

Summary of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2016

January 29, 2016

TSUGAMI CORPORATION

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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 nine months of the fiscal year ending March 31, 2016

(From April 1, 2015 to December 31, 2015)

(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 attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine months of the fiscal year ending March 31, 2016	30,849	-26.5	1,759	-71.2	1,058	-84.3	814	-82.3
First nine months of the fiscal year ended March 31, 2015	41,950	77.4	6,104	631.8	6,744	231.1	4,596	250.6

(Note): Comprehensive income: First nine months of the fiscal year ending March 31, 2016: 31 million yen (-99.5%)

First nine months of the fiscal year ended March 31, 2015: 6,380 million yen (141.3%)

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
First nine months of the fiscal year ending March 31, 2016	12.09	11.82
First nine months of the fiscal year ended March 31, 2015	64.09	62.93

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
First nine months of the fiscal year ending March 31, 2016	51,960	34,101	64.0	496.79
Fiscal year ended March 31, 2015	56,829	37,279	64.1	522.94

(Reference): Shareholders' equity: First nine months of the fiscal year ending March 31, 2016: 33,229 million yen

Fiscal year ended March 31, 2015: 36,414 million yen

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, 2015	--	6.00	--	8.00	14.00
Fiscal year ending March 31, 2016	--	8.00	--		
Fiscal year ending March 31, 2016 (forecast)				8.00	16.00

(Note) Revision of dividend forecasts for the quarter under review: none

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2016

(From April 1, 2015 to March 31, 2016)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	42,000	-22.4	3,000	-58.6	2,500	-67.7	1,800	-66.0	26.75

(Note) Revision of consolidated business performance forecasts for the quarter under review: none

*Notes

(1) Important changes in subsidiaries during the first nine months 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: yes

(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):

Q3 of FY2015	74,919,379 shares	FY2014	74,919,379 shares
Q3 of FY2015	8,030,514 shares	FY2014	5,285,426 shares
Q3 of FY2015	67,411,447 shares	Q3 of FY2014	71,718,728 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 "Information Relating to Consolidated Business Performance Forecasts" on page 2 of the accompanying documents of this summary of financial results for the first nine months.

Accompanying Documents

Contents

1. Qualitative Information Relating to Consolidated Results, Etc	2
(1) Information Relating to Consolidated Operating Results	2
(2) Information Relating to the Consolidated Financial Position	2
(3) Information Relating to Consolidated Business Performance Forecasts	2
2. Summary information (notes)	3
Changes in accounting policy and in accounting estimates, and restatements	3
3. Consolidated Financial Statements	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Comprehensive Income	6
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	7
(3) Consolidated Statements of Cash Flows	8
(4) Notes relating to the Consolidated Financial Statements	9
Notes relating to the going concern assumption	9
Notes for cases where shareholders' equity underwent a major change in value	9
Segment information	9
4. Supplementary Information	11
(1) Overseas net sales	11
(2) Net sales by machinery category	11

1. Qualitative Information Relating to Consolidated Results, Etc.

(1) Information Relating to Consolidated Operating Results

During the first nine months under review, the Japanese economy remained on a modest recovery path, with corporate earnings and employment improving. However, uncertainty about the future of the economy remains due to a slowdown in Chinese economic growth, an interest rate hike in the United States and a fall in the oil price, among other factors.

In the machine tool industry, the domestic market has recently shown signs of stagnation despite the strong performance of capital expenditure owing to improved corporate earnings. In addition, uncertainty about the future of the overseas market is rising due to the effects of a slowdown in the Chinese economy on global capital expenditure.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") promoted sales in the IT industry and a wide range of other industries. However, both net sales and income declined from a year ago, reflecting a reactionary fall in demand for smartphones compared with the same period of the previous fiscal year and the effect of a slowdown in the Chinese market.

Net sales, operating income, and ordinary income for the first nine months were 30,849 million yen (decreased 26.5% year on year), 1,759 million yen (decreased 71.2% year on year), and 1,058 million yen (decreased 84.3% year on year), respectively. Net income attributable to owners of the parent was 814 million yen (decreased 82.3% year on year).

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 51,960 million yen at the end of the first nine months under review, decreasing 4,868 million yen from the end of the previous fiscal year. The decrease resulted primarily from decreases of 1,418 million yen in cash and deposit, 1,594 million yen in trade notes and accounts receivable and 868 million yen in inventories.

Liabilities came to 17,858 million yen, down 1,691 million yen from the end of the previous fiscal year. The result was mainly attributable to an increase of 1,303 million yen in short-term loans payable offsetting 2,173 million yen decrease in trade notes and accounts payable and a 486 million yen decrease in income taxes payable.

Net assets stood at 34,101 million yen at the end of the first nine months under review, decreasing 3,177 million yen from the end of the previous fiscal year. The decline mainly reflected a 2,102 million yen decrease in treasury shares, 1,092 million yen in dividends paid and a 541 million yen decrease in foreign currency translation adjustment despite an increase of 814 million yen in net income attributable to owners of the parent.

As a result of the changes stated above, the capital adequacy ratio came to 64.0%, declining 0.1 percentage points from the end of the previous fiscal year.

(ii) State of cash flows during the half under review

Cash and cash equivalents amounted to 3,595 million yen at the end of the first nine months under review, decreasing 1,356 million yen from the end of the previous fiscal year. A description of each cash flow during the first nine months was as follows:

(Cash flows from operating activities)

Cash provided by operating activities was 1,515 million yen.

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 1,095 million yen, depreciation and amortization expenses of 845 million yen and a 1,467 million yen decrease in trade notes and accounts receivable, which offset decreases in cash, including a 1,944 million yen decrease in trade notes and accounts payable and 891 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 954 million yen.

The cash outflow was primarily attributable to decrease in cash that resulted from a 354 million yen outlay for the purchase of property, plant and equipment, 300 million yen for the purchase of investment securities and 333 million yen for the payments of long-term loans to Indian production subsidiary.

(Cash flows from financing activities)

Cash used for financing activities was 1,853 million yen.

The cash outflow resulted mainly from decreases in cash, 2,241 million yen spent on the purchase of treasury shares and dividends paid of 1,092 million yen, which offset an increase in short-term loans payable of 1,451 million yen.

(3) Information Relating to Consolidated Business Performance Forecasts

The consolidated business performance forecasts for the fiscal year ending March 31, 2016 are described in the Notice of Revisions to Business Performance Forecasts published on November 12, 2015.

We plan to pay annual dividends of 16 yen per share according to our initial plan, including interim dividends of 8 yen per share and year-end dividends of 8 yen per share, for the fiscal year ending March 31, 2016.

2. Summary information (notes)

Changes in accounting policy and in accounting estimates, and restatements

Changes in accounting policy

(Application of Accounting Standard for Business Combinations)

From the First nine months under review, the Company is applying the Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013). Under the newly-applied accounting standards, the Company shall post a gain or loss on change in the Company's equity in subsidiaries that the Company continues to control in capital surplus and shall post expenses related to acquisitions as expenses in a consolidated fiscal year when they are incurred. Any review of the allocation of the acquisition cost in provisional accounting of a business combination from the beginning of the first nine months under review shall be reflected in consolidated financial statements for the half in which the date of the business combination belongs. The presentation of net income etc. has also been changed. To reflect the change in presentation, the consolidated financial statements for the first nine months of the previous fiscal year have been reorganized.

The application of the Accounting Standard for Business Combinations, etc. follows the transitional treatment set force in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and the accounting standards are applied from the beginning of the first nine months under review.

The application of the accounting standards has no impact on the Group's earnings.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2015)	Figures at the end of the consolidated first nine months under review (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	5,175	3,756
Trade notes and accounts receivable	7,054	5,460
Merchandise and finished goods	8,264	9,424
Work in process	5,684	4,506
Raw materials and supplies	8,750	7,900
Consumption taxes receivable	1,017	688
Deferred tax assets	443	531
Other	513	261
Allowance for doubtful accounts	-43	-49
Total current assets	36,861	32,479
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,396	6,021
Machinery, equipment and vehicles, net	4,171	3,735
Land	564	564
Leased assets, net	27	21
Construction in progress	3	153
Other, net	287	264
Total property, plant and equipment	11,451	10,761
Intangible assets	756	715
Investments and other assets		
Investment securities	6,148	6,111
Shares of subsidiaries and associates	11	11
Investments in capital of subsidiaries and associates	1,131	1,109
Long-term loans receivable	316	624
Deferred tax assets	1	2
Other	149	145
Total investments and other assets	7,759	8,005
Total non-current assets	19,967	19,481
Deferred assets	0	--
Total assets	56,829	51,960

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2015)	Figures at the end of the consolidated first nine months under review (As of December 31, 2015)
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,276	6,102
Short-term loans payable	6,855	8,158
Income taxes payable	616	129
Provision for bonuses	227	171
Provision for product warranties	448	367
Other	1,427	1,463
Total current liabilities	17,851	16,392
Non-current liabilities		
Deferred tax liabilities	1,084	945
Provision for directors' retirement benefits	18	21
Net defined benefit liability	535	446
Other	58	52
Total non-current liabilities	1,698	1,465
Total liabilities	19,550	17,858
Net assets		
Shareholders' equity		
Capital stock	12,345	12,345
Capital surplus	5,889	5,884
Retained earnings	15,963	15,671
Treasury shares	-2,738	-4,841
Total shareholders' equity	31,460	29,059
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,798	2,551
Foreign currency translation adjustment	2,123	1,581
Remeasurements of defined benefit plans	32	37
Total accumulated other comprehensive income	4,953	4,170
Subscription rights to shares	865	872
Total net assets	37,279	34,101
Total liabilities and net assets	56,829	51,960

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2014 to December 31, 2014)	Consolidated first nine months under review (From April 1, 2015 to December 31, 2015)
Net sales	41,950	30,849
Cost of sales	30,613	23,626
Gross profit	11,336	7,222
Selling, general and administrative expenses		
Salaries and allowances	1,171	1,274
Provision of allowance for doubtful accounts	--	7
Provision for bonuses	38	48
Retirement benefit expenses	60	38
Provision for directors' retirement benefits	3	3
Research and development expenses	953	876
Insurance expenses	134	142
Provision for product warranties	301	349
Other	2,568	2,722
Total selling, general and administrative expenses	5,232	5,463
Operating income	6,104	1,759
Non-operating income		
Interest income	15	16
Dividend income	84	147
Foreign exchange gains	1,123	--
Reversal of allowance for doubtful accounts	27	--
Insurance income	24	43
Other	75	71
Total non-operating income	1,350	278
Non-operating expenses		
Interest expenses	212	204
Loss on sales of notes payable	97	117
Foreign exchange losses	--	523
Payment fee	288	55
Other	110	77
Total non-operating expenses	709	979
Ordinary income	6,744	1,058
Extraordinary income		
Gain on sales of non-current assets	20	4
Gain on sales of investments securities	2	2
Gain on reversal of subscription rights to shares	--	49
Subsidy income	--	9
Total extraordinary income	22	66
Extraordinary losses		
Loss on retirement of non-current assets	14	1
Loss on sales of non-current assets	31	6
Loss on valuation of investments in capital of subsidiaries and associates	--	21
Impairment loss	60	--
Loss on liquidation of business	16	--
Total extraordinary losses	124	29
Income before taxes and other adjustments	6,642	1,095
Corporate, inhabitant and enterprise taxes	1,751	421
Deferred taxes	294	-141
Total corporate and other taxes	2,046	280
Net income	4,596	814
Net income attributable to non-controlling interests	--	--
Net income attributable to owners of parent	4,596	814

(Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2014 to December 31, 2014)	Consolidated first nine months under review (From April 1, 2015 to December 31, 2015)
Net income	4,596	814
Other comprehensive income		
Valuation difference on available-for-sale securities	729	-246
Foreign currency translation adjustment	987	-541
Remeasurements of defined benefit plans, net of tax	67	4
Total other comprehensive income	1,783	-783
Comprehensive income	6,380	31
(Breakdown)		
Comprehensive income attributable to owners of parent	6,380	31
Comprehensive income attributable to non-controlling interests	--	--

(3) Consolidated Statements of Cash Flows

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2014 to December 31, 2014)	Consolidated first nine months under review (From April 1, 2015 to December 31, 2015)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	6,642	1,095
Depreciation and amortization	853	845
Loss on valuation of investments in capital of subsidiaries and associates	--	21
Gain on reversal of subscription rights to shares	--	-49
Share-based compensation expenses	237	136
Subsidy income	--	-9
Impairment loss	60	--
Increase (decrease) in allowance for doubtful accounts	-49	7
Increase (decrease) in provision for bonuses	-66	-56
Increase (decrease) in provision for product warranties	39	-67
Increase (decrease) in net defined benefit liability	-91	-89
Interest and dividend income	-99	-163
Interest expenses	212	204
Loss on retirement of non-current assets	14	1
Loss (gain) on sales of non-current assets	11	1
Loss (gain) on sales of investment securities	-2	-2
Foreign exchange losses (gains)	-471	228
Decrease (increase) in trade notes and accounts receivable	714	1,467
Decrease (increase) in inventories	-277	72
Decrease (increase) in advance payments	169	107
Increase (decrease) in trade notes and accounts payable	-3,901	-1,944
Increase (decrease) in advances received	476	-12
Decrease (increase) in consumption taxes refund receivable	233	329
Other	289	313
Subtotal	4,996	2,437
Interest and dividend income received	86	139
Interest expenses paid	-230	-180
Proceeds from subsidy	--	9
Corporate and other taxes paid	-2,107	-891
Cash flows from operating activities	2,745	1,515
Cash flows from investing activities		
Payments into time deposits	-253	-360
Proceeds from withdrawal of time deposits	89	413
Purchase of property, plant and equipment	-1,010	-354
Proceeds from sales of property, plant and equipment	30	9
Purchase of intangible assets	-431	-34
Purchase of investment securities	-1	-300
Proceeds from sales of investment securities	2	2
Payments of long-term loans receivable	-315	-333
Other	-3	4
Cash flows from investing activities	-1,894	-954
Cash flows from financing activities		
Increase in short-term loans payable	5,956	3,112
Decrease in short-term loans payable	-6,092	-1,661
Proceeds from sales of treasury shares	59	35
Purchase of treasury shares	-1,453	-2,241
Cash dividends paid	-866	-1,092
Repayments of lease obligations	-9	-6
Cash flows from financing activities	-2,406	-1,853
Effect of exchange rate change on cash and cash equivalents	-11	-64
Net increase (decrease) in cash and cash equivalents	-1,566	-1,356
Cash and cash equivalents at the beginning of the term	6,044	4,952
Cash and cash equivalents at the end of the term	4,478	3,595

(4) Notes relating to the Consolidated Financial Statements

Notes relating to the going concern assumption
No corresponding item exists.

Notes for cases where shareholders' equity underwent a major change in value
No corresponding item exists.

Segment information

I. Consolidated first nine months previous year (From April 1, 2014 to December 31, 2014)

1. Information relating to net sales, income or loss by reportable segment. (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	17,211	23,825	913	41,950
Intersegment net sales or transfer to other accounts	9,430	7,816	40	17,286
Total	26,641	31,641	954	59,237
Segment income	945	5,256	29	6,230

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	6,230
Elimination of unrealized income and others	-126
Operating income in quarterly consolidated statements of income	6,104

3. Information relating to impairment loss on non-current assets or goodwill, etc.

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	60	--	--	--	60

II. Consolidated first nine months under review (From April 1, 2015 to December 31, 2015)

1. Information relating to net sales, income or loss by reportable segment (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	18,626	10,836	1,386	30,849
Intersegment net sales or transfer to other accounts	5,990	9,146	35	15,171
Total	24,616	19,982	1,422	46,021
Segment income	185	1,364	161	1,711

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	1,711
Elimination of unrealized income and others	48
Operating income in quarterly consolidated statements of income	1,759

3. Information relating to impairment loss on non-current assets or goodwill, etc.

No corresponding item exists.

4. Supplementary Information

(1) Overseas net sales

Consolidated first nine months under review (From April 1, 2015 to December 31, 2015) (Million yen)

	Asia	America	Europe	Total
I Overseas net sales	17,119	2,835	2,591	22,546
II Consolidated net sales				30,849
III Ratio of overseas net sales to consolidated net sales (%)	55.5	9.2	8.4	73.1

(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, the Philippines and India

(2) America....the United States and Mexico

(3) Europe.....Switzerland, Germany, France and Italy

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 nine months previous year (From April 1, 2014 to December 31, 2014)		Consolidated first nine months under review (From April 1, 2015 to December 31, 2015)		Year-on-year change	
		%		%		%
Automatic lathes	35,972	85.7	24,164	78.3	-11,808	-32.8
Grinding machines	2,331	5.6	3,347	10.9	1,016	43.6
Machining centers	1,434	3.4	415	1.4	-1,018	-71.0
Rolling machines and specialized machines.	1,976	4.7	2,728	8.8	751	38.0
Other	235	0.6	193	0.6	-41	-17.7
Total	41,950	100.0	30,849	100.0	-11,100	-26.5
(Overseas net sales)	(35,332)	(84.2)	(22,546)	(73.1)	(-12,786)	(-36.2)