


# Briefing of Financial Statements for the Year Ended March 2008

(Securities Code: 6101)


 **TSUGAMI CORPORATION**

May 15, 2008

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

 **Summary of the Financial Statements for the Year Ended March 2008 (FY2007) and Perspective for the Next Fiscal Term (FY2008) . . . . . P2 - P12**

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**Summary of the Financial Statements for  
the Year Ended March 2008 (FY2007) and  
Perspective for the Next Fiscal Term  
(FY2008)**



*Future Business Development of the  
TSUGAMI Group*

# Summary of Financial Highlights (Full-year, on a consolidated basis)

(Billions of yen; %)

	FY2006			FY2007			FY2008 (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	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full-year
<b>Net sales</b>	18.5	18.1	36.6	13.6	14.9	28.5	16.5	16.5	33.0
<b>Gross profit</b>	4.8	4.4	9.2	3.0	3.4	6.4	-	-	-
<b>Gross profit margin</b>	(26.0)	(24.4)	(25.3)	(22.0)	(22.6)	(22.3)	-	-	-
<b>Operating income</b>	2.9	2.5	5.5	1.3	1.5	2.8	2.0	2.0	4.0
<b>Ordinary income</b>	3.0	2.6	5.5	1.3	1.5	2.8	2.0	2.0	4.0
<b>Ordinary income margin</b>	(16.0)	(14.4)	(15.1)	(9.3)	(10.0)	(9.7)	(12.1)	(12.1)	(12.1)
<b>Net income</b>	1.7	1.8	3.4	0.7	0.9	1.6	1.1	1.1	2.2

## Full-year operating results for FY2007:

- (1) Net sales down by ¥8.1 billion compared to the previous year.
  - HDD products decreased ¥3.7 billion.
  - Domestic automobile products decreased ¥2.1 billion.
  - OEM sales decreased by ¥2 billion.
- (2) Operating income down ¥2.7 billion compared to the previous year.
  - Down ¥2.4 billion as a result of decreased sales.
  - Down ¥200 million because of increased overseas sales promotion expenses.
- (3) Market conditions  
HDD products on path to recovery since early fall 2007 and overseas demand for automobile products grew with the establishment of European subsidiary and other factors.

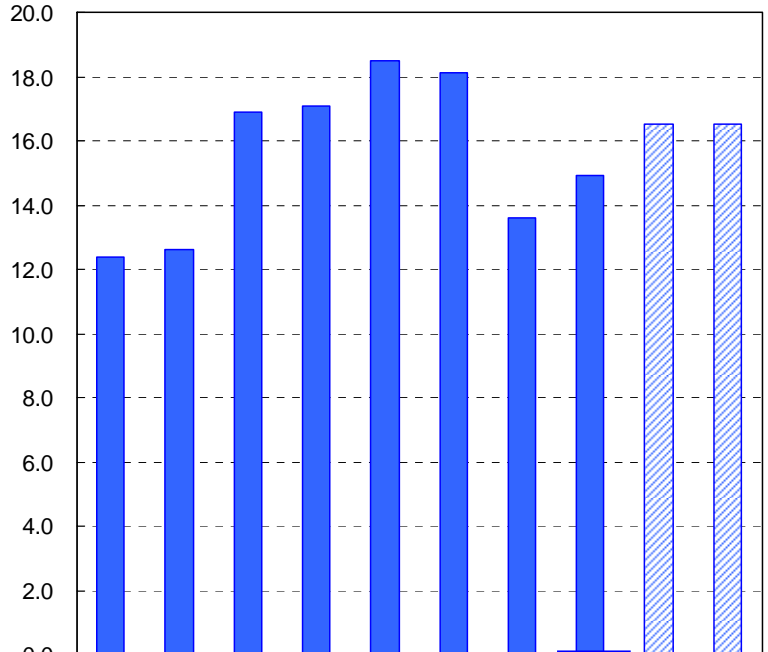
## Full-year projections for FY2008:

- (1) Year-end order backlog is high; on course for increased sales.
  - Demand for HDD products should recover, certain domestic automobile products should also pick up.
  - European subsidiary: Firm orders (especially for automobile products)
- (2) From the second half, the effect of the alliance with Tornos SA should kick in.
  - OEM manufacturing in China: ¥500 million (annual sales: ¥1 billion)
  - Sales of multispindle automatic lathes from Tornos in Japan and Asia: ¥500 million (annual sales: ¥1 billion)

# Change in Financial Indicators on a Semiannual Basis

## Net sales

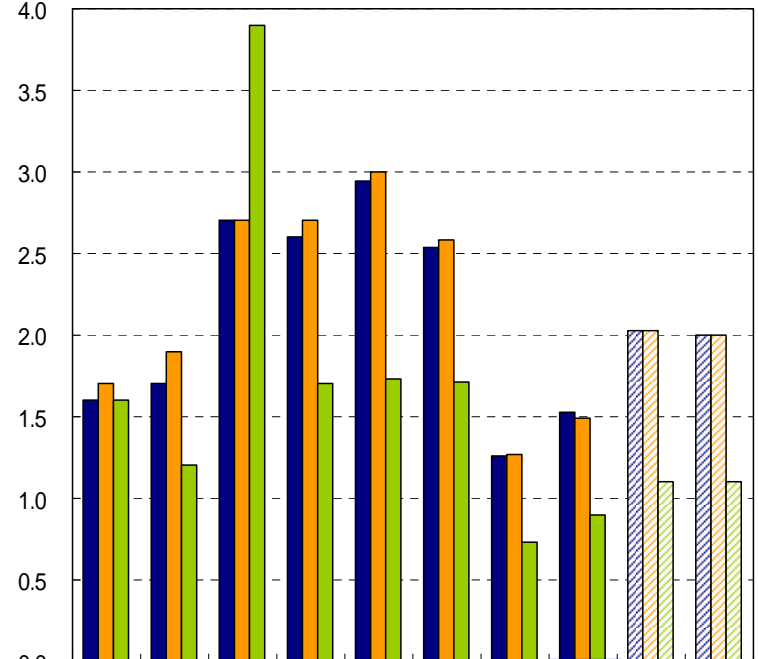
Billions of yen



Net sales	12.4	12.6	16.9	17.1	18.5	18.1	13.6	14.9	16.5	16.5
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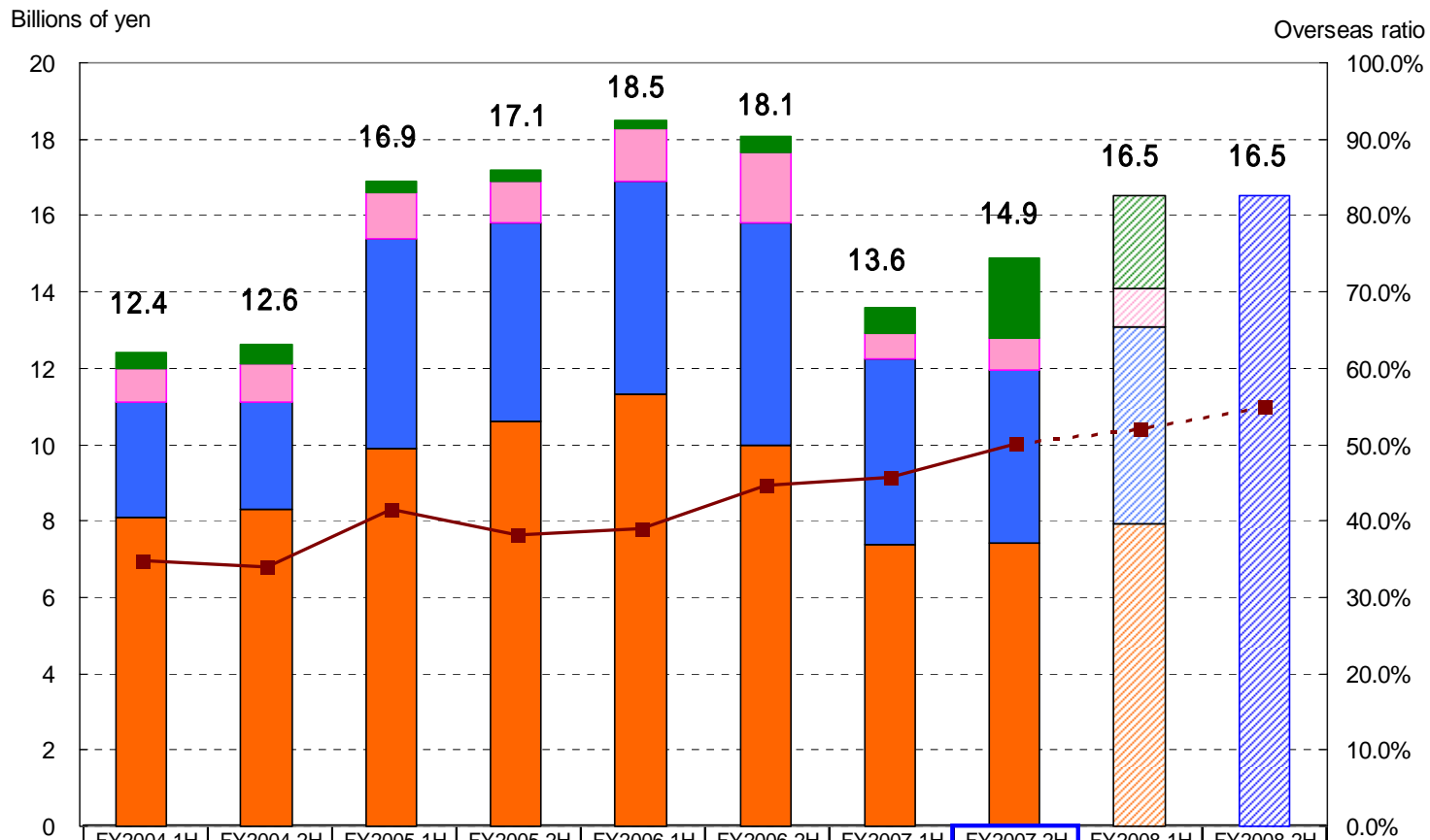
## Profit

Billions of yen



Operating income	1.6	1.7	2.7	2.6	2.9	2.5	1.3	1.5	2.0	2.0
Ordinary income	1.7	1.9	2.7	2.7	3.0	2.6	1.3	1.5	2.0	2.0
Net income	1.6	1.2	3.9	1.7	1.7	1.7	0.7	0.9	1.1	1.1

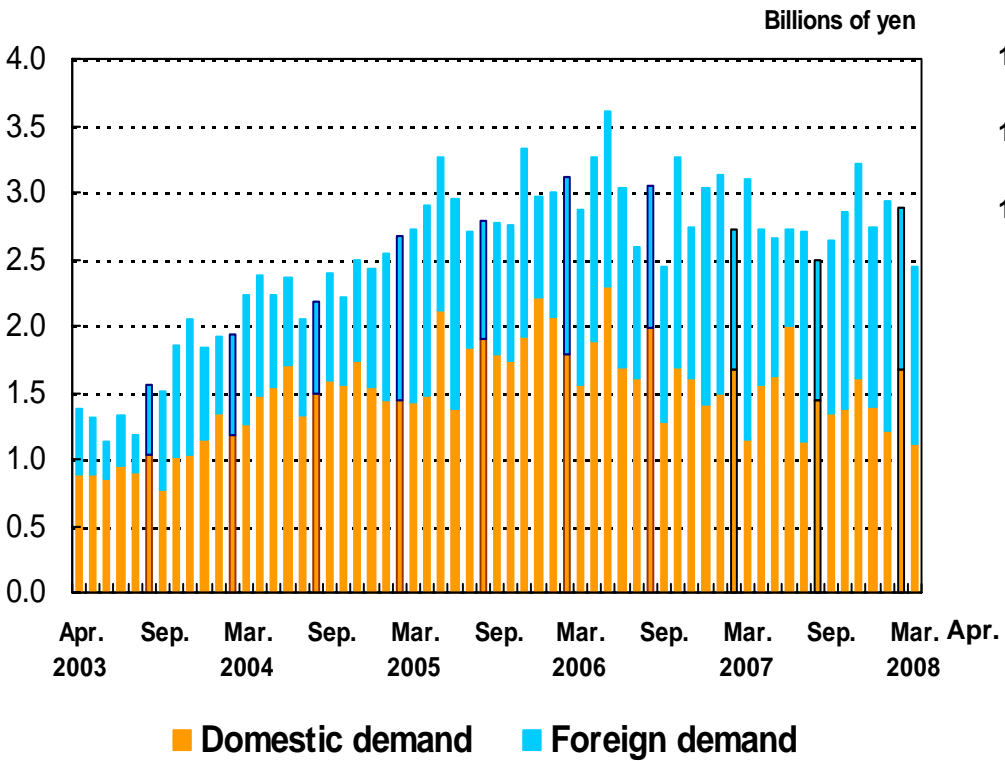
# Net Sales by Geographic Segment



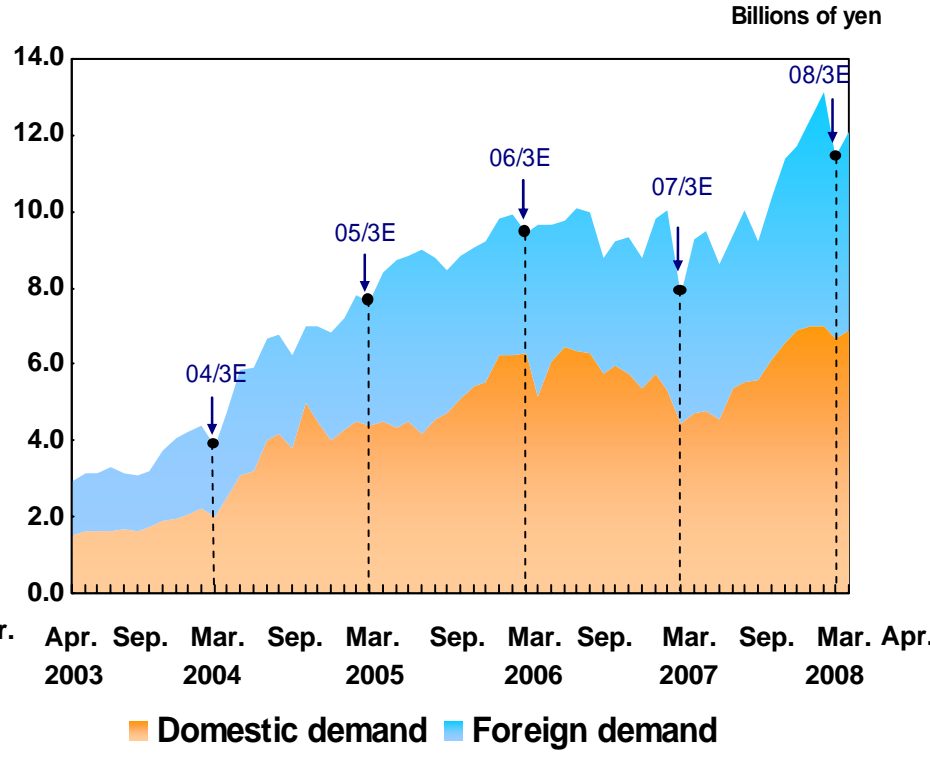
Europe	0.4	0.5	0.3	0.3	0.2	0.4	0.7	2.1	2.4	16.5
U.S.A.	0.9	1.0	1.2	1.1	1.4	1.9	0.7	0.9	1.0	
Asia	3.0	2.8	5.5	5.2	5.6	5.8	4.9	4.5	5.2	
Total foreign demand	4.3	4.3	7.0	6.6	7.2	8.1	6.2	7.5	8.6	
Total domestic demand	8.1	8.3	9.9	10.6	11.3	10.0	7.4	7.4	7.9	
Overseas ratio	34.7%	34.0%	41.6%	38.1%	39.0%	44.7%	45.7%	50.1%	52.0%	-

# Orders

Orders Received



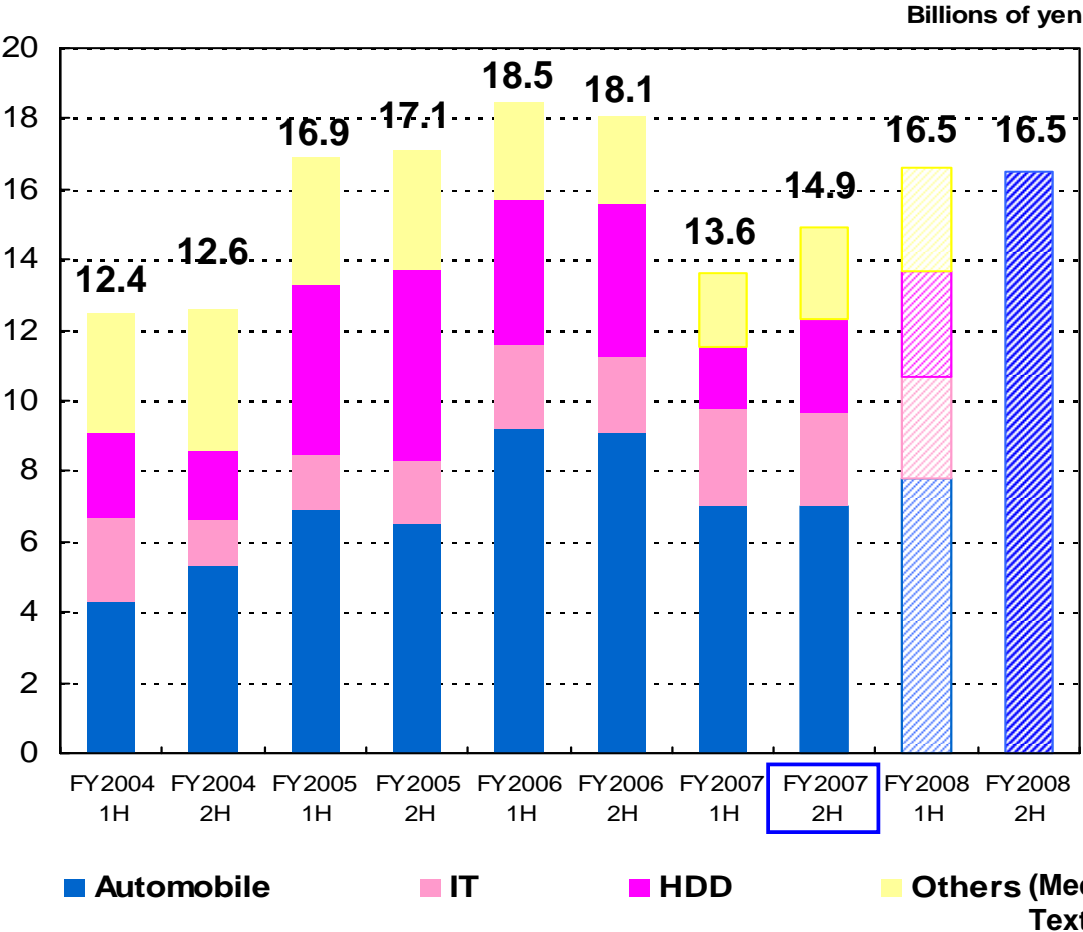
Order Backlogs



The domestic market is somewhat sluggish.  
The overseas markets are expanding.

# Changes in Net Sales by Business Segment

Net Sales by Business Segment  
(on a semiannual basis)

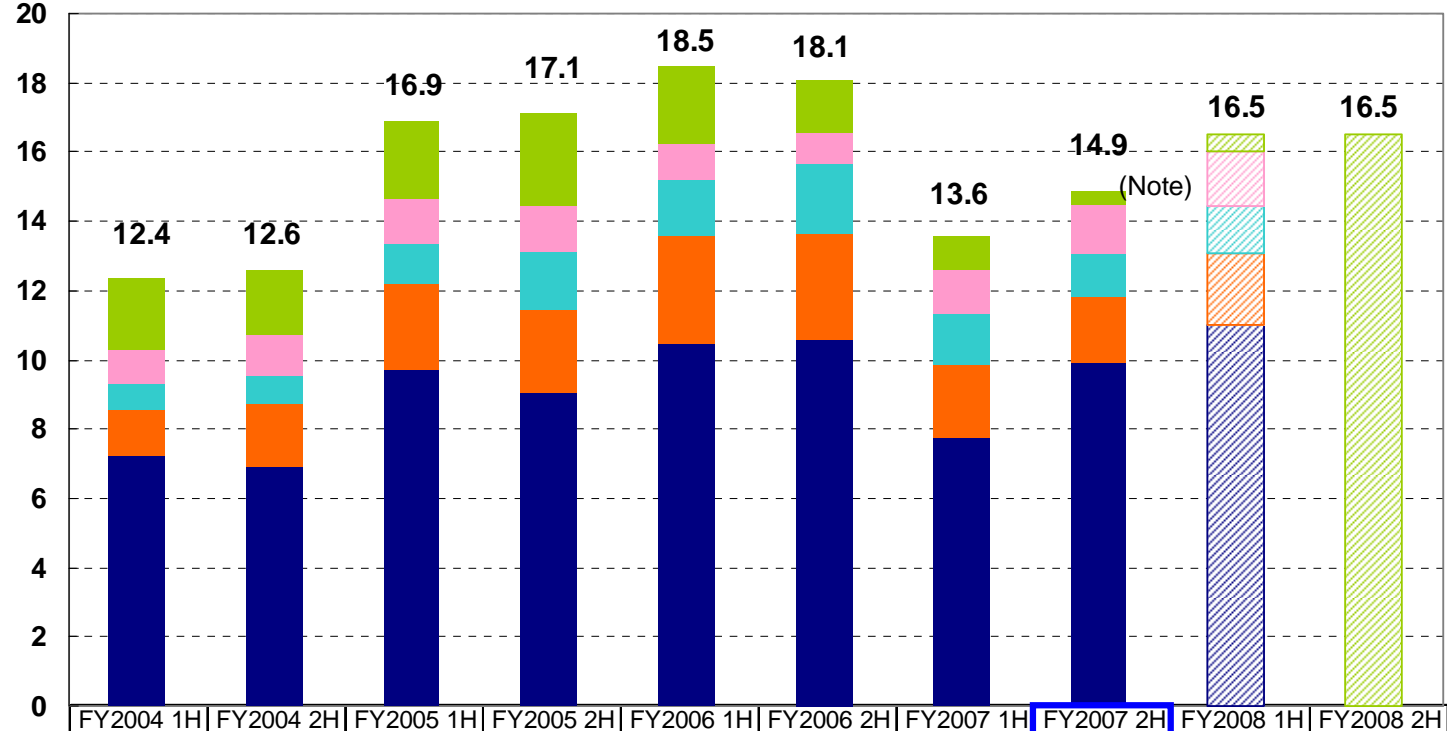


- (1) HDD market showing signs of a recovery.
- (2) Foreign-demand led expansion in automobile products.



# Net Sales by Machinery Category

Billions of yen



	FY2004 1H	FY2004 2H	FY2005 1H	FY2005 2H	FY2006 1H	FY2006 2H	FY2007 1H	FY2007 2H	FY2008 1H	FY2008 2H
Special-purpose machines, etc.	2.1	1.9	2.2	2.7	2.3	1.5	1.0	0.4	0.5	16.5
Rolling machines, etc.	1.0	1.2	1.3	1.3	1.0	0.9	1.2	1.4	1.6	
Machining centers	0.7	0.8	1.2	1.7	1.6	2.0	1.5	1.2	1.3	
Grinding machines	1.3	1.8	2.5	2.4	3.1	3.0	2.1	1.9	2.1	
Automatic lathes	7.3	6.9	9.7	9.0	10.5	10.6	7.7	9.9	11.0	

(Note) indicates consumable supplies ( collets, dies, etc.)

# Consolidated Balance Sheets

Billions of yen

	FY2005 (31-Mar-06)	FY2006 (31-Mar-07)	FY2007 (31-Mar-08)		FY2005 (31-Mar-06)	FY2006 (31-Mar-07)	FY2007 (31-Mar-08)
<b>Current Assets</b>	<b>26.4</b>	<b>25.9</b>	<b>22.7</b>	<b>Current Liabilities</b>	<b>12.2</b>	<b>11.3</b>	<b>9.9</b>
Cash and bank deposits	2.8	3.6	3.4	Trade notes & accounts payable	9.0	9.1	8.2
Trade notes & accounts receivables	14.4	14.3	9.7	Short-term debt	-	-	-
Inventories	7.9	7.7	9.0	Income taxes payable	1.8	1.0	0.7
Other current assets	1.3	0.3	0.6	Other current liabilities	1.4	1.2	1.0
<b>Fixed Assets</b>	<b>10.4</b>	<b>10.0</b>	<b>10.0</b>	<b>Long-term Liabilities</b>	<b>1.4</b>	<b>1.2</b>	<b>0.9</b>
Property, plant and equipment	7.0	7.5	7.0	<b>Total Liabilities</b>	<b>13.6</b>	<b>12.5</b>	<b>10.8</b>
Investments and other assets	3.4	2.5	3.0	<b>Common stock</b>	<b>10.6</b>	<b>10.6</b>	<b>10.6</b>
				<b>Capital surplus</b>	<b>8.0</b>	<b>4.2</b>	<b>4.1</b>
				<b>Retained earnings</b>	<b>7.9</b>	<b>10.6</b>	<b>6.9</b>
				<b>Treasury stocks</b>	<b>- 4.0</b>	<b>- 2.7</b>	<b>- 0.0</b>
				<b>Net unrealized profit on investment securities</b>	<b>0.8</b>	<b>0.6</b>	<b>0.1</b>
				<b>Share warrants</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>
				<b>Total Net Assets</b>	<b>23.3</b>	<b>23.4</b>	<b>21.9</b>
<b>Total Assets</b>	<b>36.8</b>	<b>35.9</b>	<b>32.7</b>	<b>Total Liabilities and Net Assets</b>	<b>36.8</b>	<b>35.9</b>	<b>32.7</b>

Major Turnover period (on a year-end balance basis)	FY2003	FY2004	FY2005	FY2006	FY2007
Trade receivables turnover period	6.3 months	5.0 months	5.1 months	4.7 months	4.1 months
Inventory turnover period	3.3 months	2.8 months	2.8 months	2.5 months	3.8 months
Trade payables turnover period	3.3 months	3.1 months	3.2 months	3.0 months	3.5 months

(Ending balance method)

## The Company's own shares

	Thousands of shares	Billions of yen
As of Sep. 2006	14,538	5.2
As of Nov. 2006	15,593	5.9
Retirement	10,000	(Note) 3.8
After retirement	5,593	2.1
As of Mar. 2007	6,341	2.7
As of Mar. 23, 2008	11,109	4.6
Retirement	11,000	(Note) 4.5
As of Mar. 2008	130	0.05

(Note) B/S account

Capital surplus 4.2

(Note) B/S account

Capital surplus 4.1

Earned surplus 6.9

# Consolidated Statements of Cash Flows

Billions of yen

	FY2006 (31-Mar-07)	FY2007 (31-Mar-08)	Year-over-year increase/decrease
Cash flows from operating activities	4.14	(Note 1) 3.94	- 0.20
Cash flows from investing activities	- 0.38	(Note 2) - 1.39	- 1.01
Cash flows from financing activities	- 3.16	(Note 3) - 2.70	0.46
Increase in cash and cash equivalents due to new consolidation	0.10	-	- 0.10
Cash and cash equivalents at beginning of year	2.80	3.50	0.70
Cash and cash equivalents at end of year	3.50	3.35	- 0.15

## FY2007 Notes:

### Cash flows from operating activities (Note 1)

Income before income taxes	2.68
Depreciation and amortization	0.87
Other	- 0.07
(Subtotal)	(3.48)
Decrease in trade receivables	4.63
Increase in inventories	- 1.65
Decrease in trade payables	-0. 87
(Subtotal)	(2.11)
Taxes paid	- 1.37
Other	- 0.28
(Subtotal)	(-1.65)

### Cash flows from investing activities (Note 2)

Purchase of machinery& equipment	- 0.22
Purchase of investment securities	- 1.21
Other	0.02
(Subtotal)	(- 1.39)

### Cash flows from financing activities (Note 3)

Cash dividends paid	- 0.79
Purchase of treasury stock	- 1.91
(Subtotal)	- 2.70

# Major Consolidated Financial Indicators (on a year-end balance bases)

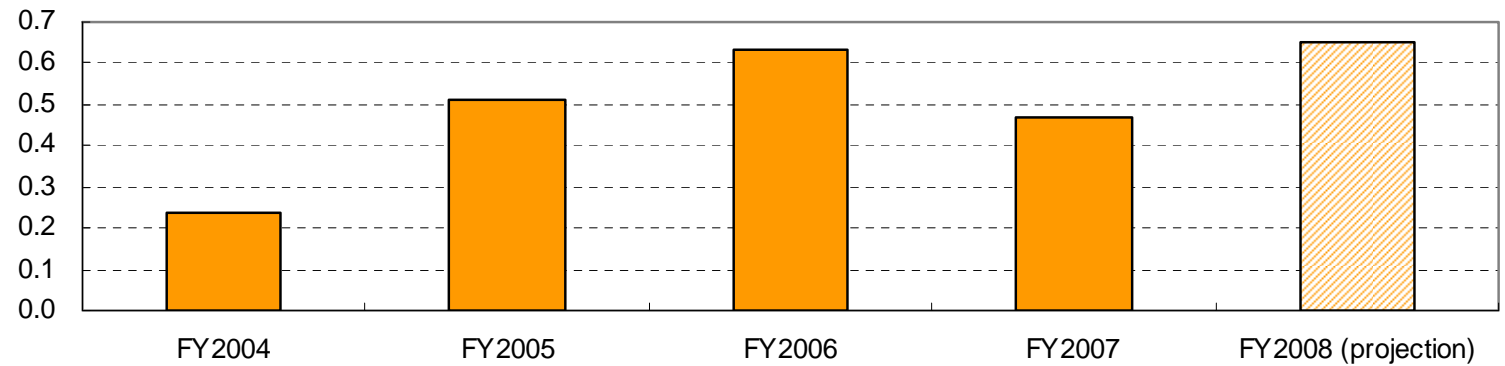
Yen

	FY2005 (31-Mar-06)	FY2006 (31-Mar-07)	FY2007 (31-Mar-08)
Number of shares issued and outstanding at end of year	89,019,379 shares	79,019,379 shares	68,019,379 shares
Book-value per share (BPS)	261.4	296.8	318.9
Book-value per share (excluding treasury stock)	306.5	322.7	319.5
Earnings per share (EPS)	62.1	43.6	24.0
Earnings per share (excluding treasury stock)	72.8	47.4	24.0
Equity ratio	63.2%	65.0%	66.3%
Ratio of ordinary income to total assets	14.6%	15.4%	8.4%
Ratio of ordinary income to net sales	15.8%	15.1%	9.7%

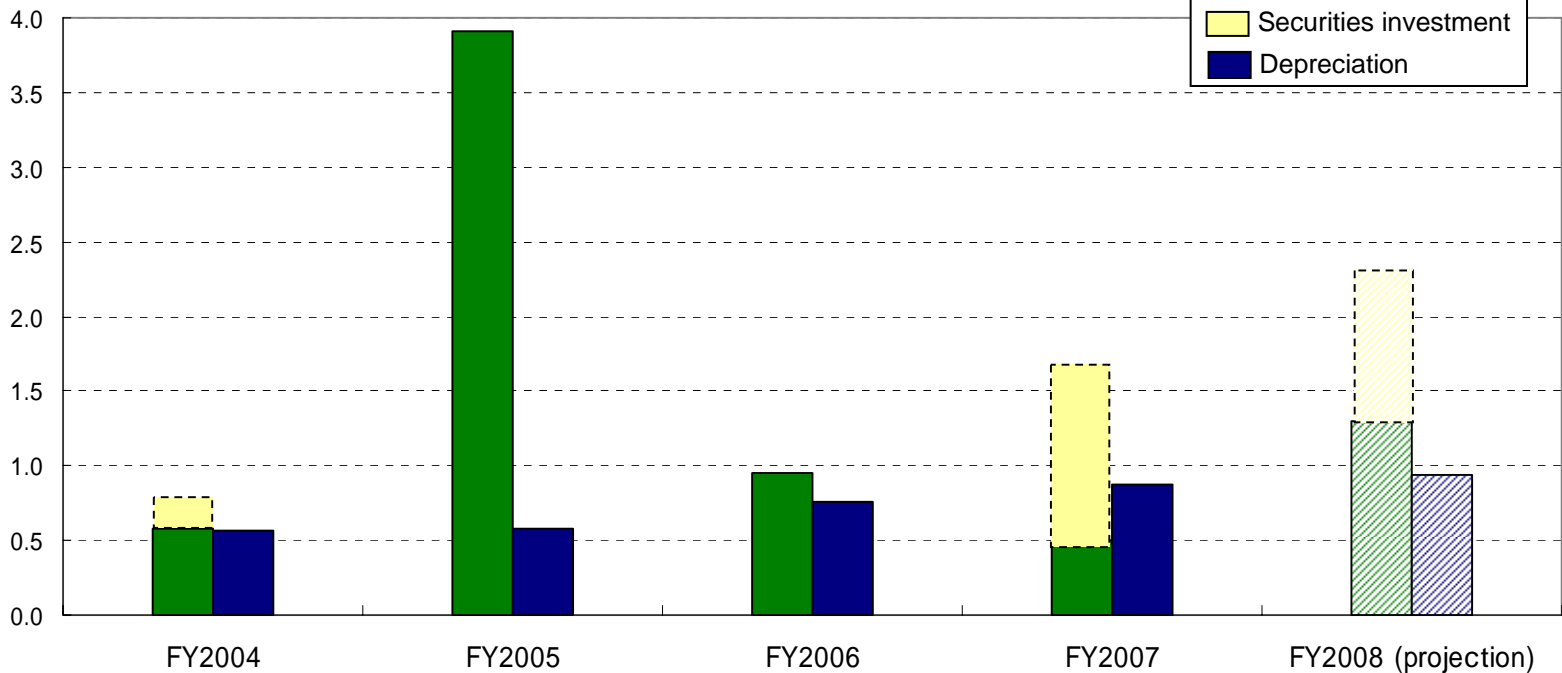
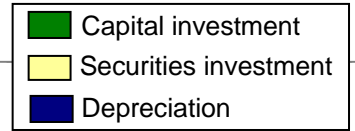
# R&D Expenditures and Capital Investment

## R&D Expenditures

Billions of yen



## Capital Investment, Equipment Finance and Depreciation



○ Summary of the Financial Statements for the Year Ended March 2008 (FY2007) and Perspective for the Next Fiscal Term (FY2008)

● **Future Business Development of the TSUGAMI Group**

# Priority Tasks in the Medium-Term Management Plan

- 1. Launching new products in selected high-growth fields and boosting their sales**
- 2. Business strategy focusing on high-growth regions**
- 3. Bolstering our business base  
(to take customer satisfaction to new levels)**





# Development status of internal control system

## 1. Response to the J-SOX

**December 2006 ~ March 2008** Developed internal control system under the guidance of an external specialist firm

- (1) Documenting of business processes**
- (2) Development of internal control questionnaire**
- (3) Development of regulations**

**April 2008 ~** Began applying internal controls.

## 2. Development of basic policy on development of internal control system

**May 2008** Partial amendment of basic policy for development of internal control system to ensure proper business conduct and the reliability of financial reports (basic approach to the elimination of antisocial forces)

## 3. Establishment of risk management systems and information management systems

**July 2007**

- Established risk management committee.
- Set up committee to promote information systems.
- (Set up information security committee.)

## 4. Assessment of effectiveness of internal control activities

**April 2008 ~** Audit Office conducted internal audit.

# 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