase resulted primarily from a 369 million yen increase in cash and deposit, 718 million yen growth in inventories and 249 million yen in trade notes and accounts payable, which offset a 112 million yen decline in tangible fixed assets.

Liabilities grew 1,004 million yen from the end of the previous fiscal year, and reached 14,742 million yen at the end of the first quarter under review. The result was mainly attributable to a 1,137 million yen increase in trade notes and accounts payable, 171 million yen in reserve for bonus payment and 47 million yen in deferred tax liabilities which offset a 168 million yen fall in accrued income tax and a 150 million yen decrease in corporate bonds.

Net assets stood at 22,367 million yen at the end of the first quarter under review, increasing 244 million yen from the end of the previous fiscal year. The growth mainly reflected a 460 million yen in income before taxes and other adjustments and 138 million yen in unrealized gains on marketable securities which offset a 329 million yen in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 59.6%, declining 1.3 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 4,431 million yen at the end of the first quarter under review, increasing 369 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 generated through operating activities was 1,005 million yen.

The result principally reflected increases in cash, including a quarterly net income before taxes and other adjustments of 566 million yen, depreciation and amortization expenses of 181 million yen, and a 1,182 million yen rise in trade notes and accounts payable, which offset decreases in cash, such as a 283 million yen rise in trade notes and accounts receivable and a 752 million yen increase in inventories.

(Cash flows from investing activities)

Cash used for investing activities was 146 million yen.

The cash outflow was primarily attributable to a decrease in cash that resulted from a 93 million yen outlay for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Cash used for financing activities was 482 million yen.

The cash outflow resulted mainly from decreases in cash, including redemptions of corporate bonds of 150 million yen and dividends paid of 329 million yen.

(3) Qualitative Information Relating to Consolidated Business Performance Forecasts

In an announcement on March 12, 2011, the Company left the forecast for the full year undetermined, since it was difficult to make reasonable estimates, partly because of the effect of the Great East Japan Earthquake and partly because of the uncertain movements of exchange rates.

Although exchange rates remain uncertain, the recovery from the Great East Japan Earthquake has reached the point where production is proceeding more or less in line with plans, with no delays in the procurement of materials that could have the potential to disrupt production.

Orders are also recovering in Japan, albeit moderately, and demand is rising steadily in overseas markets such as South Korea, the United States, and Europe, although the repercussions of tight monetary policy are of concern in China. As a result, the Company expects that net sales and profits will remain largely in line with the levels of the previous fiscal year.

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

Net sales	36,000 million yen
Operating income	3,600 million yen
Ordinary income	3,500 million yen
Net income	2,200 million yen

Non-consolidated business performance forecasts for the fiscal year ending March 31, 2012

Net sales	35,000 million yen
Operating income	2,600 million yen
Ordinary income	2,700 million yen
Net income	1,700 million yen

We plan to pay annual dividends of 10 yen per share according to its 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.

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, 2011)	Figures at the end of the consolidated first quarter under review (As of June 30, 2011)
Assets		
Current assets		
Cash and deposits	4,111	4,481
Trade notes and accounts receivable	7,729	7,978
Products and other commodities	2,925	2,873
Goods in process	5,181	5,156
Raw materials and supplies	2,611	3,407
Deferred tax assets	289	356
Other current assets	786	460
Allowance for doubtful accounts	-56	-55
Total current assets	23,578	24,659
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	3,681	3,640
Machinery, equipment and vehicles (net)	1,881	1,813
Land	591	591
Leased assets (net)	17	20
Construction in progress	18	32
Other tangible fixed assets (net)	243	222
Total tangible fixed assets	6,433	6,321
Intangible fixed assets	139	157
Investments and other assets		
Investment securities	4,927	5,170
Investments in affiliates	670	674
Long-term loans receivable	1	1
Deferred tax assets	1	1
Other intangible fixed assets	88	107
Total investments and other assets	5,689	5,954
Total fixed assets	12,263	12,434
Deferred assets	18	16
Total assets	35,860	37,110

(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 quarter under review (As of June 30, 2011)
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,011	9,148
Short-term borrowings	2,089	2,079
Corporate bonds due for redemption within one year	300	300
Accrued income tax	374	205
Reserve for bonus payment	248	420
Reserve for product warranties	107	109
Other current liabilities	640	630
Total current liabilities	11,771	12,894
Long-term liabilities		
Corporate bonds	600	450
Deferred tax liabilities	480	527
Reserve for retirement benefits	791	791
Reserve for directors' retirement benefits	12	13
Other long-term liabilities	82	66
Total long-term liabilities	1,966	1,848
Total liabilities	13,738	14,742
Net assets		
Shareholders' equity		
Common stock	10,599	10,599
Capital surplus	4,157	4,143
Retained earnings	6,962	7,093
Treasury stock	-771	-679
Total shareholders' equity	20,947	21,156
Accumulated other comprehensive income		
Unrealized gains on marketable securities	993	1,131
Deferred gains (losses) on hedges	5	--
Translation adjustments	-114	-162
Total accumulated other comprehensive income	884	969
Subscription rights to shares	290	240
Total net assets	22,122	22,367
Total liabilities and net assets	35,860	37,110

(2) Quarterly consolidated statements of income and comprehensive income
 (Quarterly consolidated statements of income)
 (For the first consolidated quarter)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2010 to June 30, 2010)	Consolidated first quarter under review (From April 1, 2011 to June 30, 2011)
Net sales	9,264	8,379
Cost of sales	7,296	6,706
Gross profit	1,967	1,673
Selling, general and administrative expenses		
Salaries and allowances	190	263
Provision for allowance for doubtful accounts	74	--
Provision for reserve for bonus payments	30	33
Retirement benefit expenses	18	18
Provision for reserve for directors' retirement benefits	--	1
Research and development expenses	219	188
Insurance premiums	25	22
Provision for reserve for product warranties	31	25
Other	364	485
Total selling, general and administrative expenses	953	1,039
Operating income	1,014	634
Non-operating income		
Interest received	0	0
Dividends received	65	23
Other non-operating income	10	23
Total non-operating income	76	47
Non-operating expenses		
Interest paid	16	15
Foreign exchange losses	98	61
Loss on sale of notes	4	29
Other non-operating expenses	7	11
Total non-operating expenses	126	116
Ordinary income	963	565
Extraordinary income		
Gain on sales of fixed assets	--	1
Gain on sales of investment securities	2	--
Total extraordinary income	2	1
Extraordinary expenses		
Loss on retirement of fixed assets	0	0
Loss on devaluation of investment securities	86	--
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Other extraordinary expenses	--	0
Total extraordinary expenses	97	0
Income/loss before taxes and other adjustments	868	566
Corporate, inhabitant and enterprise taxes	34	225
Deferred taxes	-37	-120
Total corporate and other taxes	-3	105
Income before minority interests	871	460
Minority interests in income	--	--
Net income	871	460

(Quarterly Consolidated Statements of Comprehensive Income)
 (For the first consolidated quarter)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2010 to June 30, 2010)	Consolidated first quarter under review (From April 1, 2011 to June 30, 2011)
Income before minority interests	871	460
Other comprehensive income		
Unrealized gains on marketable securities	-294	138
Deferred gains (losses) on hedges	148	-5
Translation adjustments	-61	-47
Total other comprehensive income	-207	85
Comprehensive Income	664	545
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	664	545
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated statements of cash flows

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2010 to June 30, 2010)	Consolidated first quarter under review (From April 1, 2011 to June 30, 2011)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	868	566
Depreciation and amortization expenses	167	181
Loss (gain) on devaluation of investment securities	86	--
Increase (decrease) in allowance for doubtful accounts	12	-1
Increase (decrease) in reserve for retirement benefits	-8	0
Interest and dividends received	-65	-24
Interest paid	16	15
Loss (gain) on sales of investment securities	-2	--
Loss (gain) on sales of tangible fixed assets	--	-1
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Decrease (increase) in trade notes and accounts receivable	-1,595	-283
Decrease (increase) in inventories	-2,320	-752
Increase (decrease) in trade notes and accounts payable	4,282	1,182
Other cash flows	171	473
Sub total	<u>1,623</u>	<u>1,357</u>
Interest and dividends received	11	24
Interest paid	-13	-16
Corporate and other taxes paid	-23	-359
Cash flows from operating activities	<u>1,598</u>	<u>1,005</u>
Cash flows from investing activities		
Payments into time deposits	-10	-10
Refund of time deposits	10	10
Expenditure for acquisition of tangible fixed assets	-239	-93
Income from disposal of tangible fixed assets	--	4
Expenditure for acquisition of investment securities	-0	-0
Income from disposal of investment securities	13	--
Payment for investment in affiliates	--	-11
Other cash flows	-29	-45
Cash flows from investing activities	<u>-255</u>	<u>-146</u>
Cash flows from financing activities		
Repayment of short-term borrowings	-952	--
Redemption of corporate bonds	-150	-150
Income from disposal of treasury stock	0	0
Expenditure for acquisition of treasury stock	-0	-0
Dividends paid	-334	-329
Repayments of lease obligations	-2	-2
Cash flows from financing activities	<u>-1,440</u>	<u>-482</u>
Translation differences for cash and cash equivalents	-25	-7
Net increase (decrease) in cash and cash equivalents	<u>-123</u>	<u>369</u>
Cash and cash equivalents at the beginning of the term	<u>3,842</u>	<u>4,061</u>
Cash and cash equivalents at the end of the term	<u>3,719</u>	<u>4,431</u>

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

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

I. Consolidated first quarter previous year (From April 1, 2010 to June 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	6,934	2,330	9,264
Intersegment net sales or transfer to other accounts	1,817	809	2,627
Total	8,752	3,139	11,891
Segment income	704	317	1,022

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	1,022
Elimination of unrealized income and others	-7
Operating income in quarterly consolidated statements of income	1,014

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

II. Consolidated first quarter under review (from April 1, 2011 to June 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	5,691	2,688	8,379
Intersegment net sales or transfer to other accounts	2,536	666	3,203
Total	8,227	3,355	11,582
Segment income	495	145	640

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	640
Elimination of unrealized income and others	-5
Operating income in quarterly consolidated statements of income	634

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 quarter under review (From April 1, 2011 to June 30, 2011)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	4,598	517	663	5,779
II Consolidated net sales				8,379
III Ratio of overseas net sales to consolidated net sales (%)	54.9	6.2	7.9	69.0

(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 Indonesia

(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 quarter previous year (From April 1, 2010 to June 30, 2010)		Consolidated first quarter under review (From April 1, 2011 to June 30, 2011)		Year-on-year change	
		%		%		%
Automatic lathes	8,078	87.2	6,974	83.2	-1,104	-13.7
Grinding machines	267	2.9	778	9.3	510	190.6
Machining centers	242	2.6	181	2.2	-61	-25.2
Rolling machines and specialized machines.	494	5.3	283	3.4	-211	-42.8
Other	180	2.0	162	1.9	-18	-10.1
Total	9,264	100.0	8,379	100.0	-884	-9.6
(Overseas net sales)	(7,742)	(83.6)	(5,779)	(69.0)	(-1,962)	(-25.4)