

## Stock Information (as of March 31, 2012)

Authorized shares ..... 320,000,000 shares  
 Issued shares ..... 74,919,379 shares  
 Number of shareholders ..... 10,402

### Major shareholders (Top 10)

Shareholders	Investment in the Company	
	Number of shares held	Ownership ratio
Japan Trustee Services Bank, Ltd. (Trust account)	Thousands 4,956	% 6.61
Mizuho Trust & Banking Co., Ltd. (Employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	4,592	6.12
Morgan Stanley & Company LLC	3,188	4.25
The Master Trust Bank of Japan, Ltd. (Trust account)	2,940	3.92
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	2,348	3.13
Mori Seiki Co., Ltd.	2,200	2.93
The Dai-ichi Life Insurance Company, Limited	2,100	2.80
Goldman Sachs International	2,023	2.70
Nomura International plc A/C Japan Flow	1,704	2.27
Sumitomo Mitsui Banking Corporation	1,516	2.02

Notes: 1. The figures for ownership ratio are rounded to the second decimal place.  
 2. The 4,592 thousand shares held by Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) are held in a pension trust account for Tokyo Seimitsu, which reserves the right to give instructions on how to exercise voting rights for these shares.

## Corporate Data (as of March 31, 2012)

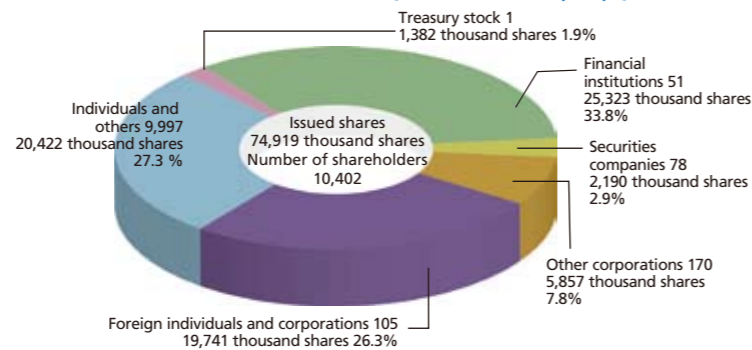
Corporate Name TSUGAMI CORPORATION  
 Established March 15, 1937  
 Head Office 12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo  
 Paid-in Capital 12,345 million yen  
 Number of Employees 475  
 Directors and Auditors (as of June 15, 2012)  
 Representative Director, Chairman and CEO Takao Nishijima  
 Representative Director and COO Kiyoshi Tauchi  
 Representative Director and COO Toshiharu Niijima  
 Director Yoshihiro Miura  
 Director Byun Jae-Hyun  
 Director Donglei TANG  
 Outside Director Takeo Nakagawa  
 Outside Director Kenji Yamada  
 Outside Director Kunio Shimada  
 Standing Statutory Auditor Toshio Honma  
 Outside Statutory Auditor Yoshifumi Miyata  
 Outside Statutory Auditor Hiroaki Tamai  
 Outside Statutory Auditor Ryuichi Kimura

Head Office and Factories  
 Head Office 12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo  
 Nagaoka Factory 1-1, Higashizao 1-chome, Nagaoka-shi, Niigata  
 Shinshu Factory 3600 Nakagomi, Saku-shi, Nagano  
 Takami Factory 1-2, Higashi-Takami 2-chome, Nagaoka-shi, Niigata  
 Niigata Factory 132, Momoyama-cho 2-chome, Higashi-ku, Niigata-shi, Niigata

Sales Network  
 East Japan Marketing Division (Tokyo)  
 Central Japan Marketing Division (Nagoya)  
 West Japan Marketing Division (Osaka)

Group Companies  
 TSUGAMI MACHINERY CO., LTD.  
 TSUGAMI GENERAL SERVICE CO., LTD.  
 TSUGAMI PRECISION CO., LTD.  
 PRECISION TSUGAMI (CHINA) CORPORATION  
 Shinagawa Precision Machinery (Zhejiang) Co., Ltd.  
 TSUGAMI (THAI) CO., LTD.  
 TSUGAMI GmbH (GERMANY)  
 TSUGAMI KOREA Co., Ltd.  
 TSUGAMI PRECISION ENGINEERING INDIA PVT., LTD. (INDIA)  
 TSUGAMI TECH SOLUTIONS INDIA PVT., LTD. (INDIA)

## Shareholders composition by type



## Shareholders Information

Business Year From April 1 each year to March 31 of the following year  
 Annual Shareholders Meeting June each year  
 Surplus Dividends The record date for the year end dividend shall be March 31 each year. When paying interim dividends, the record date shall be September 30 each year.  
 Administrator of Shareholders' Register Mitsubishi UFJ Trust Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo  
 Business Handling Office Mitsubishi UFJ Trust Banking Corporation Stock Transfer Agency Department  
 Contact Office 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081  
 Mitsubishi UFJ Trust Banking Corporation Stock Transfer Agency Department Telephone: 0120-232-711 (toll free number)  
 Method of Public Notice Public notices of the Company shall be published on its website (<http://www.tsugami.co.jp>). However, if the Company is unable to publish notices electronically, public notices shall be published in the Kanpo ("official gazette").  
 Listed Stock Exchange Tokyo

## Notice

- In principle, the contact that receives customer requests for changes of addresses and name, purchasing shares constituting less than one unit, and transferring dividends to designated accounts shall be securities companies, etc. in which the customers have opened an account. Mitsubishi UFJ Trust Banking Corporation shall receive inquiries about the shipment and return of mail articles, etc. and dividends overdue and general questions as to administrative work involving shares.
- Mitsubishi UFJ Trust Banking Corporation shall undertake procedures for shares recorded in a special account, not an account at a securities company, etc.
- As shares recorded in a special account may not be sold directly from the special account when selling them on the market, it is necessary to transfer them to an account at a securities company, etc.

# To Our Shareholders

Business Report for Fiscal Year 2011  
 (April 1, 2011 to March 31, 2012)

TSUGAMI CORPORATION

I am pleased to report our results for fiscal 2011, ended March 31, 2012.

During the consolidated fiscal year 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 the prolonged strength of the yen, a slowdown in the Chinese economy, which had been supported exports from Japan, and the effect of economic instability in Europe and the United States.

In the machine tool industry, demand from abroad grew, especially from China and other emerging countries in Asia, and there were signs of a recovery in domestic demand. Nonetheless, future uncertainty remained given the persistent economic insecurity.

In this environment, Tsugami Corporation (the "Company") and its affiliates (the "Group") launched new products and raised the local content ratio, thereby reducing costs, to deal with the prolonged strength of the yen and make the Group's products more price competitive. Meanwhile, the Group raised production at Chinese factories in preparation for entering the smartphone market, which took place in the third quarter. The market entry and orders for products for the reconstruction from the flood in Thailand contributed to sales in the late fourth quarter.

To increase the capacity of the Chinese factories and to secure funds for a strong balance sheet, the Group increased capital through a public offering and a third-party allotment in the fourth quarter.

Consolidated net sales for the fiscal year under review decreased 0.5% year on year, to 35,739 million yen.

As a result of changes described above, consolidated operating income increased 9.5% year on year, to 4,086 million yen. Consolidated ordinary income increased 10.6% year on year, to 3,875 million yen and consolidated net income decreased 19.6% year on year, to 2,281 million yen for the fiscal year under review.

For the consolidated fiscal year ended March 31, 2012, the Company has decided 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.

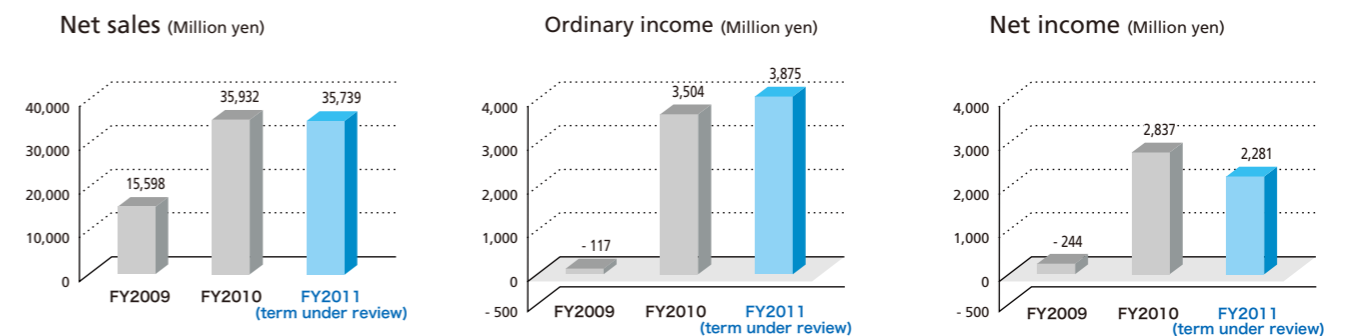
For the consolidated fiscal year ending March 31, 2013, the Company plans to pay annual dividends of 12 yen per share, including interim dividends of 6 yen per share and year-end dividends of 6 yen per share.

The Group remains committed to consistently enhancing its business performance through higher sales, improved production efficiency and cost cutting, and offering new products that fully meet customer requirements, while enriching the services it provides. Aiming to enhance customer satisfaction, we will devote all of our efforts to management, so that we can provide reliable products that our customers need.

We respectfully ask for the continued support and encouragement of our shareholders.

June 2012  
 Takao Nishijima Chairman and CEO

## Business Performance (Consolidated)



## Financial highlights

Item	FY2009		FY2010		FY2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Net sales (Million yen)	15,598	14,818	35,932	35,146	35,739	37,382
Ordinary income (Million yen)	- 117	- 393	3,504	2,867	3,875	3,403
Net income (Million yen)	- 244	- 408	2,837	2,426	2,281	1,916
Net income per share (Yen)	- 3.65	- 6.09	42.72	36.53	33.88	28.47
Total assets (Million yen)	31,147	29,771	35,860	34,091	50,757	45,942
Net assets (Million yen)	19,882	19,319	22,122	21,241	27,717	26,367
Net assets per share (Yen)	294.29	285.88	331.39	318.02	372.21	353.86

(Note) All fractions of monetary units have been rounded down.

## Consolidated Financial Statements

### Consolidated balance sheets

(Million yen)

Item	FY2011 (March 31, 2012)	FY2010 (March 31, 2011)
<b>Assets</b>		
Current assets	37,108	23,578
Cash and deposits	5,314	4,111
Trade notes and accounts receivable	10,536	7,729
Inventories	18,808	10,718
Other current assets	2,449	1,019
Fixed assets	13,616	12,263
Tangible fixed assets	7,234	6,433
Buildings, machinery, equipment and vehicles	5,690	5,562
Land	581	591
Other tangible fixed assets	962	279
Intangible fixed assets	149	139
Investments and other assets	6,233	5,689
Deferred assets	32	18
Total assets	50,757	35,860
<b>Liabilities</b>		
Current liabilities	21,476	11,771
Trade notes and accounts payable	16,503	8,011
Short-term borrowings	2,107	2,089
Corporate bonds due for redemption within one year	300	300
Accrued income tax	1,413	374
Other current liabilities	1,151	996
Long-term liabilities	1,563	1,966
Corporate bonds	300	600
Other long-term liabilities	1,263	1,366
Total liabilities	23,040	13,738
<b>Net assets</b>		
Shareholders' equity	26,264	20,947
Common stock	12,345	10,599
Capital surplus	5,884	4,157
Retained earnings	8,535	6,962
Treasury stock	- 499	- 771
Accumulated other comprehensive income	1,106	884
Unrealized gains on marketable securities	1,114	993
Deferred gains (losses) on hedges	1	5
Translation adjustments	- 9	- 114
Subscription rights to shares	345	290
Total net assets	27,717	22,122
Total liabilities and net assets	50,757	35,860

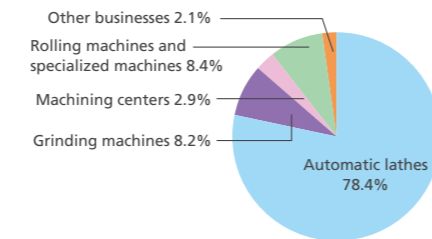
### Consolidated statements of income

(Million yen)

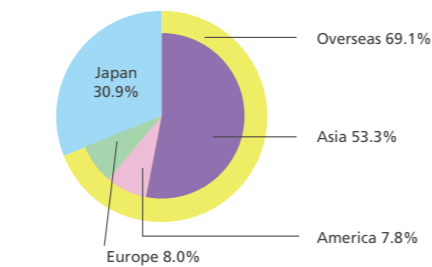
Item	FY2011 Year ended March 31, 2012	FY2010 Year ended March 31, 2011
Net sales	35,739	35,932
Cost of sales	27,388	28,569
Gross profit	8,350	7,363
Selling, general and administrative expenses	4,264	3,631
Operating income	4,086	3,732
Non-operating income	162	172
Non-operating expenses	373	399
Ordinary income	3,875	3,504
Extraordinary income	1	6
Extraordinary expenses	138	266
Income before taxes and other adjustments	3,738	3,244
Corporate, inhabitant and enterprise taxes	1,692	478
Deferred taxes	- 234	- 72
Net income	2,281	2,837

### Sales breakdown (Consolidated)

Sales breakdown by product (FY2011)



Sales breakdown by region (FY2011)



### Consolidated statements of changes in net assets

(Million yen)

	Shareholders' equity				Total Shareholders' equity	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock		Unrealized gains on marketable securities	Deferred gains (losses) on hedges	Translation adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2011	10,599	4,157	6,962	- 771	20,947	993	5	- 114	884	290	22,122
Changes during the period											
Issuance of new shares	1,745	1,745			3,491						3,491
Cash dividends paid			- 661		- 661						- 661
Net income			2,281		2,281						2,281
Purchase of treasury stock				- 2	- 2						- 2
Disposal of treasury stock		- 18	- 47	274	208						208
Changes in items other than shareholders' equity						120	- 3	104	222	55	277
Total changes during the period	1,745	1,726	1,572	272	5,317	120	- 3	104	222	55	5,594
Balance as of March 31, 2012	12,345	5,884	8,535	- 499	26,264	1,114	1	- 9	1,106	345	27,717

## Releasing New Products to the Market

### High-Speed Vertical Machining Center VA1

Optimized for high-speed, high-efficiency processing of small works, the High-Speed Vertical Machining Center VA1 was launched.

- 40 m/min X, Y and Z axes rapid traverse rate, 30,000 min<sup>-1</sup> max. spindle speed.  
Optimum machine for small works production of high-speed and high-efficiency.
- Super compact machine of 927 mm wide. Productivity improvement per space.
- Tool storage capacity is 24-tool ATC as standard. Realizing wide variety tooling thanks to mounting much tools.  
Tool magazine is stored inside the column and separated from cutting area.
  - Wide tooling zone is secured.
  - Preventing trouble from chips.
- Thanks to the fully-covered splash guard, oil mist from machine ceiling does not splash.



### CNC Precision Automatic Lathes B0265-II/266-II/325-II/326-II

CNC Precision Automatic Lathes, B0265-II/266-II/325-II/326-II, were launched as large-sized processing machines in the B0 series.

- Machine complex parts using the main and back spindle simultaneously with the Y-axis tool post (B0266-II/B0326-II).
- Modular tooling using cartridge type live tools (option) for optimum allocation of machining capability.
- Beside the back spindle, additional tool post is attached. Deep hole drilling (up to 100 mm) can be realized. In addition, by adopting optional rotary tool beside the back spindle, the ability of front off-center machining is increased.
- Optional direct-drive rotary guide bushing provides high speed and accurate machining.



## Participated Exhibitions

We actively developed new business partners.

We held the TSUGAMI Technical Fair 2011 at the TSUGAMI Nagaoka Factory for two days from July 7, 2011.

We set up booth at the SIMTOS 2012 in Seoul, South Korea for six days from April 17, 2012.

Many users and dealers from Japan and overseas visited the fairs, and we were able to hold productive discussions. In particular, the exhibition at the SIMTOS 2012 made us more confident about the possibility of our continued growth in South Korea.



SIMTOS 2012 (South Korea)



TSUGAMI Technical Fair 2011

