

## Stock Information (as of March 31, 2017)

Authorized shares ..... 320,000,000 shares  
 Issued shares ..... 64,919,379 shares  
 Number of shareholders ..... 8,425

### Major shareholders (Top 10)

Shareholders	Investment in the Company	
	Number of shares held	Ownership ratio
	Thousands	%
The Master Trust Bank of Japan, Ltd. (Trust account)	3,392	5.22
Japan Trustee Services Bank, Ltd. (Trust account)	3,149	4.85
Mizuho Trust & Banking Co., Ltd. (Employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	2,592	3.99
The Dai-ichi Life Insurance Company, Limited	2,100	3.23
DMG MORI SEIKI Co., Ltd.	2,000	3.08
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,748	2.69
CBNY-GOVERNMENT OF NORWAY	1,619	2.49
Sumitomo Mitsui Banking Corporation	1,516	2.33
The Hokuetsu Bank, Ltd.	1,484	2.28
Tsugami Customers' Shareholding Association	1,180	1.81

Notes: 1. The figures for ownership ratio are rounded to the second decimal place.  
 2. The 2,592 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.  
 3. There are 4,930 thousand shares of treasury stock listed in the shareholders' register other than the shares listed in the table above.

## Corporate Data (as of March 31, 2017)

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 439  
 Directors and Auditors (as of June 21, 2017)

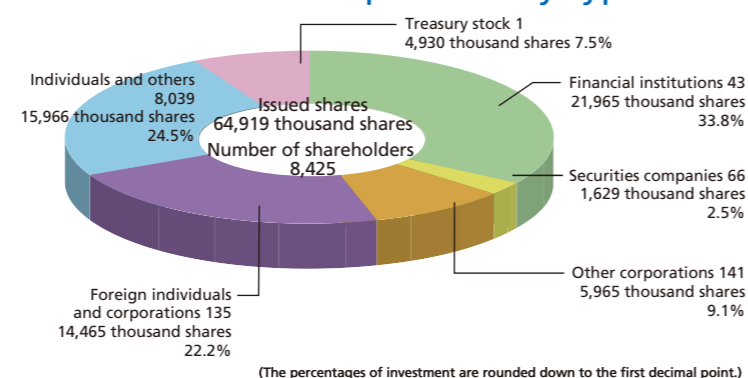
Representative Director, Chairman and CEO Takao Nishijima  
 Representative Director and COO Toshiharu Nijijima  
 Representative Director and CFO Toshio Honma  
 Director Byun Jae-Hyun  
 Director Nobuyuki Nagai  
 Director Wang Xiaokun  
 Outside Director Takeo Nakagawa  
 Outside Director Shigeru Nishiyama  
 Outside Director Kunio Shimada  
 Standing Statutory Auditor Keiji Hayazaki  
 Standing Statutory Auditor Kenji Yoneyama  
 Outside Statutory Auditor Morikuni Uchigasaki  
 Outside Statutory Auditor Hitoshi Yoshida  
 Outside Statutory Auditor Hideo Teramoto

Head Office and Factories Head Office 12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo  
 Nagaoka Factory 1-1, Higashizao 1-chome, Nagaoka-shi, Niigata  
 Takami Factory 1-2, Higashi-Takami 2-chome, Nagaoka-shi, Niigata

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

Group Companies TSUGAMI MACHINERY CO., LTD.  
 TSUGAMI GENERAL SERVICE CO., LTD.  
 PRECISION TSUGAMI (CHINA) CORPORATION  
 Precision Tsugami (China) Corporation Limited (British Cayman Islands)  
 Precision Tsugami (Hong Kong) Limited  
 Shinagawa Precision Machinery (Zhejiang) Co., Ltd.  
 TSUGAMI (THAI) CO., LTD.  
 TSUGAMI EUROPE GmbH (GERMANY)  
 TSUGAMI KOREA CO., LTD.  
 TSUGAMI PRECISION ENGINEERING INDIA PVT., LTD.  
 TSUGAMI TECH SOLUTIONS INDIA PVT., LTD.  
 TSUGAMI Universal Pte. Ltd. (SINGAPORE)

## 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 2016  
 (April 1, 2016 to March 31, 2017)

TSUGAMI CORPORATION

I am pleased to report our results for fiscal 2016, ended March 31, 2017.

During the consolidated fiscal year under review, the Japanese economy remained on a modest recovery path, with corporate earnings and employment improving.

In the machine tool industry, the domestic market and the U.S. and European markets both attained modest growth. In the Chinese market, signs of recovery were seen in different industrial sectors in and after the third quarter.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") sought to boost sales in the automotive component sector and a wide range of other industries. As a result, net sales increased from a year ago. Income also increased from a year ago, reflecting the rise in sales and a gain on sales of non-current assets.

Consolidated net sales for the fiscal year under review increased 2.3% year on year, to 41,050 million yen.

Consolidated net sales in Japan decreased 8.8% year on year, to 10,305 million yen. Consolidated exports increased 6.6% year on year, to 30,744 million yen. The export ratio increased from 71.8% for the previous fiscal year, to 74.9%.

A breakdown of consolidated net sales by machinery category shows that sales of mainstay automatic lathes increased 8.4% year on year, to 34,217 million yen, sales of grinding machines fell 24.3%, to 3,332 million yen, sales of machining centers declined 12.3%, to 500 million yen, and sales of rolling machines and other specialized machines fell 18.1%, to 2,723 million yen.

Consolidated operating income increased 45.1% year on year, to 3,083 million yen. Consolidated ordinary income increased 160.0% year on year, to 2,848 million yen, and net income attributable to owners of the parent jumped 199.8% year on year, to 2,630 million yen.

For the consolidated fiscal year ended March 31, 2017, the Company has decided to pay annual dividends of 16 yen per share, including interim dividends of 8 yen per share and year-end dividends of 8 yen per share.

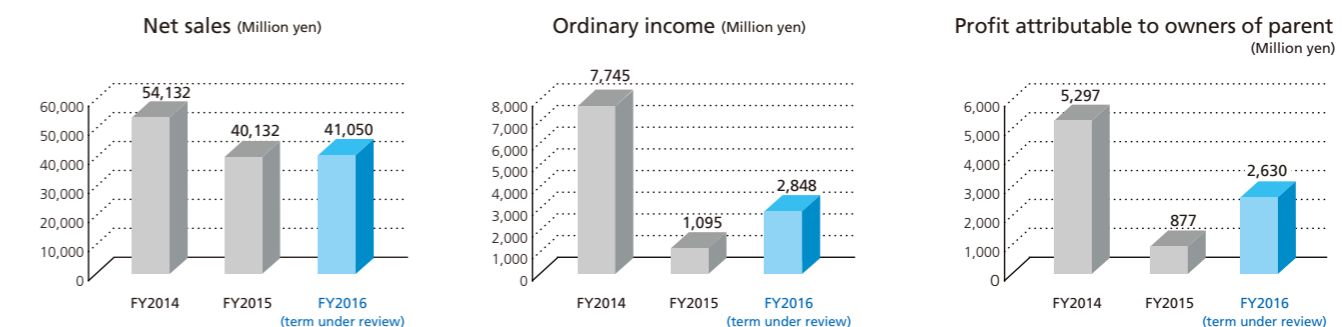
For the consolidated fiscal year ending March 31, 2018, the Company plans to pay annual dividends of 16 yen per share, including interim dividends of 8 yen per share and year-end dividends of 8 yen per share.

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, which can be trusted by our customers.

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

June 2017  
 Takao Nishijima Chairman and CEO

## Business Performance (Consolidated)



## Financial highlights

Item	FY2014		FY2015		FY2016	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Net sales (Million yen)	54,132	34,992	40,132	31,852	41,050	28,601
Ordinary income (Million yen)	7,745	2,522	1,095	252	2,848	706
Profit attributable to owners of parent (Million yen)	5,297	1,698	877	292	2,630	1,253
Net income per share (Yen)	74.37	23.85	13.04	4.34	41.91	19.96
Total assets (Million yen)	56,829	39,050	47,859	33,281	50,127	33,331
Net assets (Million yen)	37,279	30,494	32,594	26,574	31,462	24,708
Net assets per share (Yen)	522.94	427.60	473.78	386.23	510.43	400.56

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

## Consolidated Financial Statements

### Consolidated balance sheets

(Million yen)

Item	FY2016 (March 31, 2017)	FY2015 (March 31, 2016)
<b>Assets</b>		
Current assets	32,468	30,639
Cash and deposits	4,666	4,744
Trade notes and accounts receivable	9,846	5,862
Inventories	16,114	18,299
Other current assets	1,841	1,733
Fixed assets	17,659	17,219
Tangible fixed assets	8,196	9,906
Buildings, machinery, equipment and vehicles	7,528	9,192
Land	450	473
Other tangible fixed assets	217	240
Intangible fixed assets	649	698
Investments and other assets	8,813	6,614
Total assets	50,127	47,859
<b>Liabilities</b>		
Current liabilities	16,762	13,983
Trade notes and accounts payable	9,606	5,857
Short-term borrowings	4,183	6,127
Accrued income tax	525	267
Other current liabilities	2,447	1,730
Long-term liabilities	1,902	1,281
Net defined benefit liability	718	703
Other long-term liabilities	1,183	578
Total liabilities	18,665	15,265
<b>Net assets</b>		
Shareholders' equity	27,087	29,045
Common stock	12,345	12,345
Capital surplus	478	5,884
Retained earnings	17,250	15,653
Treasury stock	-2,986	-4,837
Accumulated other comprehensive income	3,533	2,647
Unrealized gains on marketable securities	3,308	1,779
Translation adjustments	329	991
Remeasurements of defined benefit plans	-104	-123
Subscription rights to shares	842	900
Total net assets	31,462	32,594
Total liabilities and net assets	50,127	47,859

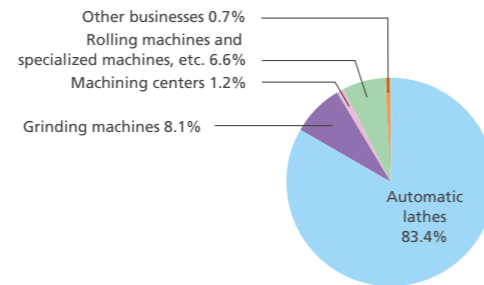
### Consolidated statements of income

(Million yen)

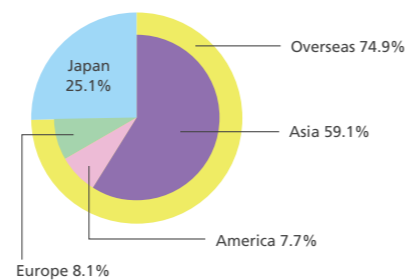
Item	FY2016 Year ended March 31, 2017	FY2015 Year ended March 31, 2016
Net sales	41,050	40,132
Cost of sales	31,418	31,164
Gross profit	9,631	8,968
Selling, general and administrative expenses	6,547	6,843
Operating income	3,083	2,125
Non-operating income	325	322
Non-operating expenses	560	1,352
Ordinary income	2,848	1,095
Extraordinary income	954	243
Extraordinary expenses	135	148
Income before taxes and other adjustments	3,666	1,190
Corporate, inhabitant and enterprise taxes	1,076	418
Deferred taxes	-40	-105
Profit attributable to owners of parent	2,630	877

### Sales breakdown (Consolidated)

Sales breakdown by product (FY2016)



Sales breakdown by region (FY2016)



### 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	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2016	12,345	5,884	15,653	-4,837	29,045	1,779	991	-123	2,647	900	32,594
Changes during the period											
Cash dividends paid			-1,034		-1,034						-1,034
Profit attributable to owners of parent			2,630		2,630						2,630
Purchase of treasury stock				-3,734	-3,734						-3,734
Disposal of treasury stock		-25		204	179						179
Retirement of treasury stock		-5,380		5,380	-						-
Changes in items other than shareholders' equity						1,528	-662	19	885	-58	826
Total changes during the period	-	-5,405	1,596	1,850	-1,958	1,528	-662	19	885	-58	-1,131
Balance as of March 31, 2017	12,345	478	17,250	-2,986	27,087	3,308	329	-104	3,533	842	31,462

## Releasing New Products to the Market

### CNC Precision Automatic Lathe B0386V-III

We have developed the CNC precision automatic lathe B0386V-III. It corresponds perfectly to contemporary market requirements.

- Equipped with a vertical tool post
- Machine complex parts using the main and back spindle simultaneously with the Y-axis tool post.
- Modular tooling using cartridge type live tools for optimum allocation of machining capability.
- Optional direct-drive rotary guide bushing provides high speed and accurate machining.
- Guide-bush type or guide-bushless type is selectable according to workpieces.
- Automatic programming system prepared as standard



### CNC Lathe M06DY-II & M08DY-II

We have developed the CNC lathes M06DY-II and M08DY-II. They are capable of the machining of complicated workpieces by Y-axis control.

- Diverse machining by  $\pm 50$  mm long stroke Y-axis
- Live tools (option) can be mounted in all the positions of the 12-station turret. Processing such as cross drilling or front off-center drilling becomes possible.
- High-accuracy machinery realized by thermal displacement compensation



### Turning Center TMA6JC

We have developed the turning center TMA6JC as a productive type complex machine for small workpieces.

- Fast and complete processing of complicated small workpieces
- A space-saving machine for complicated shapes using both main and back spindles
- High efficiency machining by the high-speed tool spindle with the maximum speed of 20,000 min<sup>-1</sup>
- A lightweight and compact body



## Participated Exhibitions

We actively developed new business partners.

We exhibited at the 28th Japan International Machine Tool Fair (JIMTOF2016) held at the Tokyo Big Sight (Tokyo International Exhibition Center) for six days from November 17, 2016.

A large number of users and dealers from Japan and overseas visited our booth, where we conducted proactive talks for further market expansion.



The 28th Japan International Machine Tool Fair (JIMTOF2016)