

Briefing on Financial Statements for the First Half of the Year Ending March 2017



November 11, 2016

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1. Business performance for the First Half of the Year Ending March 31, 2017	P. 2 - 7
(1) Business Results	
(2) Sales situation breakdown	
(3) Net Sales by Business Segment	
(4) Net Sales by Geographic Segment	
(5) Balance Sheets	
(6) Cash flows	
2. Business Conditions and Outlook	P. 8 - 11
(1) Outlook for Fiscal Year Ending March 31, 2017	
(2) New Products	
(3) R&D Expenditures, Capital Investment and Depreciation	
Production system	
3. Shareholder Returns	P. 12 - 13
(1) Shareholder Returns	
(2) Acquisition of Treasury Stock	
4. Reference	P. 14 - 16
Net Sales by Machinery Category	
Orders Received and Order Backlogs	
Factories in China and India	

1. Business performance for the First Half of the Year Ending March 31, 2017

(1) Business Results

Overview of First half of FY2017/3

[Net sales] -2.7bn yen (-13%) YoY; -1.6bn yen (-8%) vs. Initial forecast

Weak recovery in Japan, Europe, U.S. and Asia.

Net sales of the subsidiary in China were 1.6bn short due to the strong yen against the RMB in the consolidated accounting.

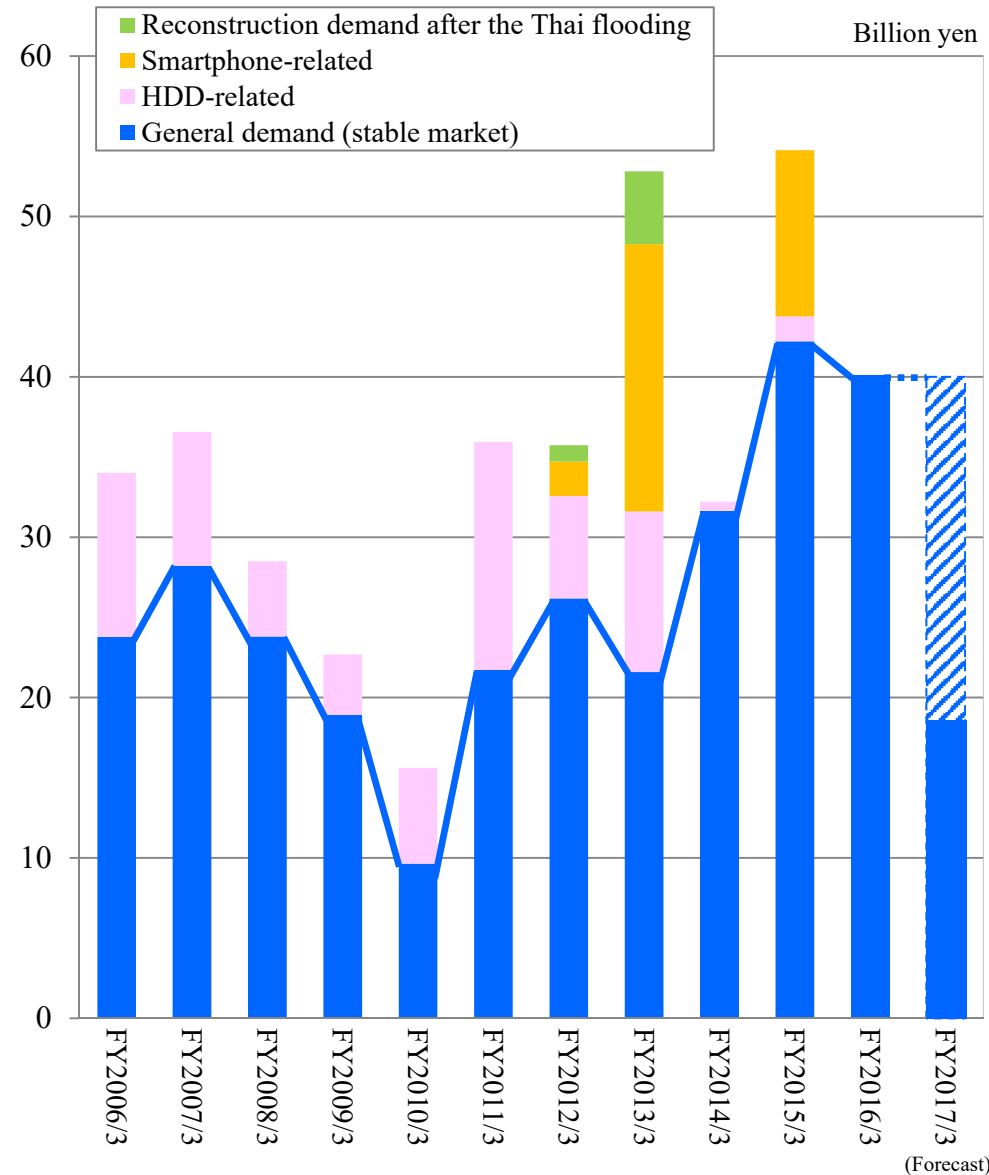
[Net income] +51mn yen (+7%) YoY; -0.2bn yen (-19%) vs. Initial forecast

Due to the end of production adjustment and the appreciation of the yen against the RMB, the cost rate improved. Foreign exchange loss is 0.3bn yen.

Billion yen

	FY2016/3 (2015/4 - 2016/3)			1H of FY2017/3 (2016/4 - 2016/9)			
	1H	2H	Full-year	1H	Year-on-Year	Initial forecasts	Difference from initial forecasts
Net sales	21.1	19.0	40.1	18.4	-2.7	20.0	-1.6
Gross profit	5.2	3.8	9.0	4.6	-0.6	--	--
(Gross profit margin)	(24.7%)	(19.8%)	(22.3%)	(24.8%)	(+0.1%)	(--)	(--)
Operating income	1.3	0.8	2.1	1.5	+0.2	1.5	-0.0
(Operating income margin)	(6.2%)	(4.2%)	(5.3%)	(7.9%)	(+1.7%)	(7.5%)	(+0.4%)
Ordinary income	0.8	0.3	1.1	1.1	+0.3	1.3	-0.2
(Ordinary income margin)	(4.0%)	(1.3%)	(2.7%)	(5.7%)	(+1.7%)	(6.5%)	(-0.8%)
Net income	0.7	0.2	0.9	0.7	+0.0	0.9	-0.2
(Net income margin)	(3.2%)	(1.0%)	(2.2%)	(4.0%)	(+0.8%)	(4.5%)	(-0.5%)
Net income per share	10.1 yen	2.9 yen	13.0 yen	11.4 yen	+1.3 yen	13.8 yen	-2.4 yen

(2) Sales situation breakdown

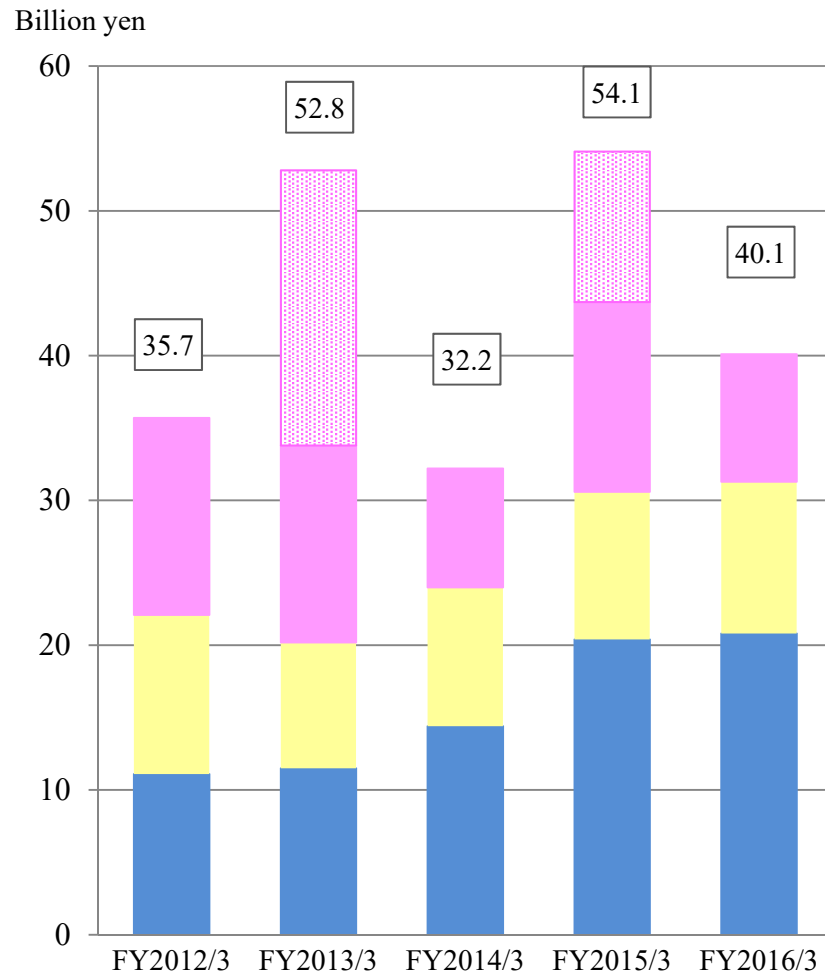


- Started to sell products for smartphones in FY2012/3.
 (Timing of future special demand is uncertain)
- HDD-related, demand is coming to a halt.
 [Reconstruction demand after the Thai flooding was in FY2012/3 and FY2013/3.]
- Launched new products for auto parts in the 3Q of FY2014/3 to boost sales.

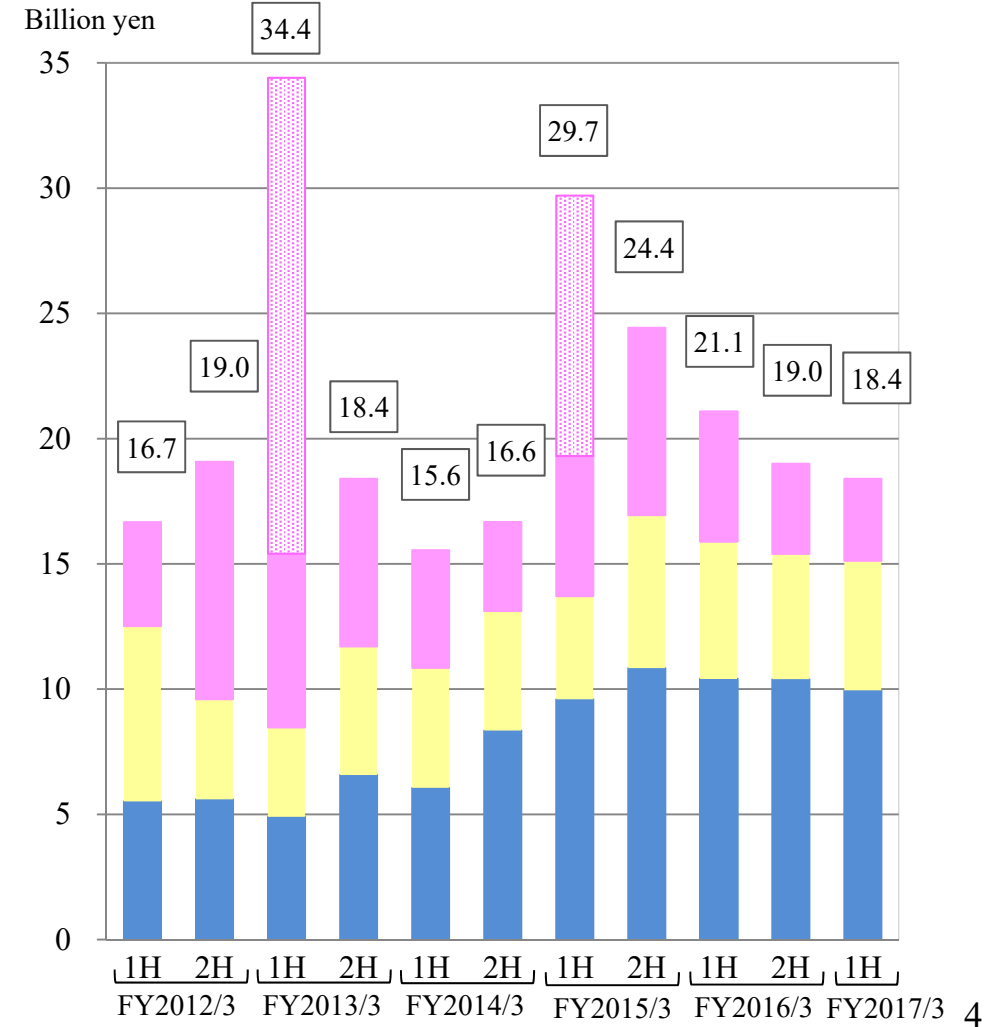
(3) Net Sales by Business Segment

- IT
- Other (hydraulic and pneumatic equipment, medical equipment and others)
- Automobile

Full-year



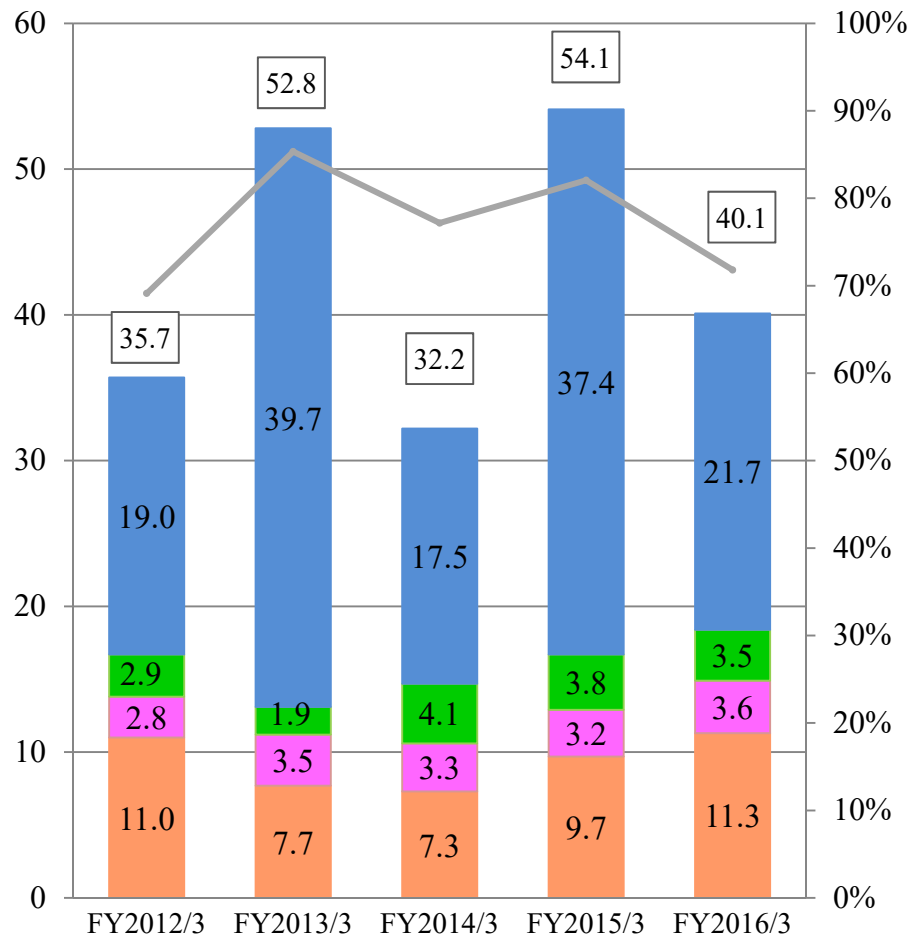
Six-month



(4) Net Sales by Geographic Segment

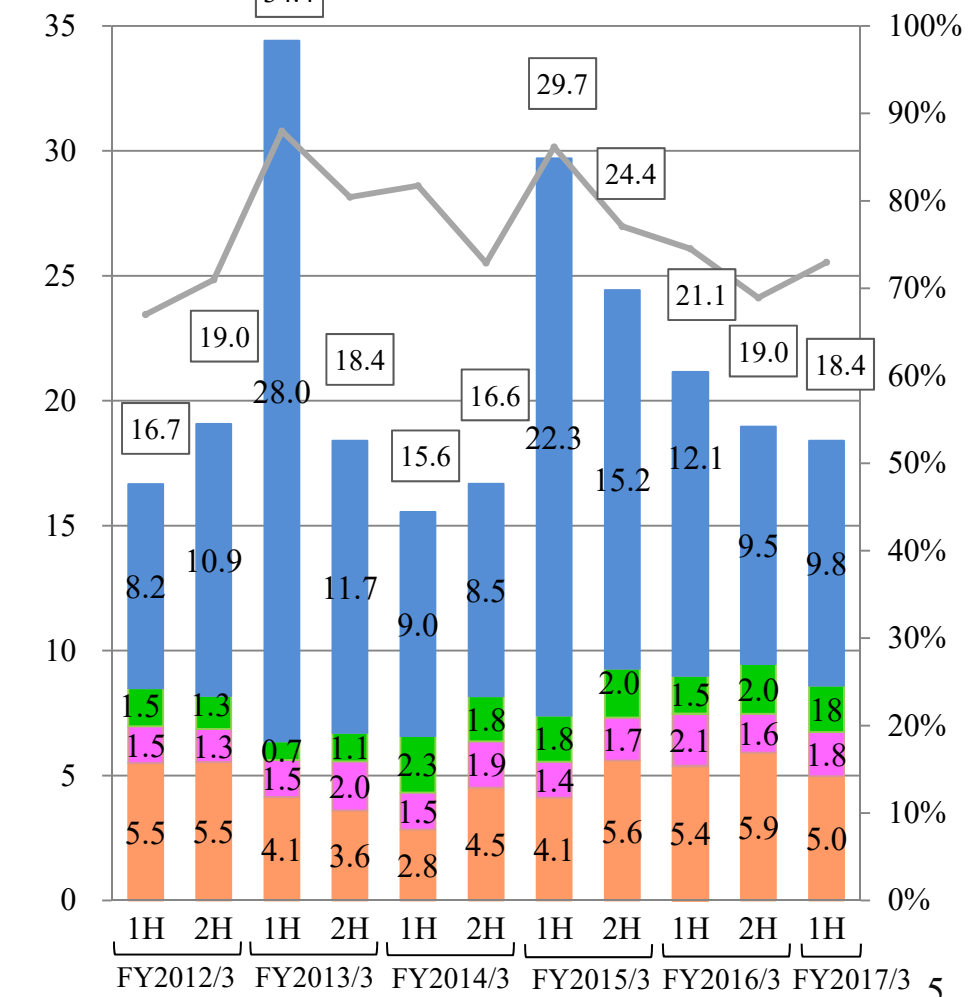
Full-year

Billion yen



Six-month

Billion yen



(5) Balance Sheets

					Billion yen
	2015/9E	2016/3E	2016/9E	Difference from 2016/3E	
Total assets	56.7	47.9	46.5	-1.4	Note 1
Current assets	37.7	30.7	30.3	-0.4	<u>Effect of exchange rate: -1.0</u>
Cash and deposits	4.2	4.7	6.0	+1.3	
Trade notes and accounts receivable	6.2	5.9	6.7	+0.8	Note 2
Inventories	25.6	18.3	16.5	Note 1 -1.8	<u>Capital investment in factories: + 0.2</u>
Deferred tax assets and others	1.7	1.8	1.1	-0.7	<u>Depreciation and others: - 0.6</u> <u>Effect of exchange rate: - 0.8</u>
Non-current assets	19.0	17.2	16.2	-1.0	
Property, plant and equipment	11.1	9.9	8.7	Note 2 -1.2	Note 3
Intangible assets	0.7	0.7	0.6	-0.1	The difference from C/F short-term loans payable (-1.5), -0.7, resulted from a foreign exchange difference associated with China yuan-denominated loans payable.
Investments and other assets	7.2	6.6	6.9	+0.3	
Total liabilities	22.5	15.3	16.6	+1.3	
Current liabilities	21.3	14.0	15.3	+1.3	
Trade notes and accounts payable	10.4	5.9	9.1	+3.2	Note 4
Short-term loans payable	8.4	6.1	3.9	Note 3 -2.2	<u>Purchase: -2</u> <u>Retirement: +5.4 (10,000 thousand shares on August 10, 2016)</u> <u>(Capital surplus: -5.4)</u> <u>Disposal: +0.1</u>
Accrued income tax and others	2.5	2.0	2.3	+0.3	
Non-current liabilities	1.2	1.3	1.3	+0.0	
Total net assets	34.2	32.6	29.9	-2.7	
Common stock, Capital surplus	18.2	18.2	12.8	Note 4 -5.4	
Retained earnings	16.1	15.7	15.8	+0.1	
Treasury shares	-4.8	-4.8	-1.3	Note 4 +3.5	
Valuation difference on available-for-sale securities	1.9	1.8	2.1	+0.3	
Foreign currency translation adjustment and others	2.8	1.7	0.5	-1.2	
(Capital adequacy ratio)	(58.8%)	(66.2%)	(62.4%)	(-3.8%)	

(6) Cash flows

Billion yen

	FY2015 1H (2015/4 - 2015/9)	FY2015 2H (2015/10 - 2016/3)	FY2016 1H (2016/4 - 2016/9)	
Cash flows from operating activities	1.3	2.9	5.4	Note 1
Income before taxes, depreciation and amortization	1.5	0.8	Note 1 1.5	<u>Income before taxes:</u> 1.07 <u>Depreciation and amortization:</u> 0.47
Gross working capital	0.4	2.1	Note 2 4.0	Note 2
Corporate and other taxes	-0.6	0.0	-0.1	<u>Notes and accounts receivable:</u> 1.02 <u>Notes and accounts payable:</u> 3.56 <u>Inventories:</u> 0.56 <u>Other current assets:</u> 0.89
Cash flows from investing activities	-0.9	0.0	0.0	
Capital investment in factories	-0.3	-0.1	Note 3 -0.1	Note 3
Indian subsidiary	-0.3	0.0	0.0	<u>Production machines in China:</u> -0.06 <u>Production machines in Japan:</u> -0.04
Deposits upon sales of non-operating factory	--	--	Note 4 0.1	
Purchase of investment securities and others	-0.3	0.1	0.0	Note 4
Cash flows from financing activities	-1.3	-2.2	-4.0	<u>Shinshu factory:</u> 0.14
Short-term loans payable	1.5	-1.7	-1.5	
Dividends paid	-0.56	-0.54	-0.54	Note 5
Purchase of treasury shares	-2.2	0.0	Note 5 -0.20	<u>4,572 thousand shares purchased</u>
Effect of exchange rate change on cash and cash equivalents	-0.0	-0.1	-0.2	
Net increase (decrease) in cash and cash equivalents	-0.9	0.6	1.2	
Cash and cash equivalents at the end of the term	4.1	4.6	5.8	

2. Business Conditions and Outlook

(1) Outlook for Fiscal Year Ending March 31, 2017

Outlook for FY2017/3

- The Japanese, European, and U.S. markets will be unclear. (The Chinese market is expected to remain firm.)
- Special demand for products for smartphones is unknown and is not reflected in the forecast.

Billion yen

	Semi-annually				Full-year				
	FY2015 1H	FY2015 2H	FY2016 1H	FY2016 2H Revised forecasts	FY2015	FY2016 Revised forecasts	Year-on-year	FY2016 Initial forecasts	Difference from initial forecasts
Net sales	21.1	19.0	18.4	21.6	40.1	40.0	-0.1	43.0	-3.0
Operating income	1.3	0.8	1.5	2.0	2.1	3.5	+1.4	3.5	-0.0
(Operating income margin)	(6.2%)	(4.2%)	(7.9%)	(9.3%)	(5.3%)	(8.6%)	(+3.3%)	(8.1%)	(+0.5%)
Ordinary income	0.8	0.3	1.1	1.9	1.1	3.0	+1.9	3.2	-0.2
(Ordinary income margin)	(4.0%)	(1.3%)	(5.7%)	(9.0%)	(2.7%)	(7.5%)	(+4.8%)	(7.4%)	(+0.1%)
Net income	0.7	0.2	0.7	1.5	0.9	2.2	+1.3	2.3	-0.1
(Net income margin)	(3.2%)	(1.0%)	(4.0%)	(6.8%)	(2.2%)	(5.5%)	(+3.3%)	(5.3%)	(+0.2%)
Net income per share	10.1 yen	2.9 yen	11.4 yen	23.5 yen	13.0 yen	34.9 yen	+21.9 yen	35.4 yen	-0.5 yen

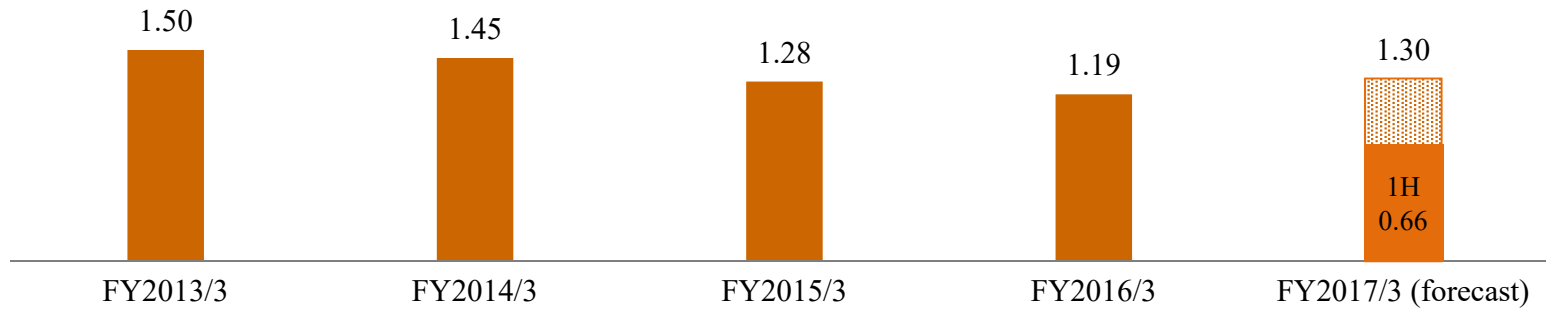
(2) New Products

		Orders start	Main target
Released in FY2016/3	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, TMA8F	3Q of FY2016/3	IT, Automobile parts and Others
Scheduled for release in FY2017/3	Automatic lathes B038M, SS38M-5AX	2Q of FY2017/3	IT, Automobile parts and Others
	Automatic lathes M06/08JL5-II	2Q of FY2017/3	Automobile parts and Others
	Automatic lathes B0386-III, M08DY-II	3Q of FY2017/3	IT, Automobile parts and Others
	Turning center TMA6JC	3Q of FY2017/3	IT, Automobile parts and Others
	Automatic lathes 3 models	4Q of FY2017/3	IT, Automobile parts and Others

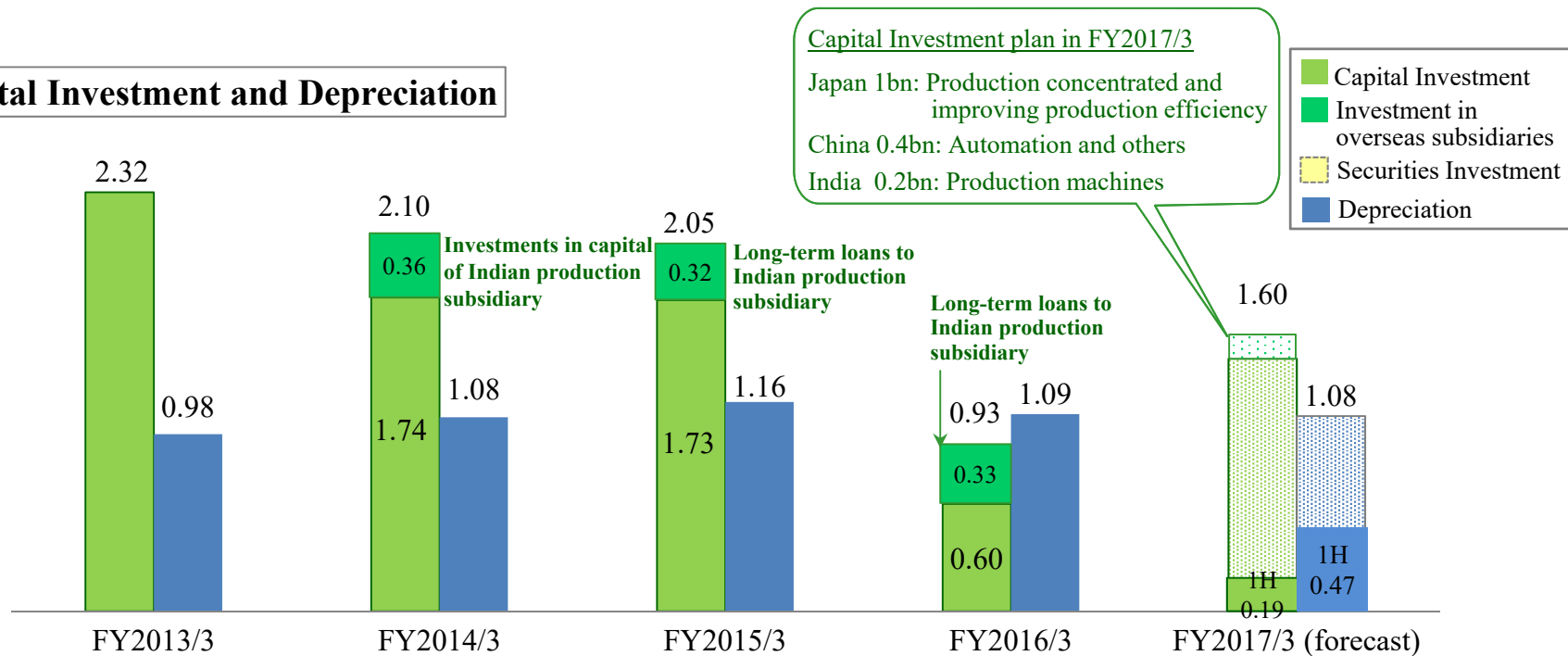
(3) R&D Expenditures, Capital Investment and Depreciation

R&D Expenditures

Billion yen



Capital Investment and Depreciation



Production system

Production concentrate in the Nagaoka factory in JAPAN (FY2017/3 Capital investment 1.0bn yen)

Halt the Niigata factory and Concentrate production and employees in the Nagaoka factory

→ Rebuild one Nagaoka factory, newly build one employee dormitory, increase parking lot and refurbish cafeteria equipment

Takami factory is used as a warehouse

(Suspended Shinshu factory is transferred)

3. Shareholder Returns

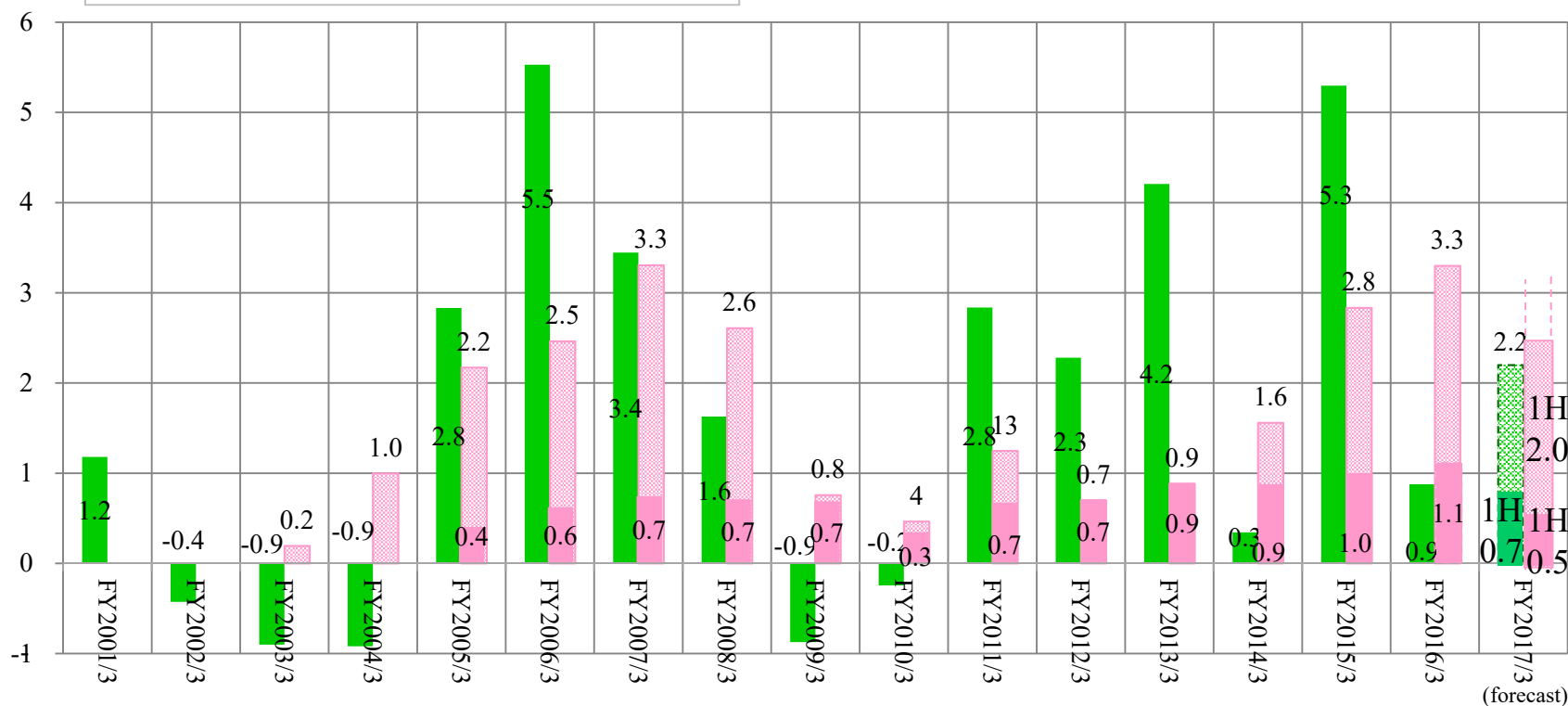
(1) Shareholder Returns

Billion yen

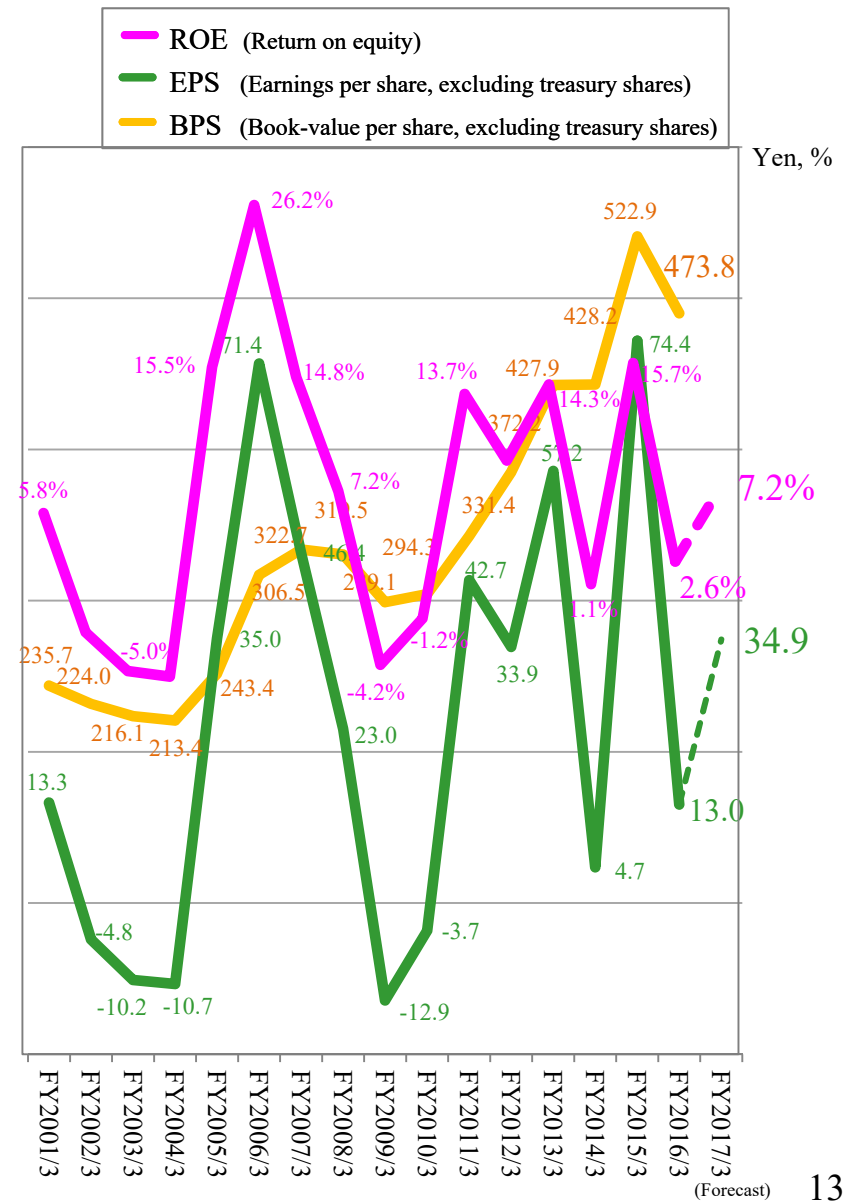
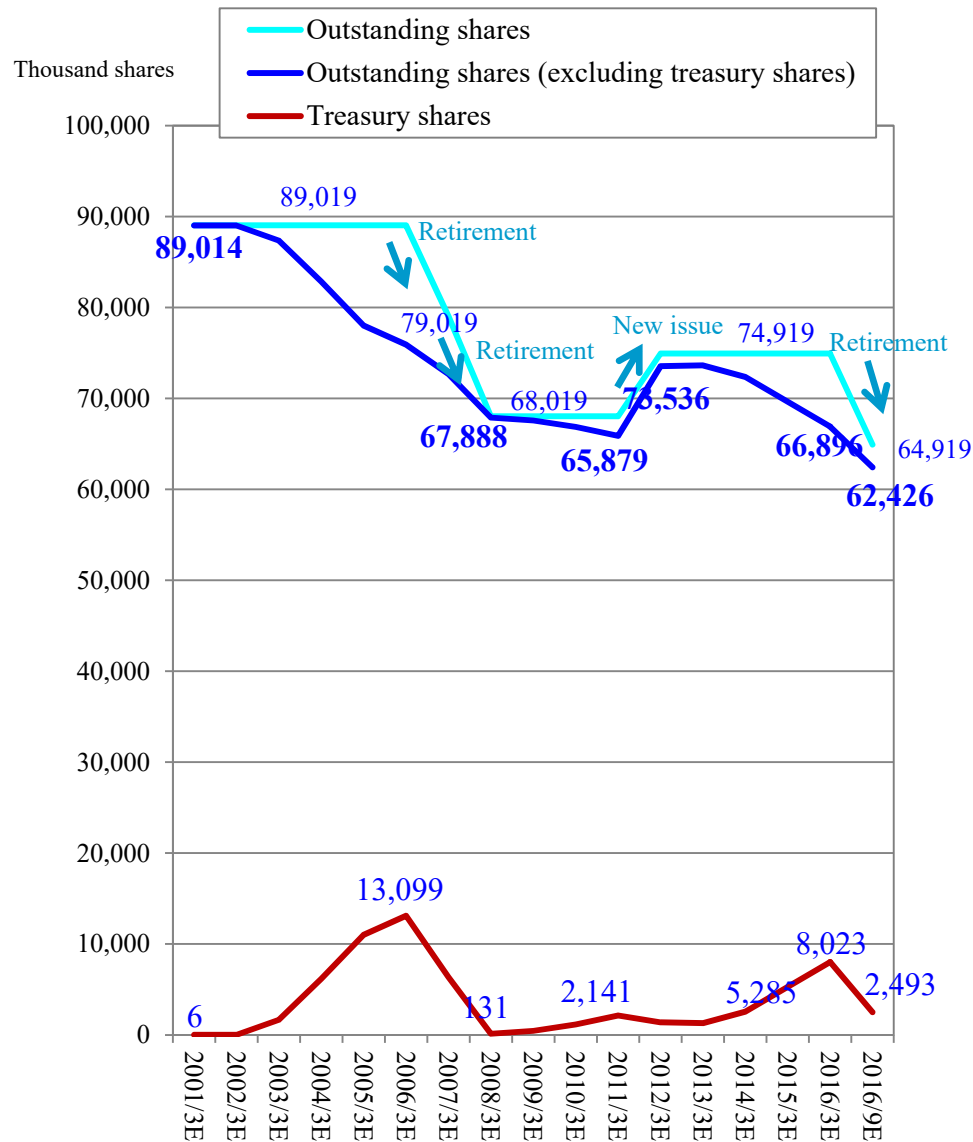
	FY02/3	FY03/3	FY04/3	FY05/3	FY06/3	FY07/3	FY08/3	FY09/3	FY10/3	FY11/3	FY12/3	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3 (forecast)
Dividends paid (Full-year per share)	0.0 (0 yen)	0.0 (0 yen)	0.0 (0 yen)	0.4 (5 yen)	0.6 (8 yen)	0.7 (10 yen)	0.7 (10 yen)	0.7 (10 yen)	0.3 (5 yen)	0.7 (10 yen)	0.7 (10 yen)	0.9 (12 yen)	0.9 (12 yen)	1.0 (14 yen)	1.1 (16 yen)	-- (16 yen)
Purchase of treasury shares	0.0	0.2	1.0	1.8	1.9	2.6	1.9	0.1	0.1	0.6	0.0	0.0	0.7	1.8	2.2	--
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	3.3	--
Dividend payout ratio	--	--	--	14.1%	11.2%	21.6%	43.4%	--	--	23.4%	29.5%	21.0%	254.2%	18.8%	122.7%	45.2%
Total return ratio	0.0%	--	--	76.7%	44.5%	95.9%	160.2%	--	--	44.0%	30.6%	21.0%	453.5%	53.5%	380.2%	--

Billion yen

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



(2) Acquisition of Treasury Stock



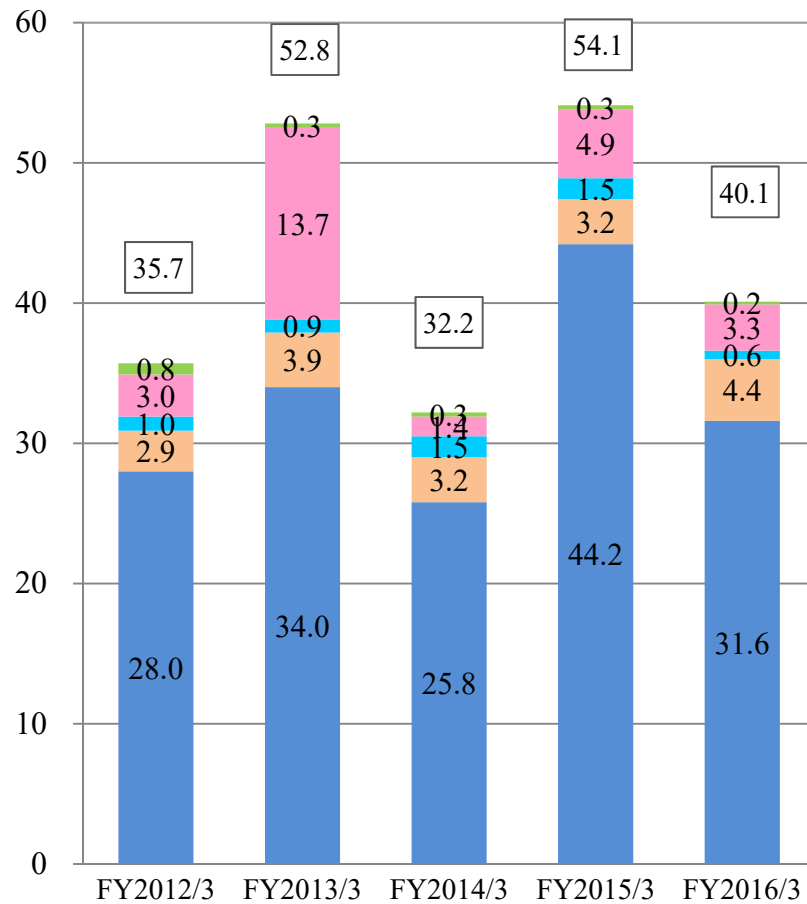
4. Reference

Net Sales by Machinery Category

- Other businesses
- Rolling machines and specialized machines
- Machining centers
- Grinding machines
- Automatic lathes

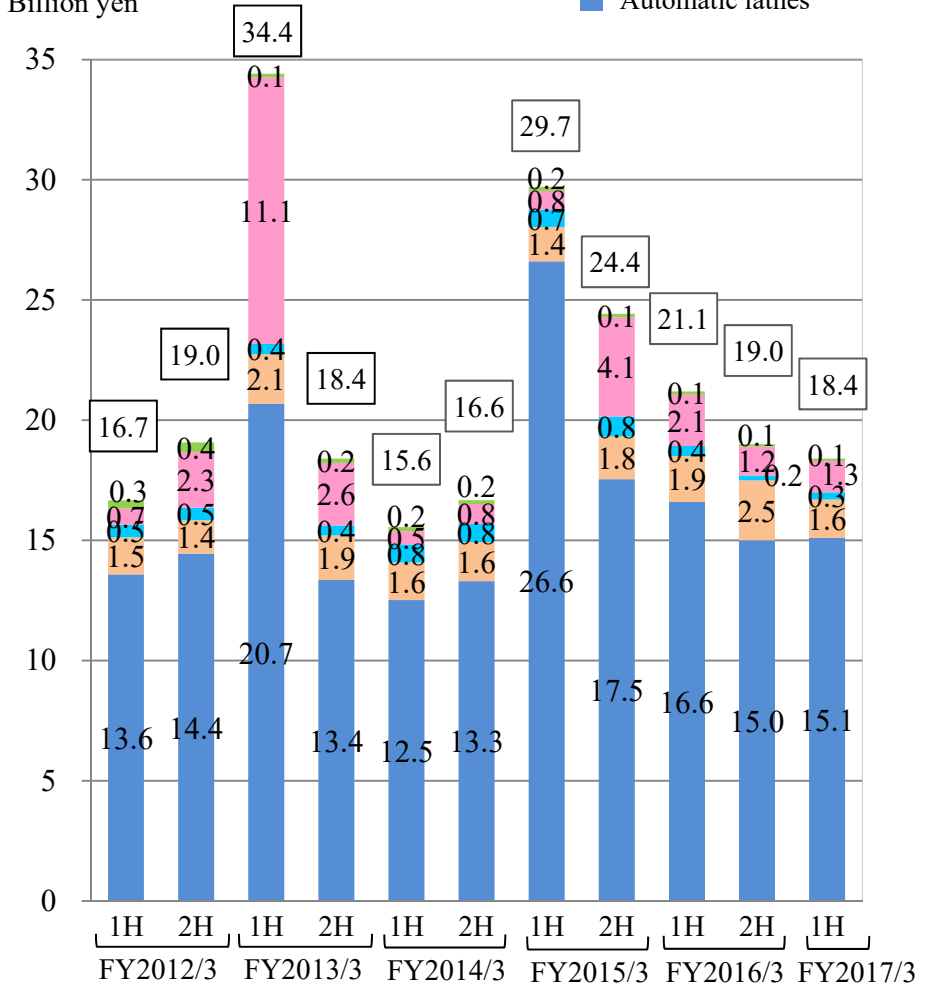
Full-year

Billion yen



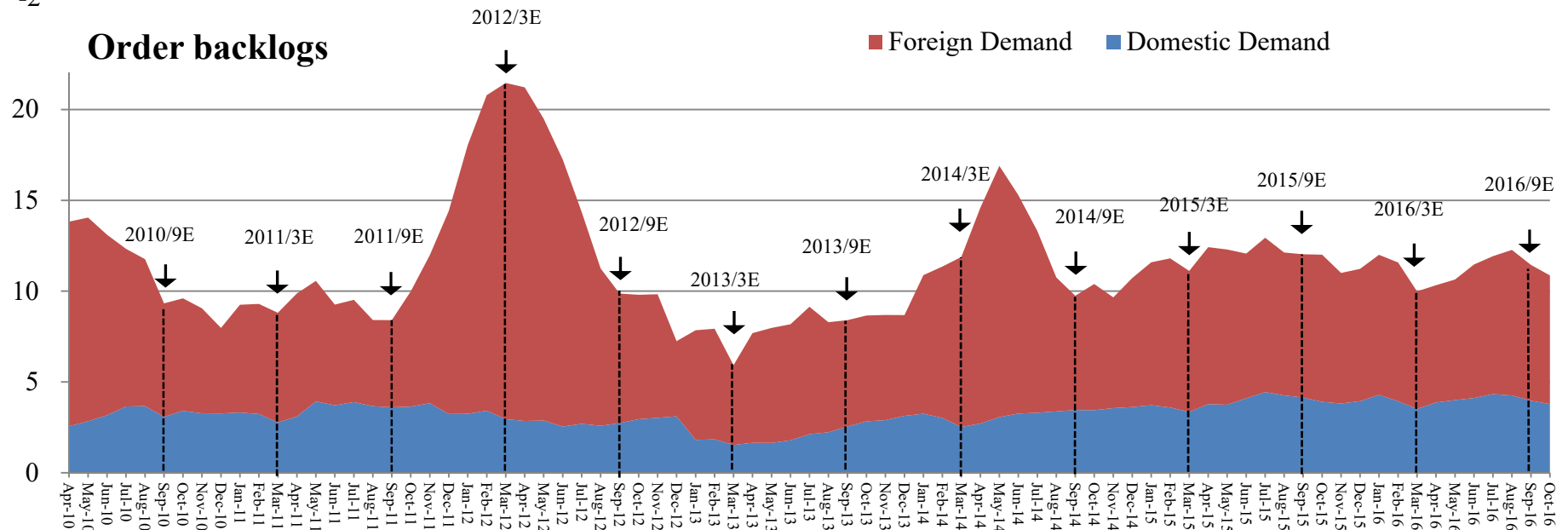
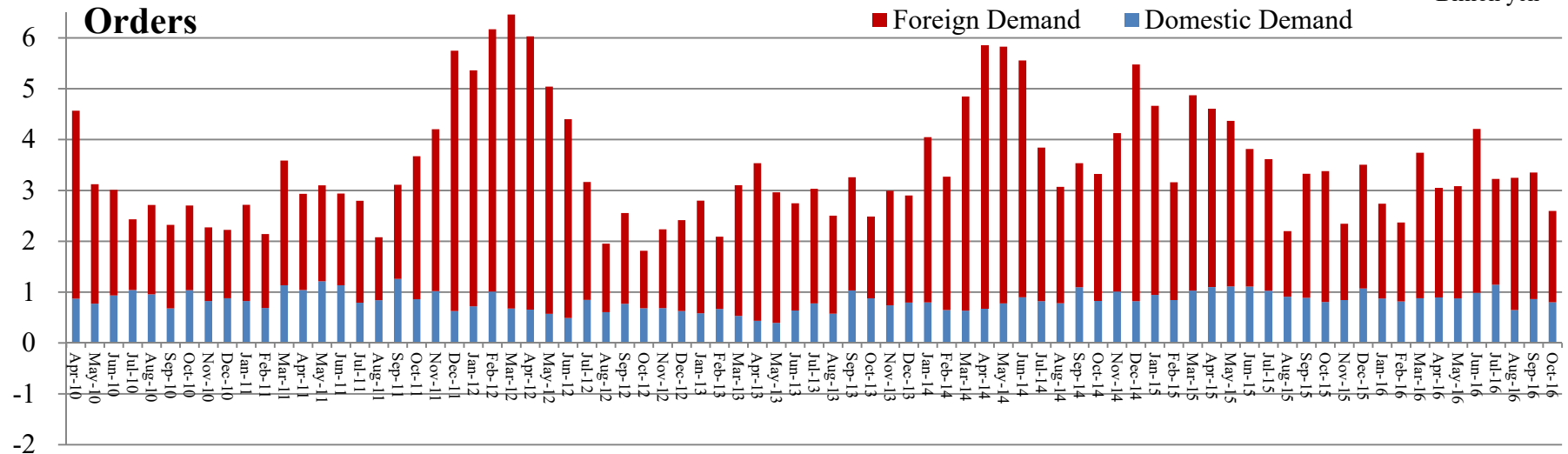
Six-month

Billion yen



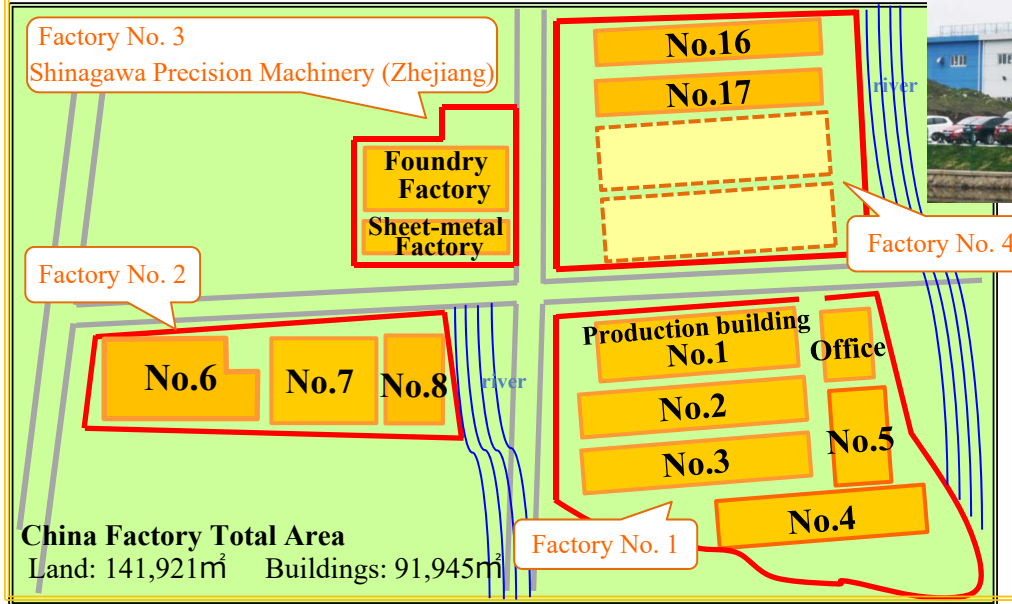
Orders Received and Order Backlogs

Billion yen



Factories in China and India

【 China Factory 】



India Factory
Land: 14,695m² Building: 5,890m²



【 India Factory 】



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.