

# Briefing on Financial Statements for the Year Ended March 2011

May 12, 2011

 **TSUGAMI CORPORATION**

(Securities Code: 6101)

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

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# I. Business Conditions and Outlook

## (1) Changes in Financial Results

Billion yen, (%)

	FY 2009			FY2010				FY2011 (Projections)	
	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full-year	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full-year	Year-on-year	1 <sup>st</sup> half	Year-on-year
<b>Net sales</b>	4.7	10.9	15.6	20.3	15.6	35.9	+20.3	17.0	-3.3
<b>Gross profit</b>	0.7	2.3	3.1	4.3	3.1	7.4	+4.3	-	
<b>(Gross profit margin)</b>	(15.8)	(21.3)	(19.6)	(21.5)	(19.2)	(20.5)	(+0.9)	-	
<b>Operating income</b>	-0.8	0.9	0.1	2.5	1.2	3.7	+3.6	1.8	-0.7
<b>Ordinary income</b>	-1.0	0.9	-0.1	2.3	1.2	3.5	+3.6	1.8	-0.5
<b>(Ordinary income margin)</b>	(-21.5)	(8.1)	(-0.8)	(11.6)	(7.4)	(9.8)	(+10.6)	(10.6)	(-1.0)
<b>Net income</b>	-1.1	0.8	-0.2	2.0	0.8	2.8	+3.0	1.1	(-0.9)

### Full-year operating results for FY2010

**Net sales:**

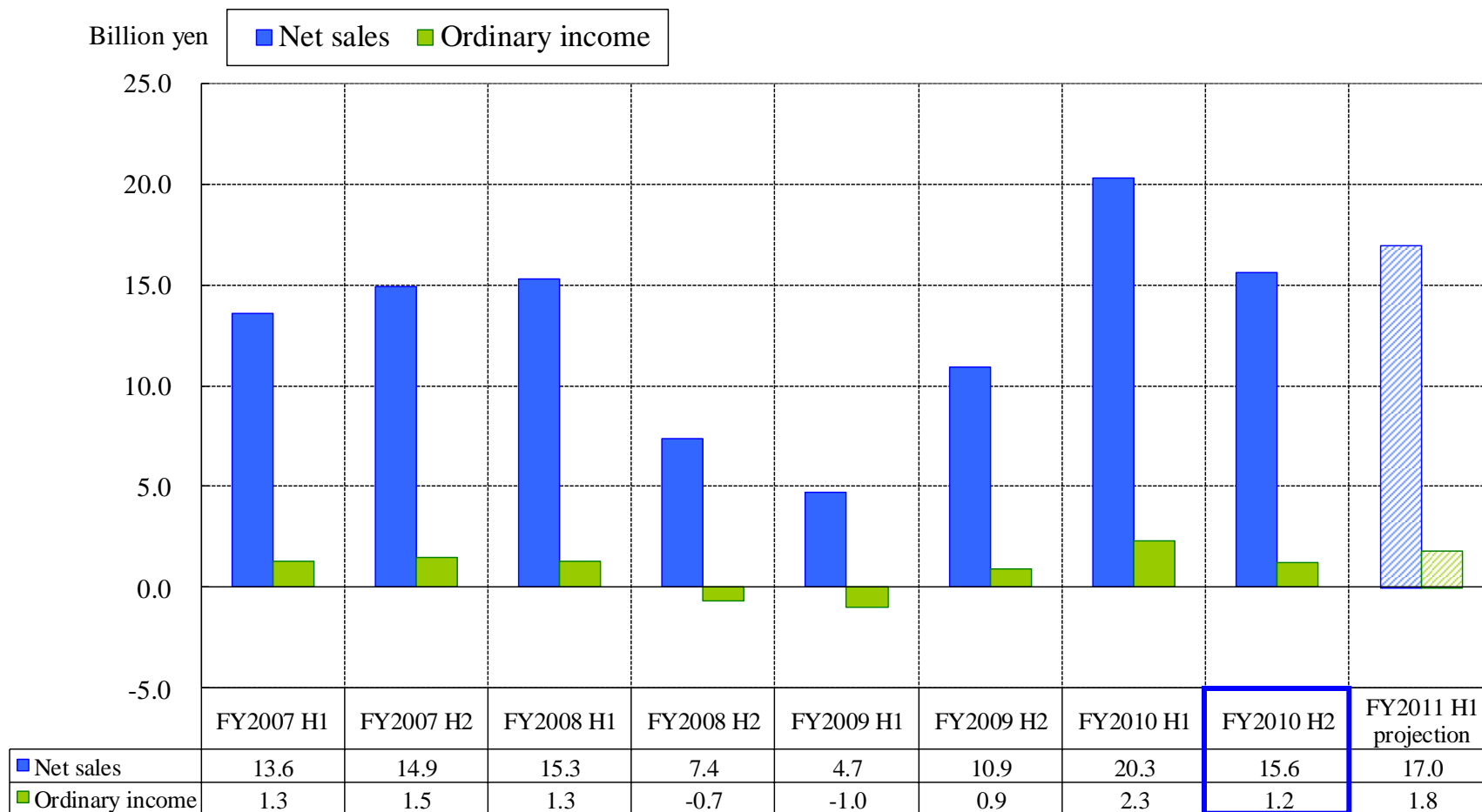
- grew sharply in China and other emerging economies in Asia.
- recovered in Japan, the United States and Europe.
- rose sharply, supported by special IT demand, in the first half, but the rise came to a halt in the second half. Automobile-related sales recovered steadily.

**Income:** With the increase in net sales, income rose. However, the income margin declined because of a strong yen.

### Full-year projections for FY2011

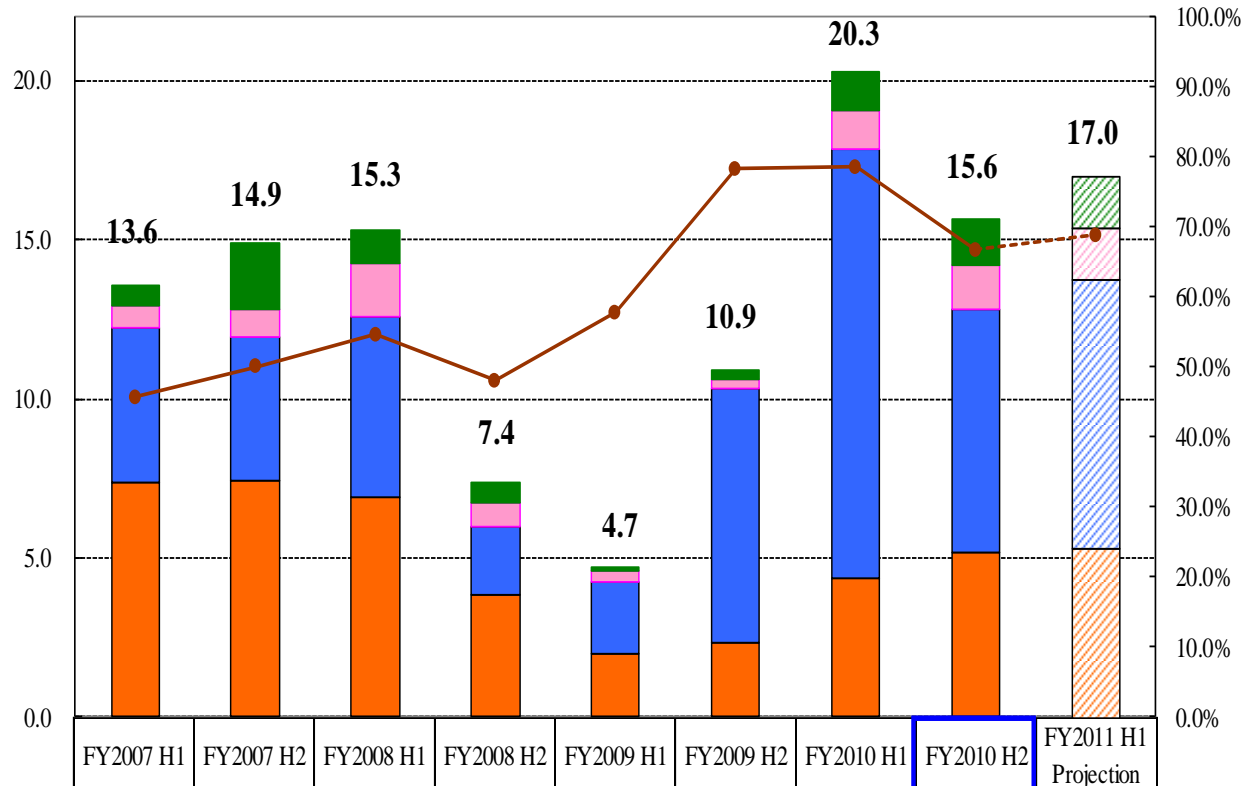
The Chinese market and emerging markets in Asia will remain strong. The U.S. and European markets will recover steadily. Any recovery in the Japanese market will be somewhat slower. The IT market, excluding the HDD market, will rise. It is difficult to forecast full-year results because of the appreciation of the yen and the effect of the Great East Japan Earthquake. We announce projections only for the first half.

## (2) Changes in Financial Results on a Semiannual Basis



# (3) Net Sales by Geographic Segment

Billion yen



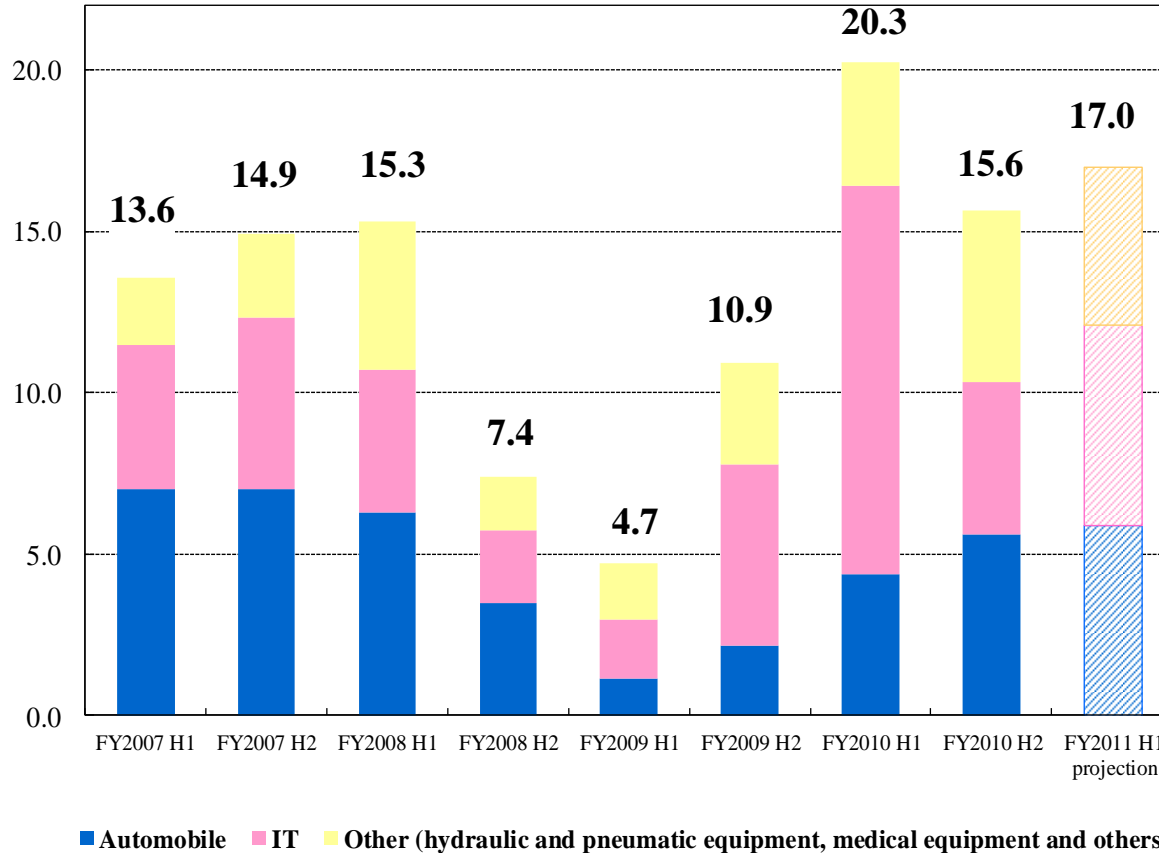
### <Most recent status>

- Strong markets in China and other emerging countries in Asia
- Continued recovery in Japanese, the United States, and Europe. A somewhat weaker recovery in Japan.

Europe	0.7	2.1	1.0	0.7	0.1	0.3	1.2	1.4	1.6
U.S.A.	0.7	0.9	1.6	0.7	0.3	0.3	1.2	1.4	1.6
Asia	4.9	4.5	5.7	2.1	2.3	8.0	13.5	7.6	8.5
Total foreign demand	6.2	7.5	8.4	3.6	2.7	8.5	15.9	10.5	11.7
Total domestic demand	7.4	7.4	6.9	3.8	2.0	2.4	4.3	5.2	5.3
Export ratio	45.7%	50.1%	54.6%	48.1%	57.8%	78.3%	78.6%	66.8%	68.8%

# (4) Net Sales by Business Segment

Billion yen

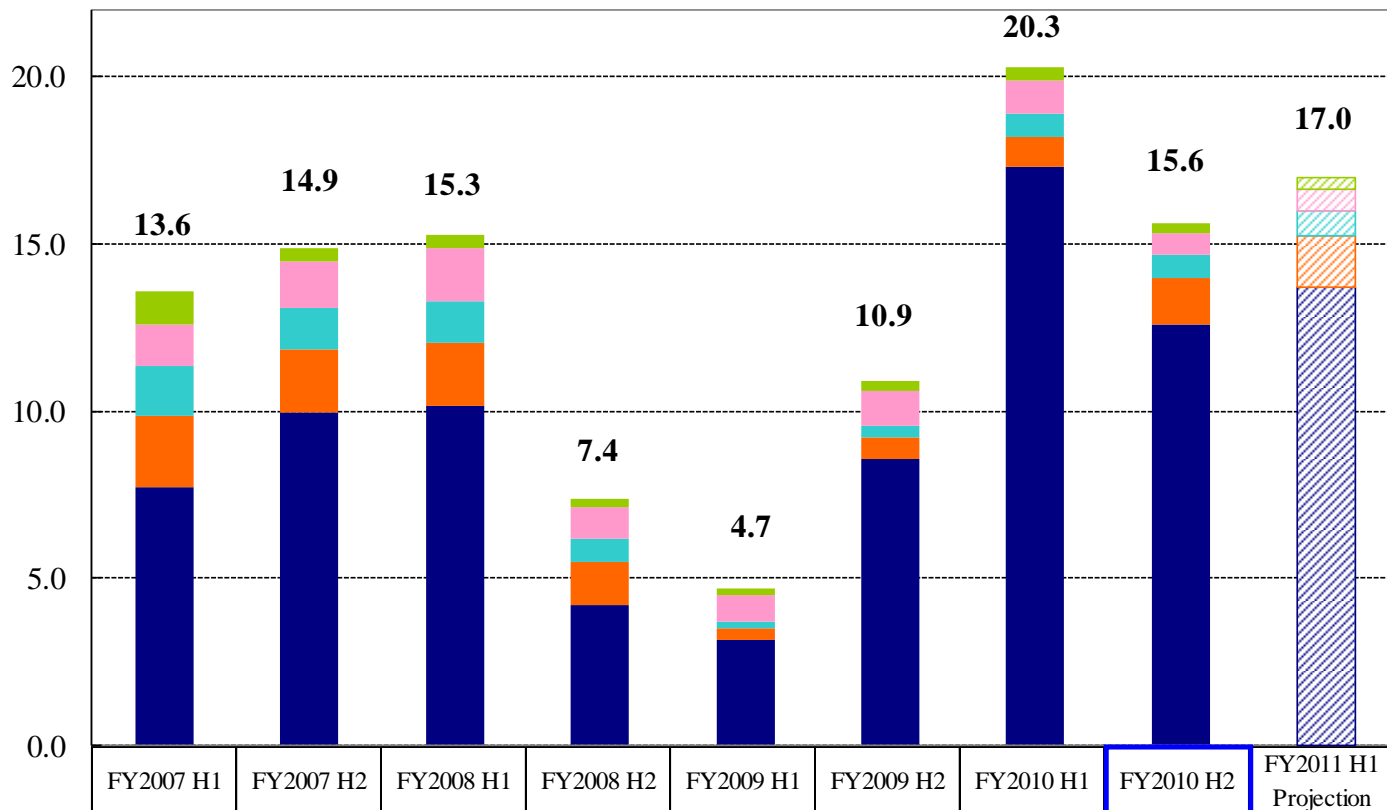


### <Most recent status>

- IT:** The recovery in HDD coming to a halt, increasing orders for mobile phone components
- Automobile:** Performing well in China and Korea  
Steady recovery in the United States and Europe
- Other:** Stable growth in construction equipment, hydraulic and pneumatic equipment, and medical equipment

# (5) Net Sales by Machinery Category

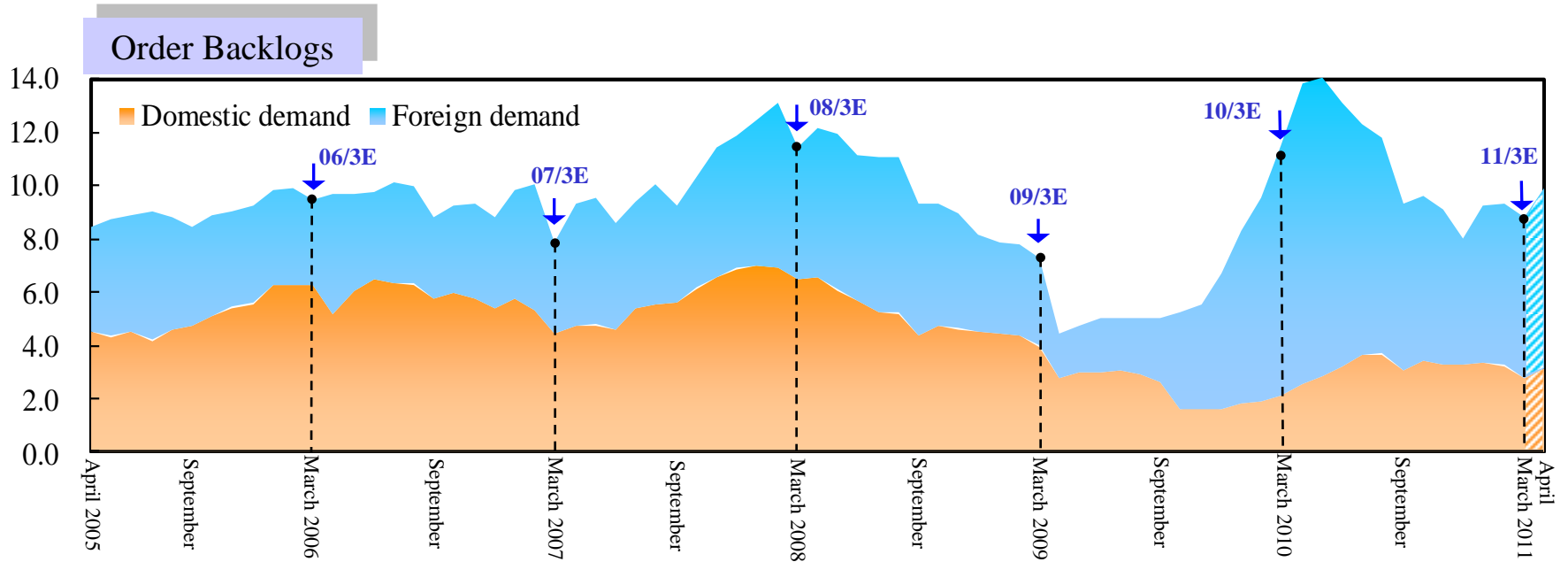
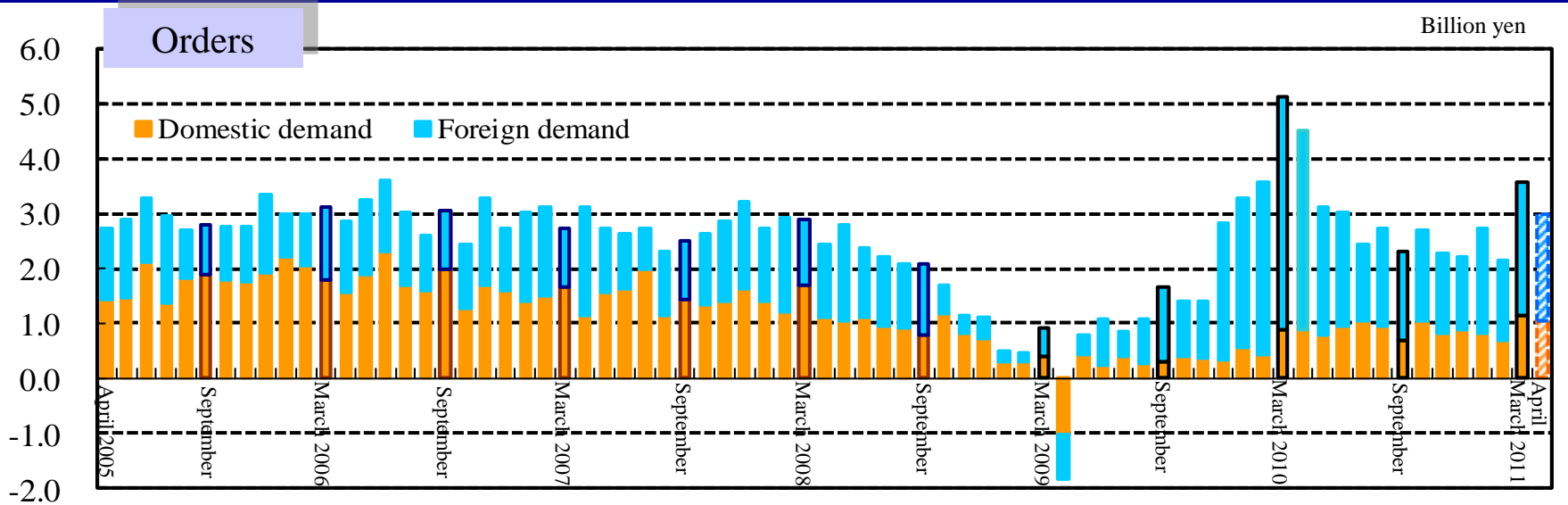
Billion yen



	FY2007 H1	FY2007 H2	FY2008 H1	FY2008 H2	FY2009 H1	FY2009 H2	FY2010 H1	FY2010 H2	FY2011 H1 Projection
■ Automatic lathes	7.7	9.9	10.2	4.2	3.2	8.5	17.3	12.6	13.7
■ Grinding machines	2.1	1.9	1.9	1.3	0.4	0.6	0.9	1.4	1.5
■ Machining centers	1.5	1.2	1.2	0.7	0.2	0.4	0.7	0.7	0.8
■ Rolling machines, etc.	1.2	1.4	1.6	1.0	0.8	1.1	1.0	0.6	0.7
■ Other businesses	1.0	0.4	0.4	0.3	0.2	0.3	0.4	0.3	0.3
<b>Total net sales</b>	13.6	14.9	15.3	7.4	4.7	10.9	20.3	15.6	17.0

# 2. Orders

## (1) Orders Received and Order Backlogs





# 3. Financial Position and Major Financial Indicators

## (1) Balance Sheets

Billion yen

	09/3	10/3	11/3	Compared with 09/3	Compared with 10/3		09/3	10/3	11/3	Compared with 09/3	Compared with 10/3
<b>Current assets</b>	16.5	20.2	23.6	+7.1	+3.4	<b>Current liabilities</b>	3.9	9.3	11.8	+7.9	+2.5
Cash and deposits	3.2	3.9	4.1	+0.9	+0.2	Trade notes and accounts payable	2.1	6.9	8.0	+5.9	+1.1
Trade notes and accounts receivable	4.7	7.5	7.7	+3.0	+0.2	Short-term borrowings	0.5	1.0	2.1	+1.6	+1.1
Inventories	8.2	8.2	10.7	+2.5	+2.5	Corporate bonds due for redemption within one year	0.3	0.3	0.3	0.0	0.0
Other current assets	0.4	0.6	1.1	+0.7	+0.5	Accrued income tax	0.1	0.1	0.4	+0.3	+0.3
<b>Fixed assets</b>	9.2	10.9	12.3	+3.1	+1.4	Other current liabilities	0.9	1.0	1.0	+0.1	0.0
Tangible fixed assets	6.6	6.2	6.4	-0.2	+0.2	<b>Long-term liabilities</b>	2.1	1.9	2.0	-0.1	+0.1
Investments and other assets	2.6	4.7	5.9	+3.3	+1.2	<b>Total liabilities</b>	6.0	11.2	13.8	+7.8	+2.6
<b>Deferred assets</b>	0.0	0.0	0.0	0.0	0.0	<b>Common stock</b>	10.6	10.6	10.6	0.0	0.0
Bond issuance expenses	0.0	0.0	0.0	0.0	0.0	<b>Capital surplus</b>	4.1	4.1	4.1	0.0	0.0
						<b>Retained earnings</b>	5.4	4.8	7.0	+1.6	+2.2
						<b>Treasury stock</b>	-0.1	-0.2	-0.8	-0.7	-0.6
						<b>Valuation and translation adjustments</b>	-0.5	0.4	0.9	+1.4	+0.5
						<b>Subscription rights to shares</b>	0.2	0.2	0.3	+0.1	+0.1
						<b>Total net assets</b>	19.7	19.9	22.1	+2.4	+2.2
<b>Total assets</b>	25.7	31.1	35.9	+14.5	+4.8	<b>Total liabilities and net assets</b>	25.7	31.1	35.9	+10.2	+4.8

## (2) Statements of Cash Flows

Billion yen

	10/3	11/3	Year-over-year increase/decrease
Cash flows from operating activities	2.30	2.29	-0.01
Cash flows from investing activities	-1.36	-1.6	-0.24
Cash flows from financing activities	-0.27	-0.44	-0.17
Translation differences for cash and cash equivalents	-0.02	-0.04	-0.02
Cash and cash equivalents at the beginning of the term	3.29	3.84	+ 0.55
Cash and cash equivalents at the end of the term	3.84	4.06	+ 0.22

### FY2011 (11/3) Note

#### CF from Operating Activities

Income before taxes	3.24
Depreciation and amortization expenses	0.74
<u>Other</u>	<u>0.18</u>
(Sub total )	4.16
Increase in trade notes and accounts receivable	-0.38
Increase in inventories	- 2.57
Increase in trade notes and accounts payable	1.24
(Sub total )	- 1.71
<u>Taxes paid</u>	<u>- 0.16</u>
(Total)	2.29

#### CF from Investing Activities

Building, Machinery and equipment in Tsugami	
China factory	- 0.66
Investments in affiliates (New foundry company)	- 0.44
Machinery and equipment in Tsugami Japan	- 0.33
<u>Other</u>	<u>- 0.17</u>
(Total)	- 1.60

#### CF from Financing Activities

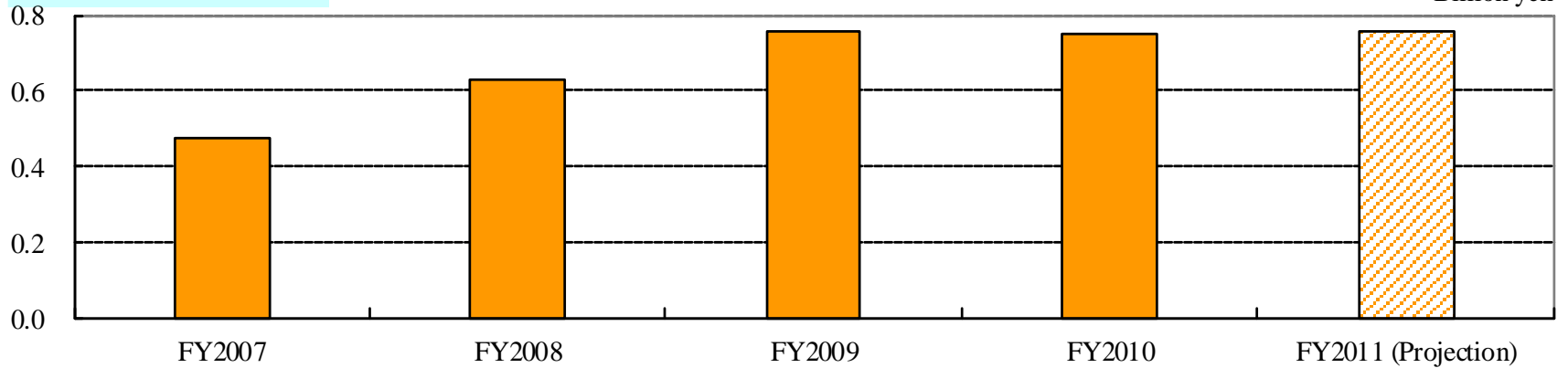
Short-term borrowings	1.13
Dividends paid	- 0.67
Acquisition of treasury stock	- 0.59
Redemption of corporate bonds	- 0.30
<u>Other</u>	<u>- 0.01</u>
(Total)	- 0.44

### (3) Major Financial Indicators (on a year-end balance basis)

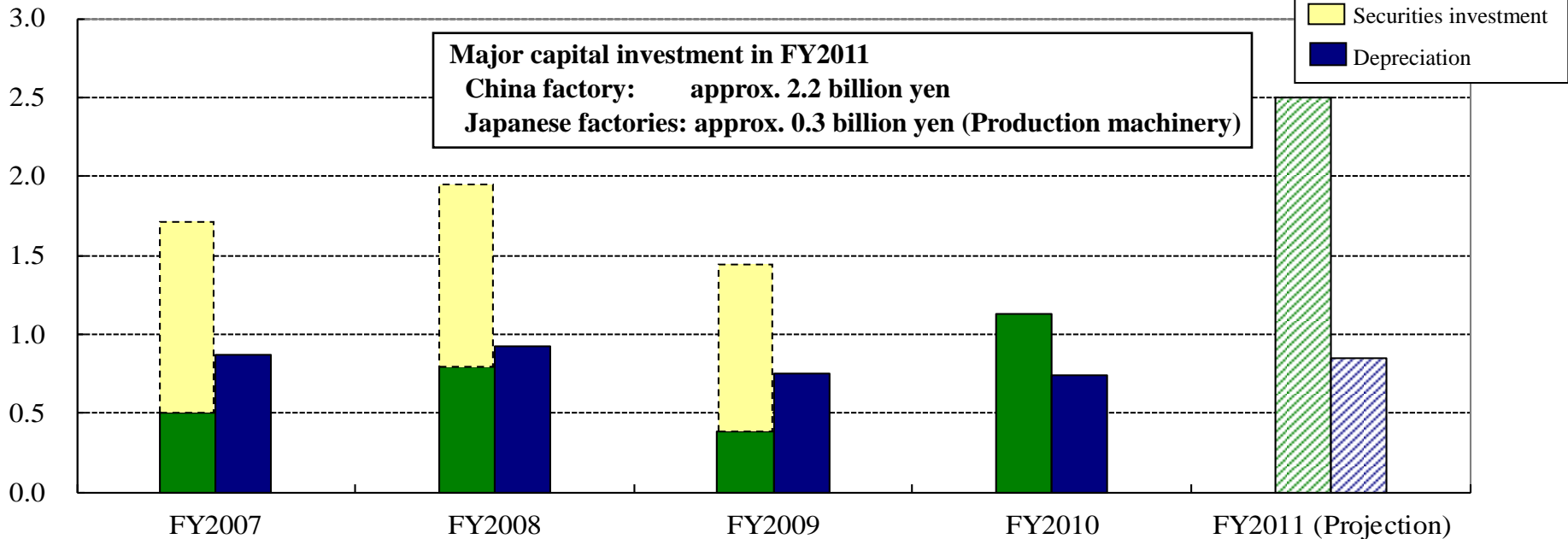
	Yen		
	09/3	10/3	11/3
Book-value per share (BPS)	287.2	289.3	321.0
Book-value per share (excluding treasury stock)	289.1	294.3	331.4
Earnings per share (EPS)	-12.8	-3.6	41.7
Earnings per share (excluding treasury stock)	-12.9	-3.7	43.1
Equity ratio	76.0%	63.2%	60.9%
Ratio of ordinary income to total assets	2.4%	-0.4%	9.8%
Ratio of ordinary income to net sales	2.8%	-0.8%	9.8%

# (4) R&D Expenditures and Capital Investment

## R&D Expenditures



## Capital Investment, Equipment Finance and Depreciation



## 4. Major Issues

### (1) Development of New Products

New products		
	Manufactured in Japan	Manufactured in China
IT	SS207 CH154	S205/206
Automobile-related and other industrial machinery	G300 G350	B0385
Planned development		
	Manufactured in Japan	Manufactured in China
IT	Upgrade to new version of models manufactured in Japan	Upgrade to new version of models manufactured in China
Automobile-related and other industrial machinery		Development of grinding machine and rolling machine models for the Chinese market

# Notice

**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.**

 **TSUGAMI CORPORATION**

**PRECISION TSUGAMI**