

Briefing on Financial Statements for the Year Ended March 2015



May 13, 2015

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1. Business performance for Fiscal Year Ended March 31, 2015

(1) Changes in Financial Results

Overview of FY2015/3

[Net sales] +21.9 bn yen (+68%) YoY; +8.1 bn yen (+18%) vs. Initial forecast

Large IT-related demand and Sales of new Turret lathes to auto parts makers contributed.

Sales to local smartphone manufacturers also grew from the 3Q, especially in China.

[Income] Net income: +5.0 bn yen (15.4 times) YoY; +1.3 bn yen (+32%) vs. Initial forecast

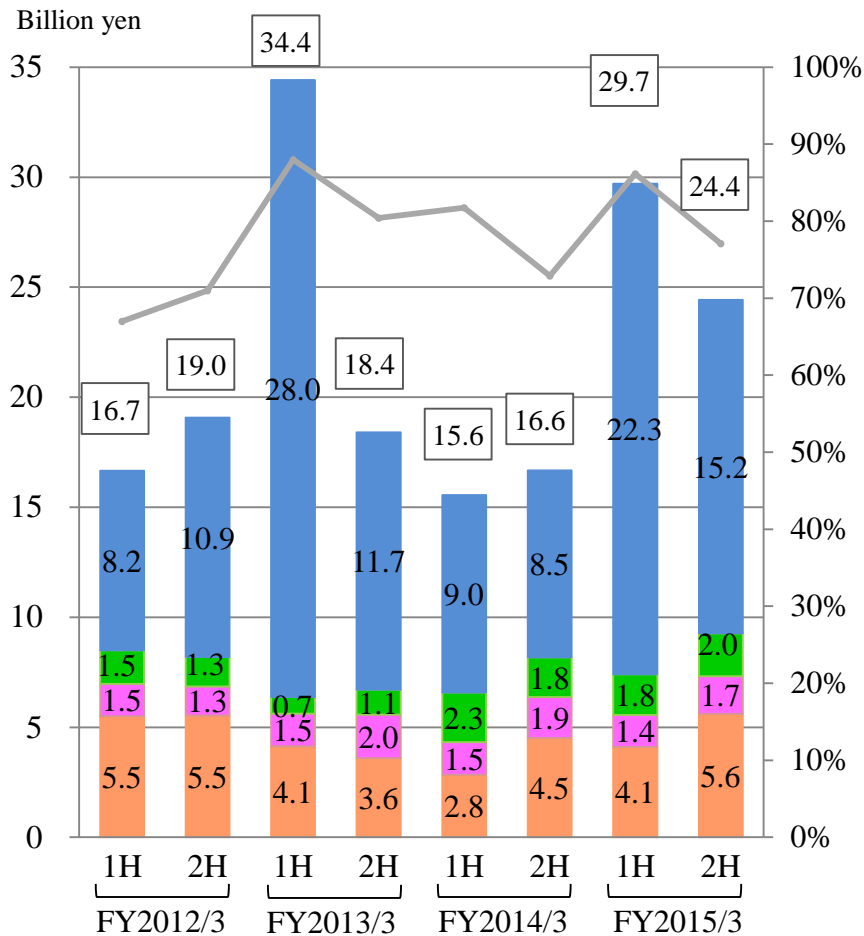
Preparatory expenses for the stock marketing listing of a subsidiary were already recorded during the period (around 450 million yen including SG&A expenses).

Billion Yen

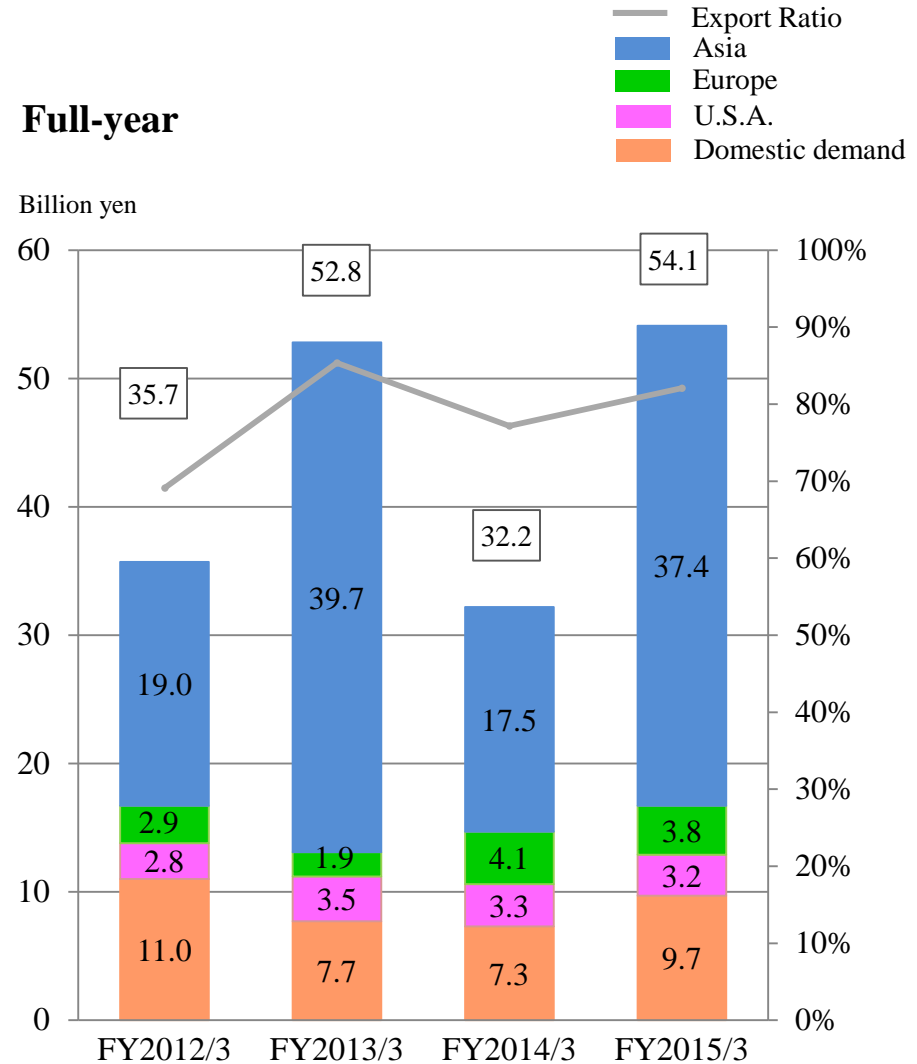
	FY2014/3 (2013/4 - 2014/3)			FY2015/3 (2014/4 - 2015/3)				
	1H	2H	Full-year	1H	2H	Full-year	Year-on-Year	Difference from Initial forecasts
Net sales	15.6	16.6	32.2	29.7	24.4	54.1	+21.9	+8.1
Gross profit (Gross profit margin)	3.7 (23.9%)	3.4 (20.3%)	7.1 (22.0%)	8.0 (27.0%)	6.2 (25.4%)	14.2 (26.3%)	+7.1 (+4.3%)	-- (--)
Operating income (Operating income margin)	0.8 (5.1%)	0.4 (2.4%)	1.2 (3.7%)	4.8 (16.0%)	2.5 (10.2%)	7.3 (13.4%)	+6.1 (+9.7%)	+1.3 (+0.4%)
Ordinary income (Ordinary income margin)	1.4 (9.0%)	0.5 (3.2%)	1.9 (6.0%)	4.9 (16.4%)	2.8 (11.7%)	7.7 (14.3%)	+5.8 (+8.3%)	+1.9 (+1.7%)
Net income (Net income margin)	0.9 (5.7%)	-0.6 (-3.2%)	0.3 (1.1%)	3.4 (11.5%)	1.9 (7.7%)	5.3 (9.8%)	+5.0 (+8.7%)	+1.3 (+1.1%)
Net income per share	12.1 yen	-7.4 yen	4.7 yen	47.2 yen	27.2 yen	74.4 yen	+69.7 yen	+19.1 yen

(2) Net Sales by Geographic Segment

Six-month



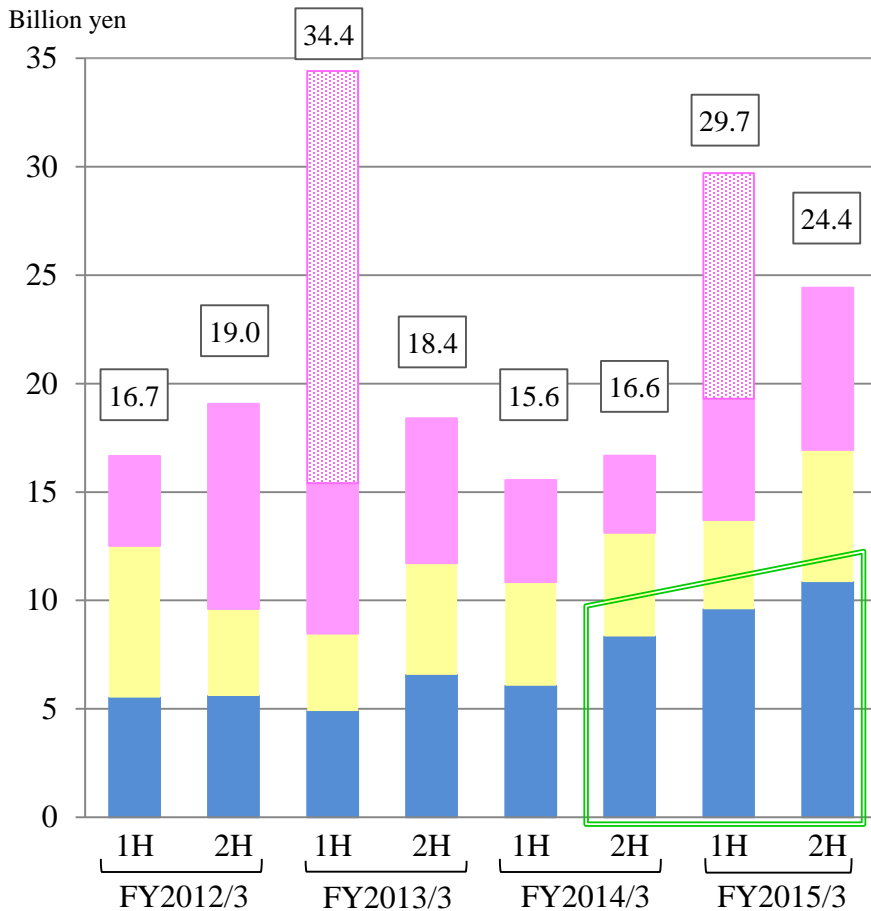
Full-year



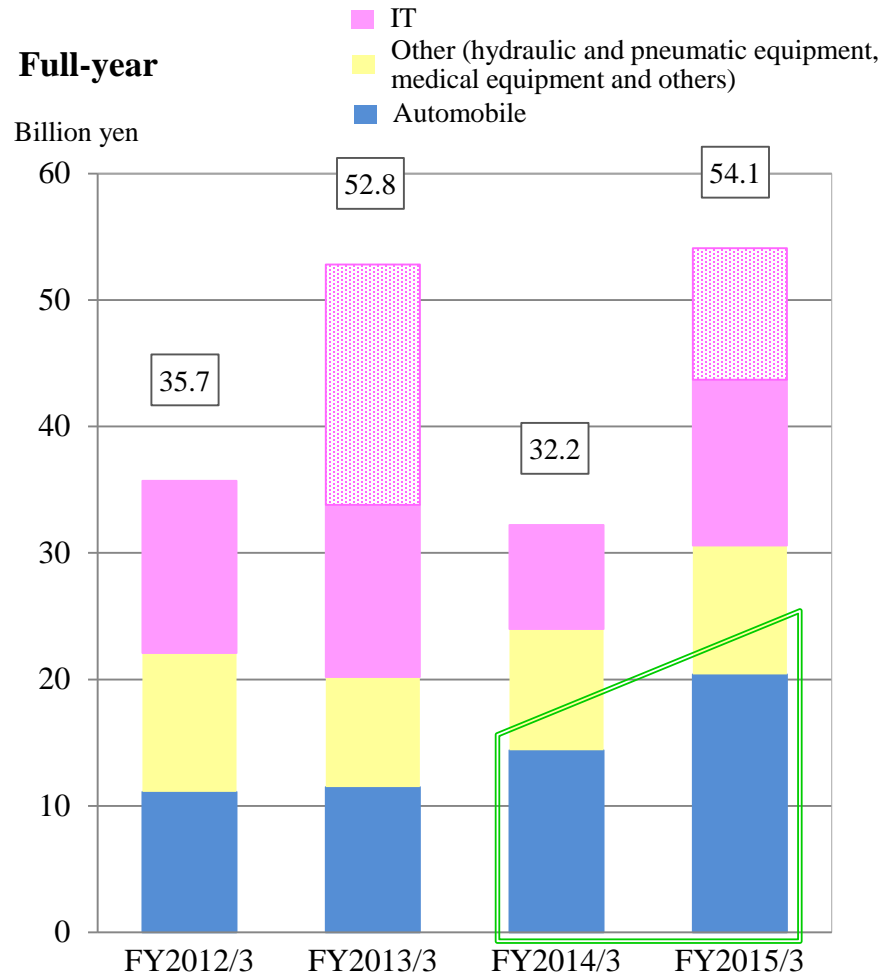
(3) Net Sales by Business Segment

Aiming to improve earnings result by launching new products for automobile parts in 3Q of FY2014/3.

Six-month

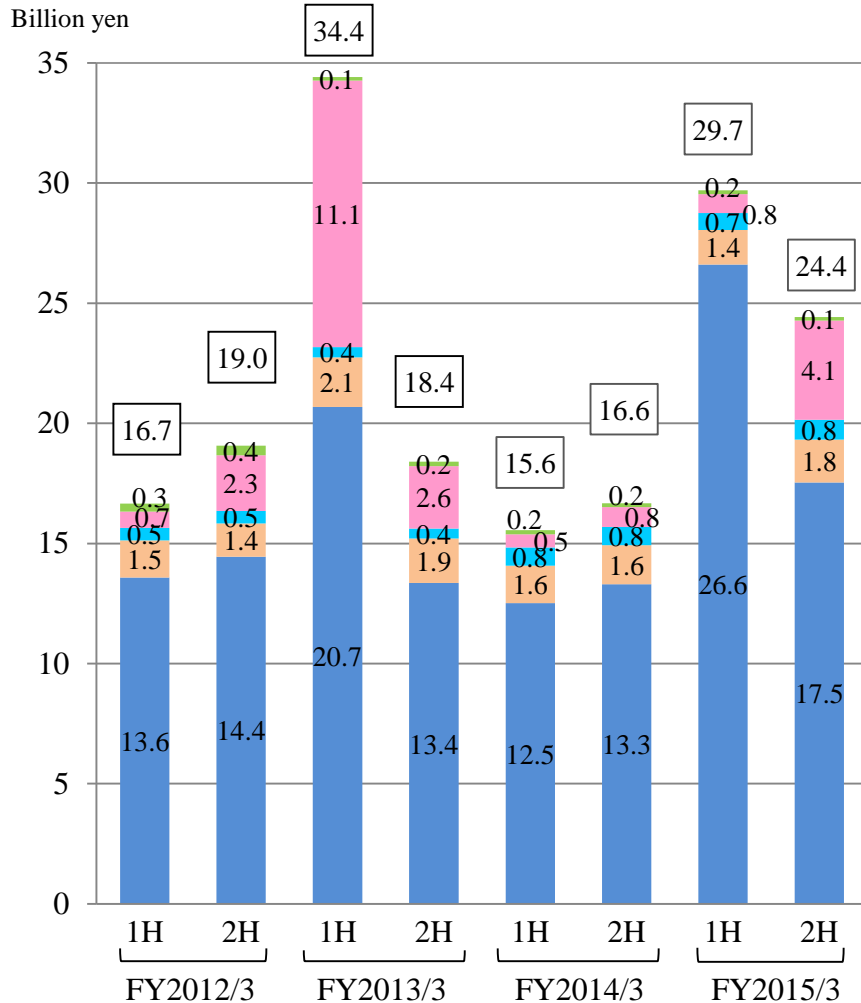


Full-year

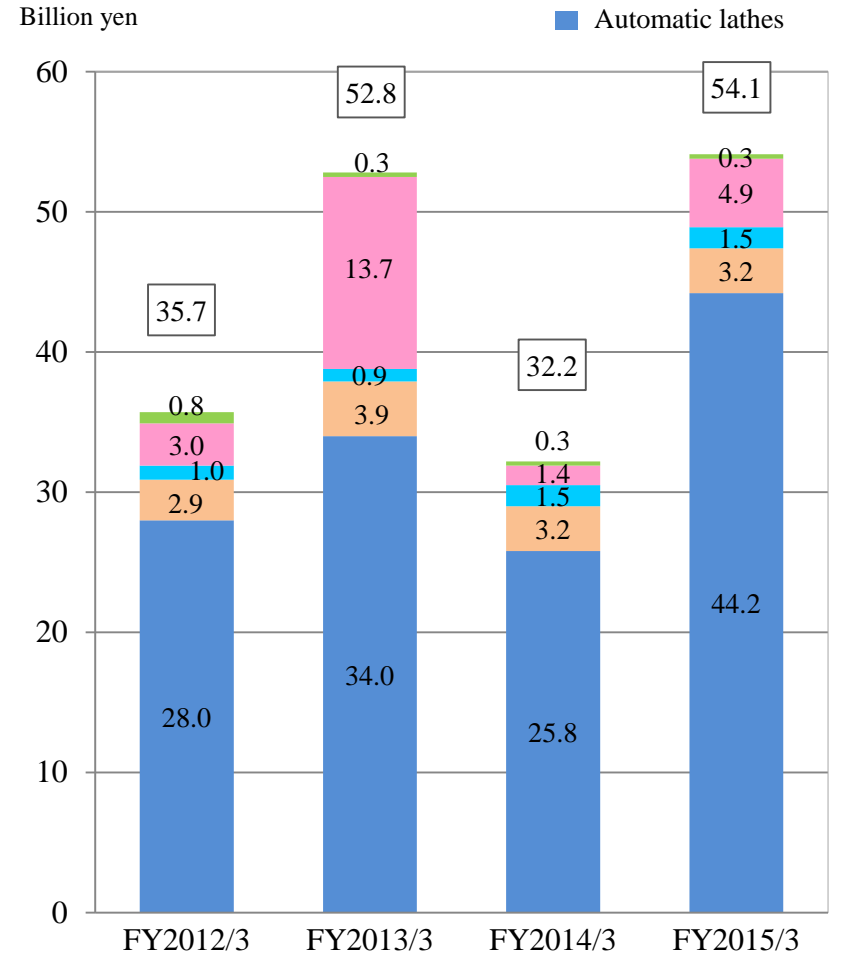


(4) Net Sales by Machinery Category

Six-month



Full-year



(5) Balance Sheets

Billion yen

	2014/3E	2015/3E	Difference from 2014/3E
Total assets	52.3	56.8	+4.5
Current assets	36.0	36.8	+0.8
Cash and deposits	6.2	5.2	-1.0
Trade notes and accounts receivable	6.7	7.1	+0.4
Inventories	21.0	22.7	+1.7
Deferred tax assets and others	2.1	1.8	-0.3
Fixed assets	16.3	20.0	+3.7
Tangible fixed assets	10.4	11.4	Note 1 +1.0
Intangible fixed assets	0.3	0.8	Note 2 +0.5
Investments and other assets	5.6	7.8	Note 3 +2.2
Total liabilities	20.7	19.5	-1.2
Current liabilities	19.3	17.8	-1.5
Trade notes and accounts payable	10.6	8.3	-2.3
Short-term borrowings	6.1	6.9	+0.8
Accrued income tax and others	2.6	2.6	0.0
Long-term liabilities	1.4	1.7	+0.3
Total net assets	31.6	37.3	+5.7
Common stock, Capital surplus	18.2	18.2	0.0
Retained earnings	11.4	16.0	+4.6
Treasury stock	-1.1	-2.7	-1.6
Unrealized gains on marketable securities	1.4	2.8	+1.4
Translation adjustments and others	1.7	3.0	+1.3
Capital adequacy ratio	59.3%	64.1%	+4.8%

Note 1:

China factory new building: +0.8

Production machines: +0.5

Effect of exchange rate: +1.0

Depreciation and others: -1.3

Note 2:

Land-use rights for new factory of China: +0.4

Note 3:

Valuation of investment securities: +1.9

Loan to India affiliate +0.3

(6) Cash flows

Billion yen

	FY2014/3 (2013/4 - 2014/3)	FY2015/3 (2014/4 - 2015/3)
Cash flows from operating activities	0.7	3.1
Income before taxes, depreciation and amortization	2.9	Note 1 8.8
Gross working capital	-0.6	Note 2 -3.1
Corporate and other taxes	-1.5	-2.6
Cash flows from investing activities	-0.7	-1.7
Capital investment in Japan factory	-0.1	-0.1
Capital investment in China factory	-1.0	Note 3 -1.3
India affiliate	-0.4	Note 4 -0.3
Sales of investment securities and others	0.8	0.0
Cash flows from financing activities	0.4	-2.8
Short-term borrowings	2.3	-0.2
Redemption of corporate bonds	-0.3	--
Dividends paid	-0.9	-0.9
Purchase of treasury stock	-0.7	Note 5 -1.7
Translation differences for cash and cash equivalents	0.3	0.3
Net increase (decrease) in cash and cash equivalents	0.7	-1.1
Cash and cash equivalents at the end of the term	6.0	4.9

Note 1:

Income before taxes: 7.7
Depreciation and amortization: 1.1

Note 2:

Notes and accounts receivable: 0.12
Notes and accounts payable: -3.57
Inventories: 0.11
Other current assets: 0.22

Note 3:

New building No.8 in China factory,
Factory No.4 acquired in China and
Production machines

Note 4:

Long-term loans -0.32
(-0.4 in FY2014/3 is Investment)

Note 5:

3,128 thousand shares purchased

2. Business Conditions and Outlook

(1) Outlook for Fiscal Year Ending March 31, 2016

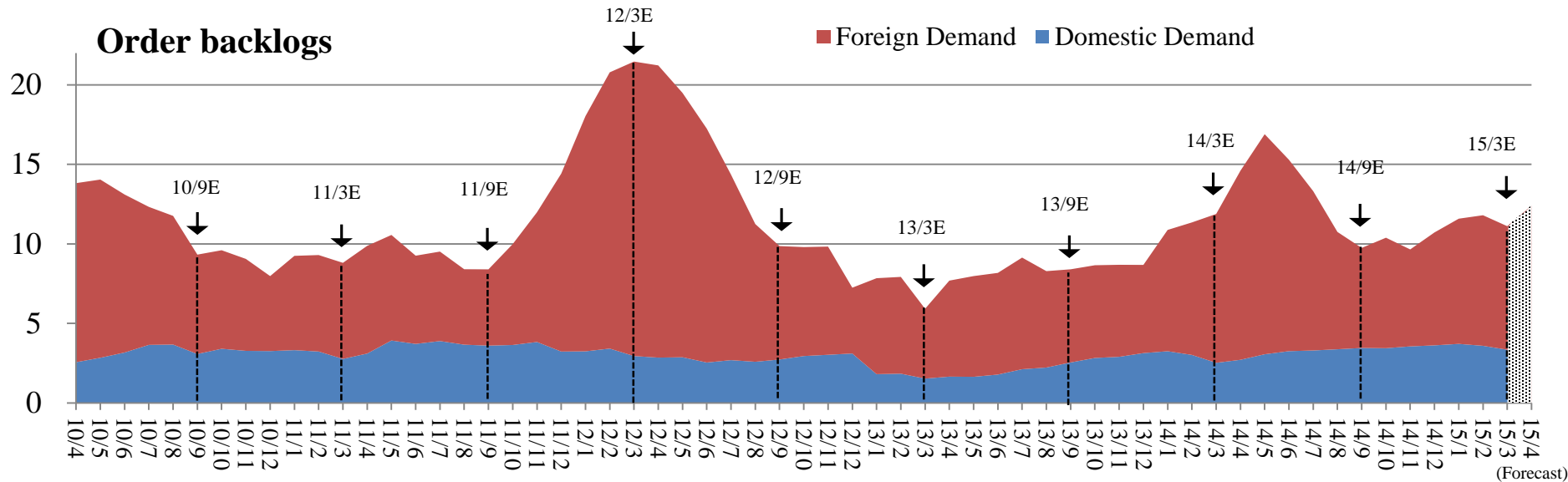
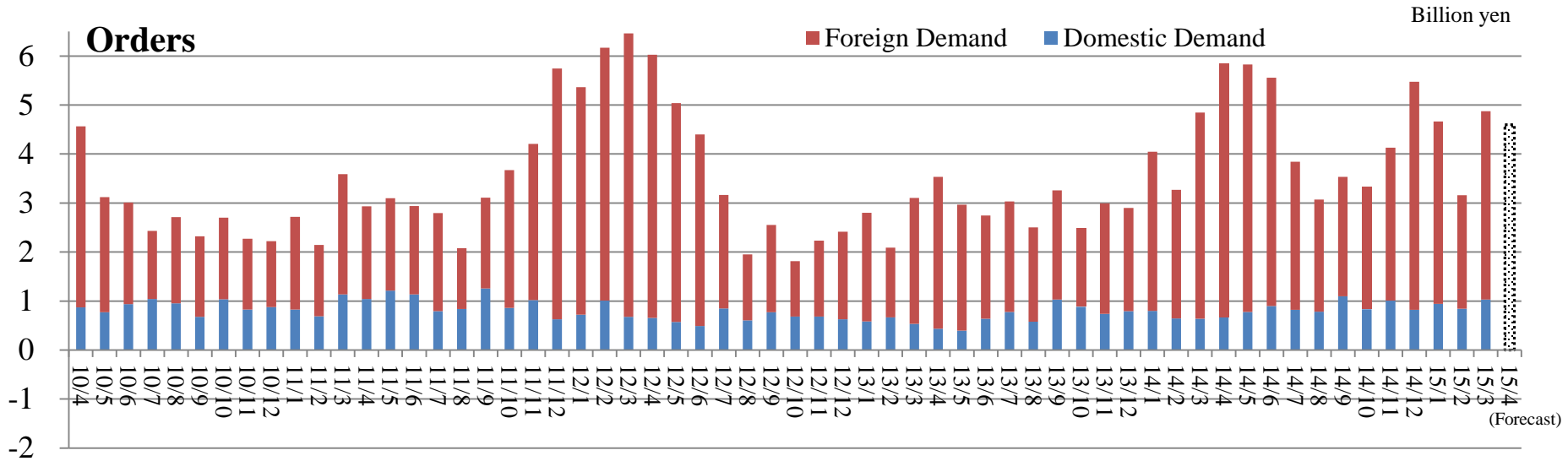
Outlook for FY2016/3

- Moderate recovery is expected in Japan, China and other markets, and the European and the US markets are expected to remain firm.
- Recovery in auto parts-related demand is anticipated. Turret lathes will also contribute to improvement in business performance.
- Since the Q3 of FY2015/3, there has been demand from local smartphone manufacturers, especially in the Chinese market.

Billion yen

	FY2015/3 (2014/4 - 2015/3)			FY2016/3 (2015/4 - 2016/3) forecasts			
	1H	2H	Full-year	1H	2H	Full-year	Year-on-Year
Net sales	29.7	24.4	54.1	26.0	28.0	54.0	-0.1
Operating income	4.8	2.5	7.3	3.6	3.9	7.5	+0.2
(Operating income margin)	(16.0%)	(10.2%)	(13.4%)	(13.8%)	(13.9%)	(13.9%)	(+0.5%)
Ordinary income	4.9	2.8	7.7	3.4	3.6	7.0	-0.7
(Ordinary income margin)	(16.4%)	(11.7%)	(14.3%)	(13.1%)	(12.9%)	(13.0%)	(-1.3%)
Net income	3.4	1.9	5.3	2.3	2.5	4.8	-0.5
(Net income margin)	(11.5%)	(7.7%)	(9.8%)	(8.8%)	(8.9%)	(8.9%)	(-0.9%)
Net income per share	47.2 yen	27.2 yen	74.4 yen	33.6 yen	36.7 yen	70.3 yen	-4.1 yen

(2) Orders Received and Order Backlogs



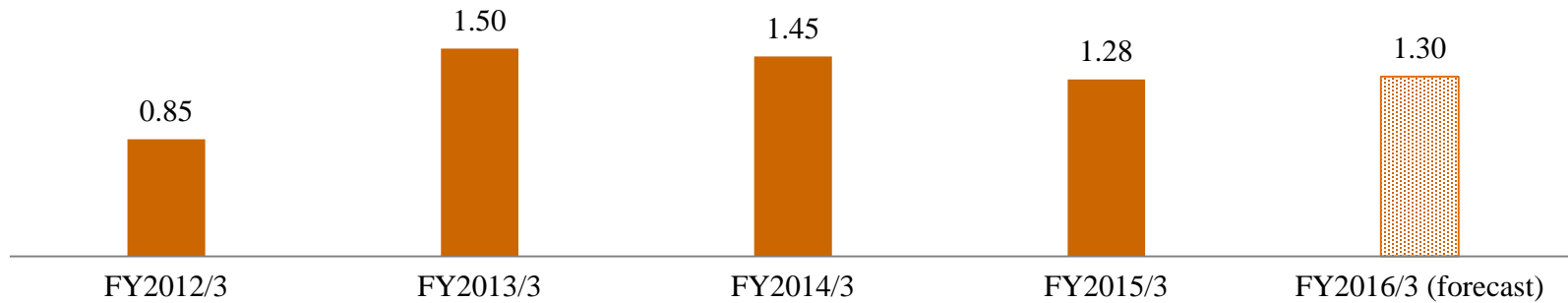
(3) New Products

		Orders start	Main target
Released in FY2015/3	Automatic lathes B0203/B0204/B0205/B0206-III, B0123/124/125/126-III, B073/74/75-III	4Q of FY2015/3	IT, Automobile small sized parts and Others
	Automatic lathes B0208W, C300-IV, C300H	3Q of FY2015/3	IT, Automobile small sized parts and Others
	Turning center TMA8J, TMA8H	3Q of FY2015/3	Automobile parts and Others
Scheduled for release in FY2016/3	Automatic lathes B0165	2Q of FY2016/3	IT, Automobile small sized parts and Others
	Automatic lathes M06/08J-II, M06/08D-II, M06/08SD-II, M06/08SY-II	2Q of FY2016/3	Automobile parts and Others
	Automatic lathes BW209Z	3Q of FY2016/3	IT, Automobile small sized parts and Others
	Turning center TMA8JC, TMA8H-5AX	3Q of FY2016/3	IT, Automobile parts and Others

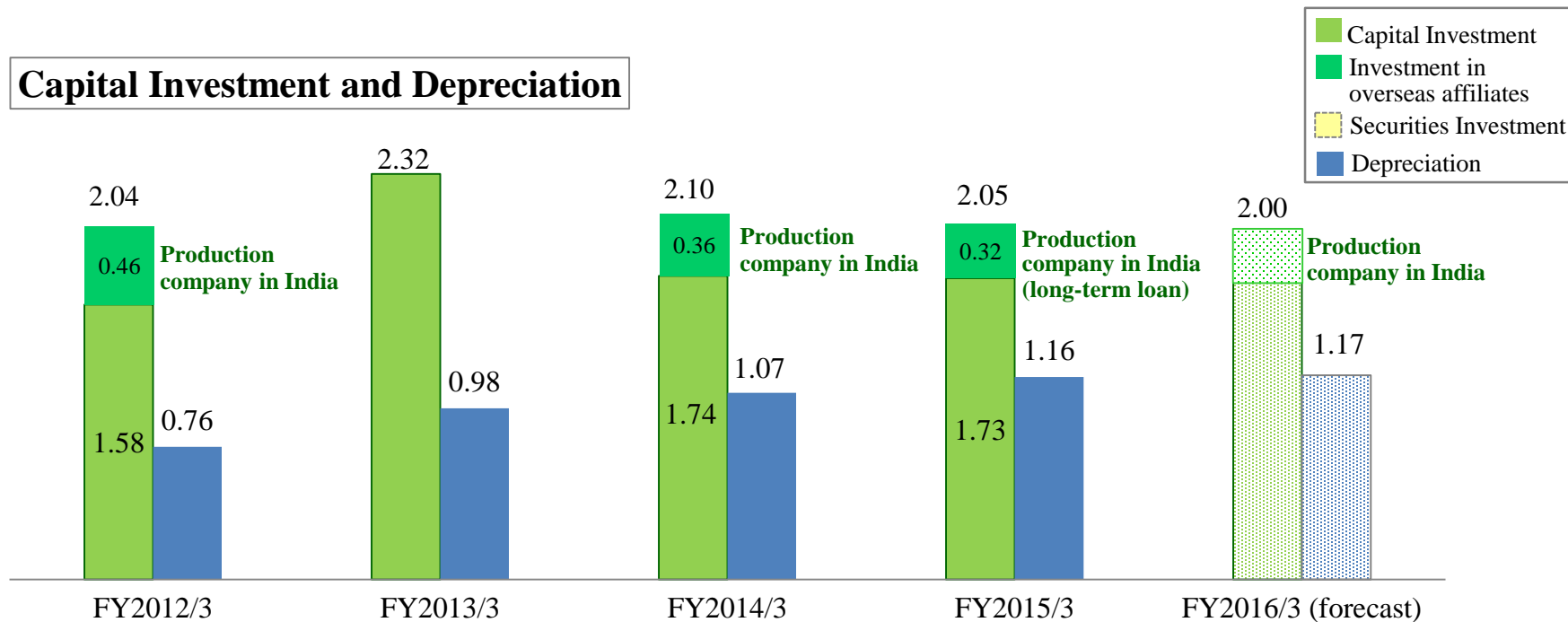
(4) R&D Expenditures, Capital Investment and Depreciation

Billion yen

R&D Expenditures

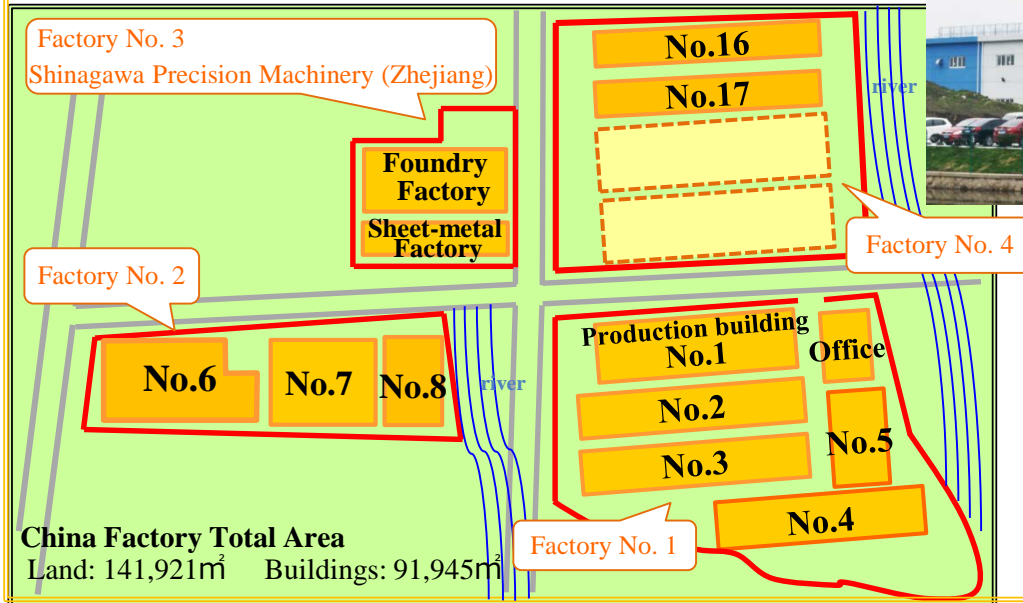


Capital Investment and Depreciation



Factories in China and India

【 China Factory 】



3. Business Strategies and Capital Policy

(1) Business Strategies

■ Product development strategy

➤ Launching new products in growth fields

Enhance the main products and accelerate launches of new products

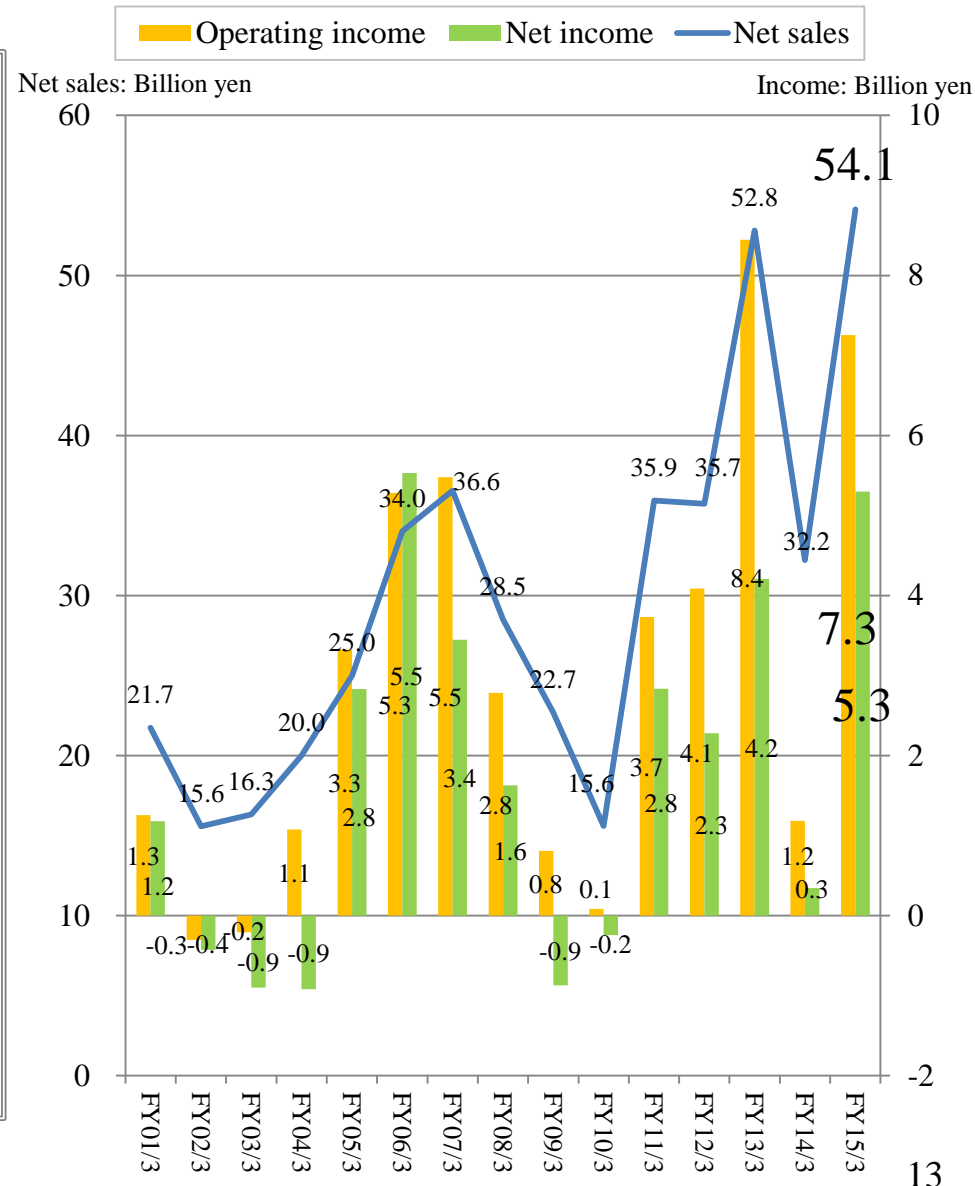
- for IT and Electronic components: Continuing to focus on core markets
- for Automobile parts: Increasing sales level based on its stable demand
- for Complicated parts (Medical equipment, Aircraft components etc.)
- Other new products

■ Regional strategy

➤ Business strategy targeting growing areas

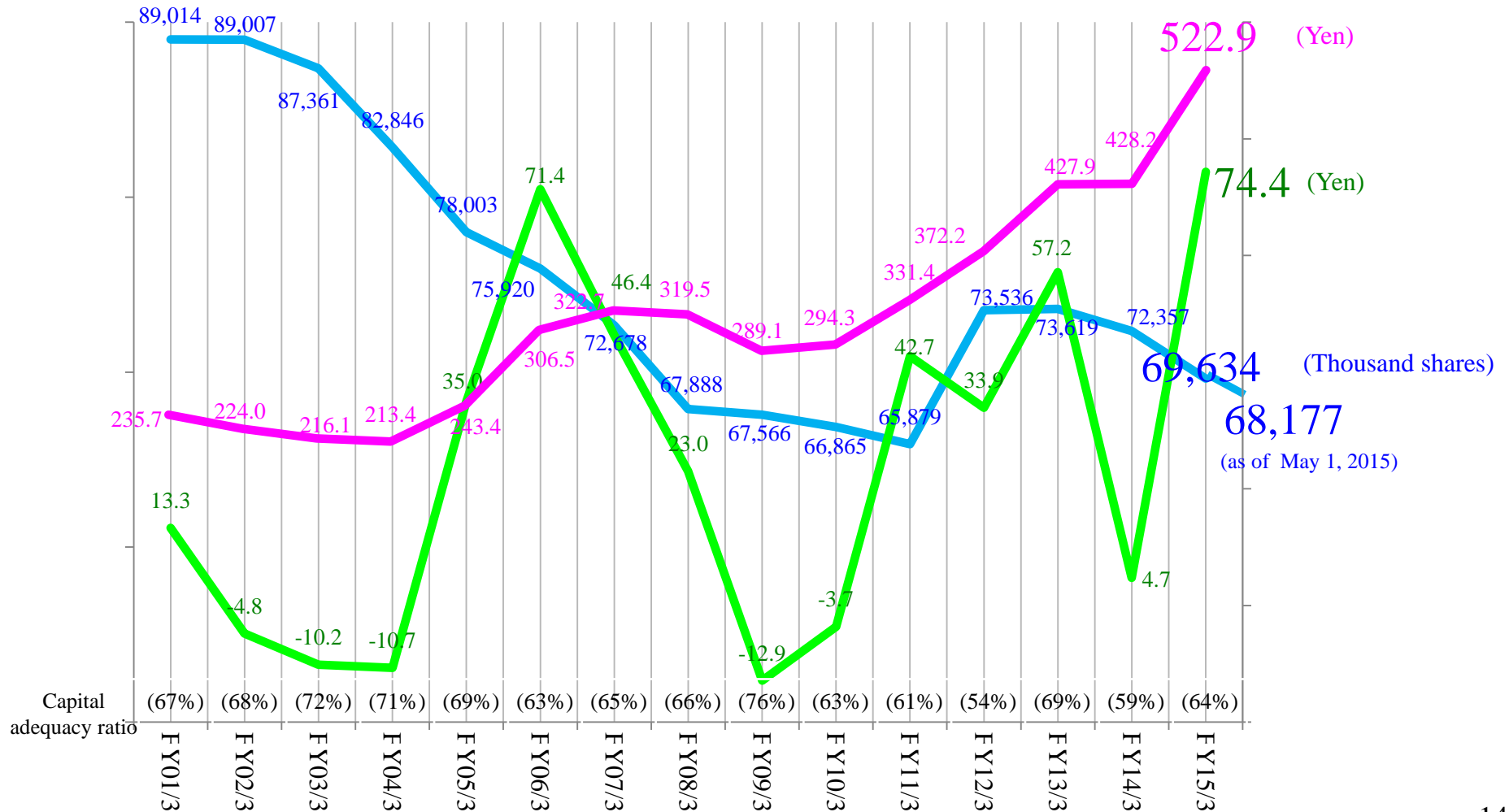
Enhance production and sales in global markets

- Expanding the production categories of machinery manufactured and further strengthening production efficiency in China.
- Raising volume production and Reinforcement of sales system in India: Developing markets with TSUGAMI India
- Strengthening sales capabilities in Europe:
Increasing sales and service staff at TSUGAMI EUROPE GmbH



(2) Capital Policy

- BPS (Book-value per share)
- Numbers of outstanding shares (excluding treasury stock)
- EPS (Earnings per share)



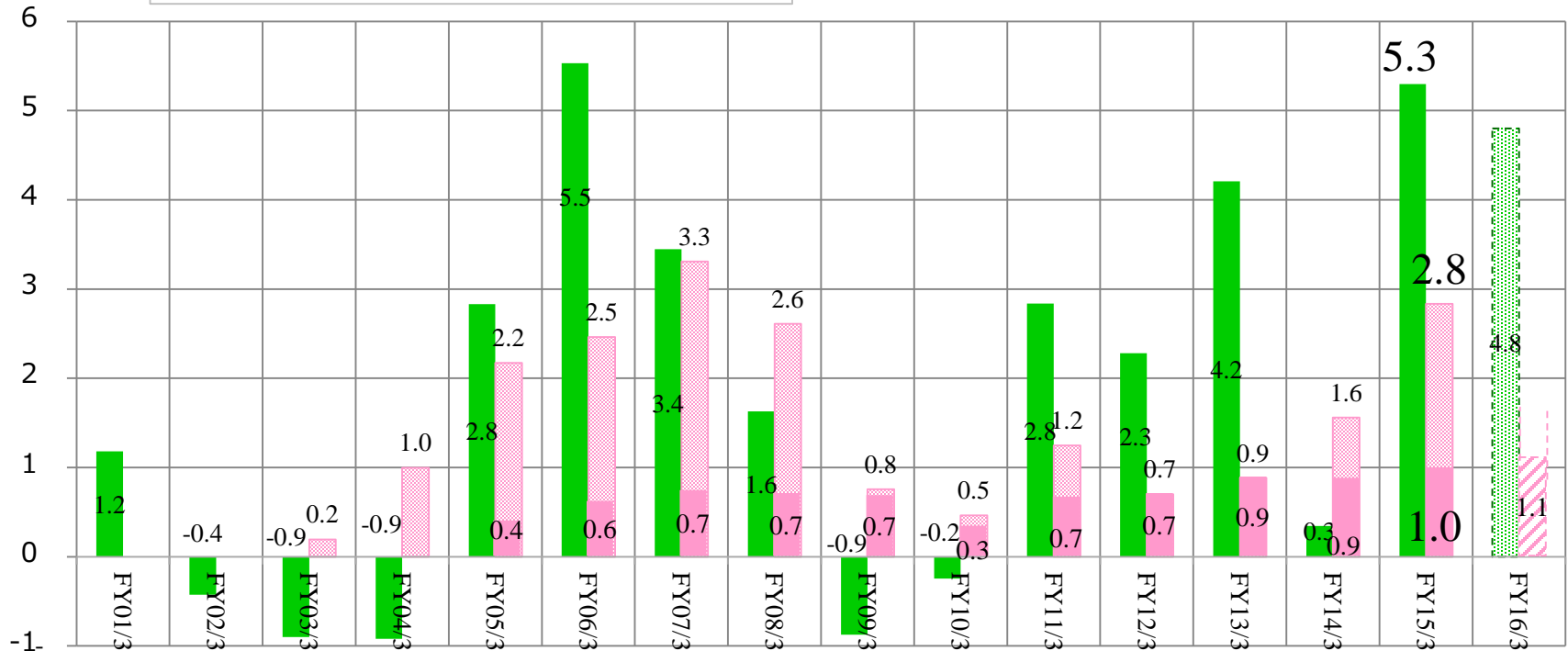
(3) Shareholder Returns

Billion yen

	FY01/3	FY02/3	FY03/3	FY04/3	FY05/3	FY06/3	FY07/3	FY08/3	FY09/3	FY10/3	FY11/3	FY12/3	FY13/3	FY14/3	FY15/3	FY16/3 (forecast)
Dividends paid (Full-year per share)	0 (0 yen)	0 (0 yen)	0 (0 yen)	0 (0 yen)	0.4 (5 yen)	0.6 (8 yen)	0.7 (10 yen)	0.7 (10 yen)	0.7 (10 yen)	0.3 (5 yen)	0.7 (10 yen)	0.7 (10 yen)	0.9 (12 yen)	0.9 (12 yen)	1.0 (14 yen)	1.1 (16 yen)
Purchase of treasury stock	0	0	0.2	1.0	1.8	1.9	2.6	1.9	0.1	0.1	0.6	0	0	0.7	1.8	
Total return	0	0	0.2	1.0	2.2	2.5	3.3	2.6	0.8	0.4	1.3	0.7	0.9	1.6	2.8	
Dividend payout ratio	--	--	--	--	14.1%	11.2%	21.6%	43.4%	--	--	23.4%	29.5%	21.0%	254.2%	18.8%	23.2%
Total return ratio	0.0%	0.0%	--	--	76.7%	44.5%	95.9%	160.2%	--	--	44.0%	30.6%	21.0%	453.5%	53.5%	--

Billion yen

■ Net income ■ Total return ratio (■ Dividends paid)



(forecast)

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.