

Briefing on Financial Statements for the First Half of the Year Ending March 2018



November 13, 2017

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1. Business performance for the First Half of the Year Ending March 31, 2018

(1) Business Results

Overview of First half of FY2018/3

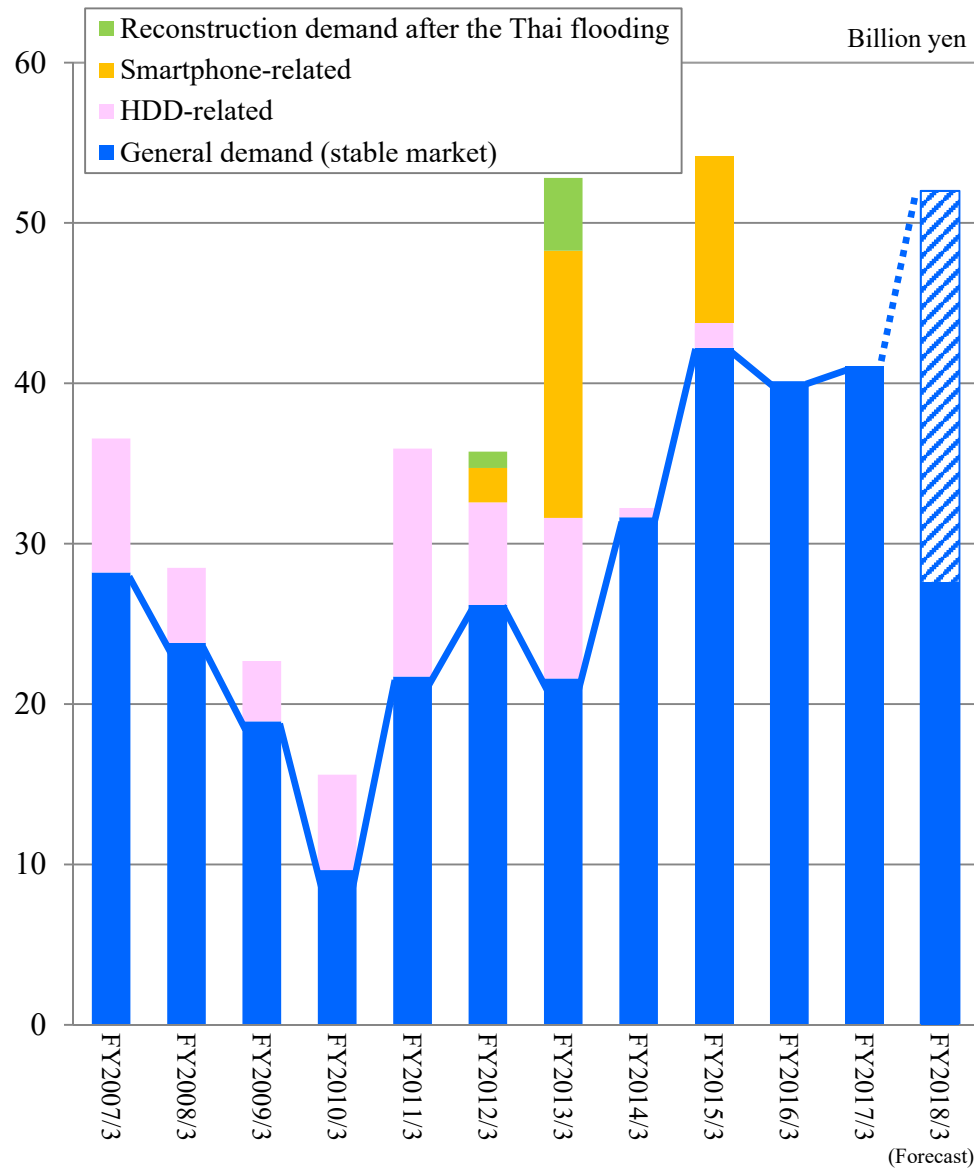
[Net sales] +9.0bn yen (+49%) YoY; +3.4bn yen (+14%) vs. Initial forecast
 The Japanese, European and U.S. markets recovered moderately.
 The Chinese market remained strong.

[Net income] +1.6bn yen (+215%) YoY; +0.6bn yen (+35%) vs. Initial forecast
 With the increase in net sales, income rose. But the income margin declined slightly due to the effects of foreign exchange rates. IPO commission fee of the non-operating expenses of 0.3bn yen.

Billion yen

	FY2017/3 (2016/4 - 2017/3)			1H of FY2018/3 (2017/4 - 2017/9)			
	1H	2H	Full-year	1H	Year-on-Year	Initial forecasts	Difference from initial forecasts
Net sales	18.4	22.7	41.1	27.4	+9.0	24.0	+3.4
Gross profit	4.6	5.0	9.6	7.1	+2.5	--	--
(Gross profit margin)	(24.8%)	(22.4%)	(23.5%)	(26.0%)	(+1.2%)	(-)	(-)
Operating income	1.5	1.6	3.1	3.3	+1.8	2.7	+0.6
(Operating income margin)	(7.9%)	(7.2%)	(7.5%)	(12.2%)	(+4.3%)	(11.3%)	(+0.9%)
Ordinary income	1.1	1.7	2.8	3.0	+1.9	2.5	+0.5
(Ordinary income margin)	(5.7%)	(7.9%)	(6.9%)	(10.8%)	(+5.1%)	(10.4%)	(+0.4%)
Net income attributable to owners of the parent	0.7	1.9	2.6	2.3	+1.6	1.7	+0.6
(Net income margin)	(4.0%)	(8.4%)	(6.4%)	(8.4%)	(+4.4%)	(7.1%)	(+1.3%)
Net income per share	11.4 yen	31.0 yen	41.9 yen	39.6 yen	+28.2 yen	28.3 yen	+11.3 yen

(2) Sales situation breakdown

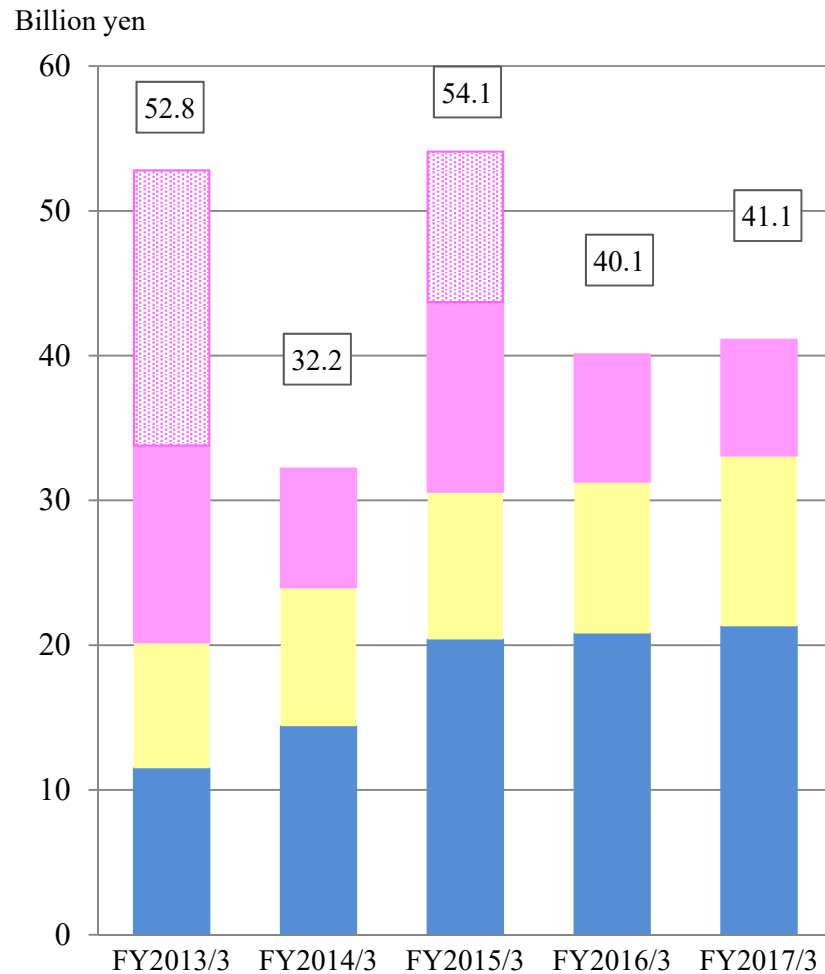


- Started to sell products for smartphones in FY2012/3. (Future orders are uncertain)
- HDD-related, the declining utilization rate hit bottom and showed signs of a rebound. (Reconstruction demand after the Thai flooding was in FY2012/3 and FY2013/3.)
- Launched new products for auto parts in the 3Q of FY2014/3 to boost sales.

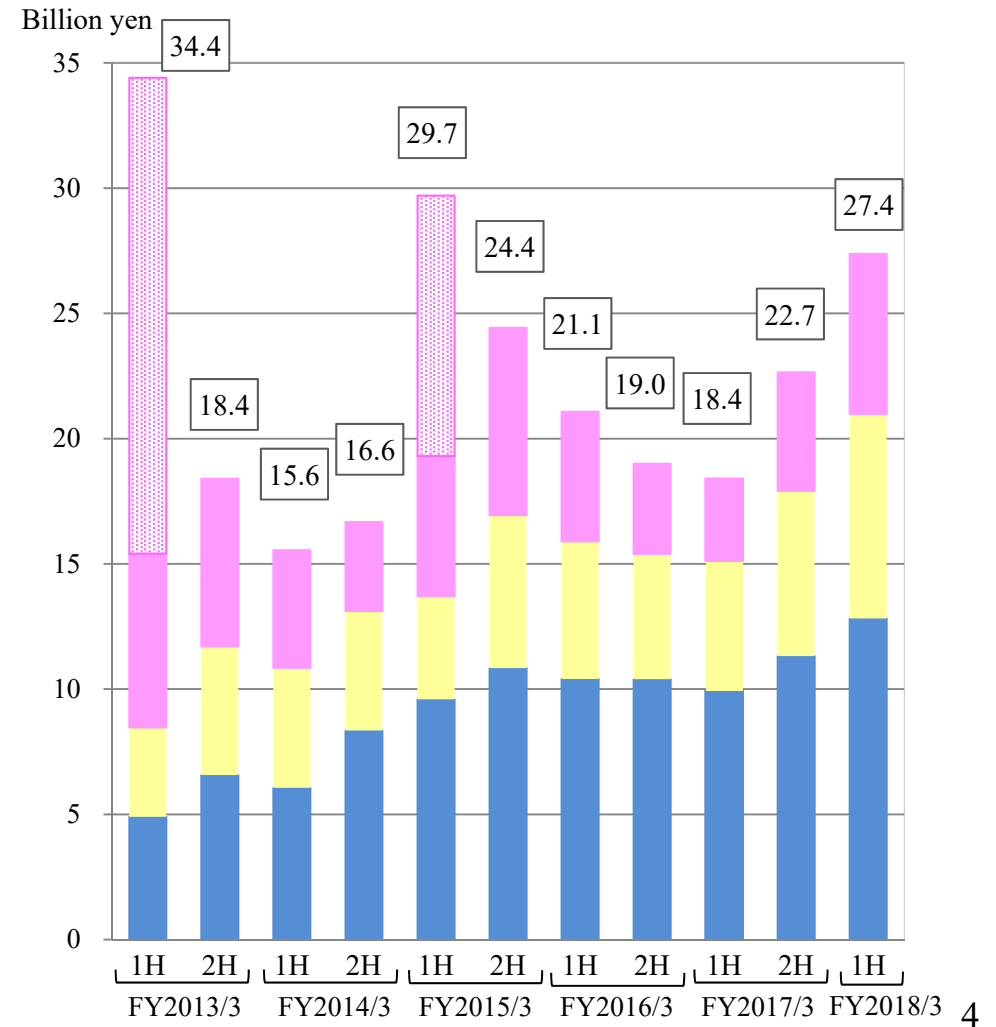
(3) Net Sales by Business Segment

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

Full-year



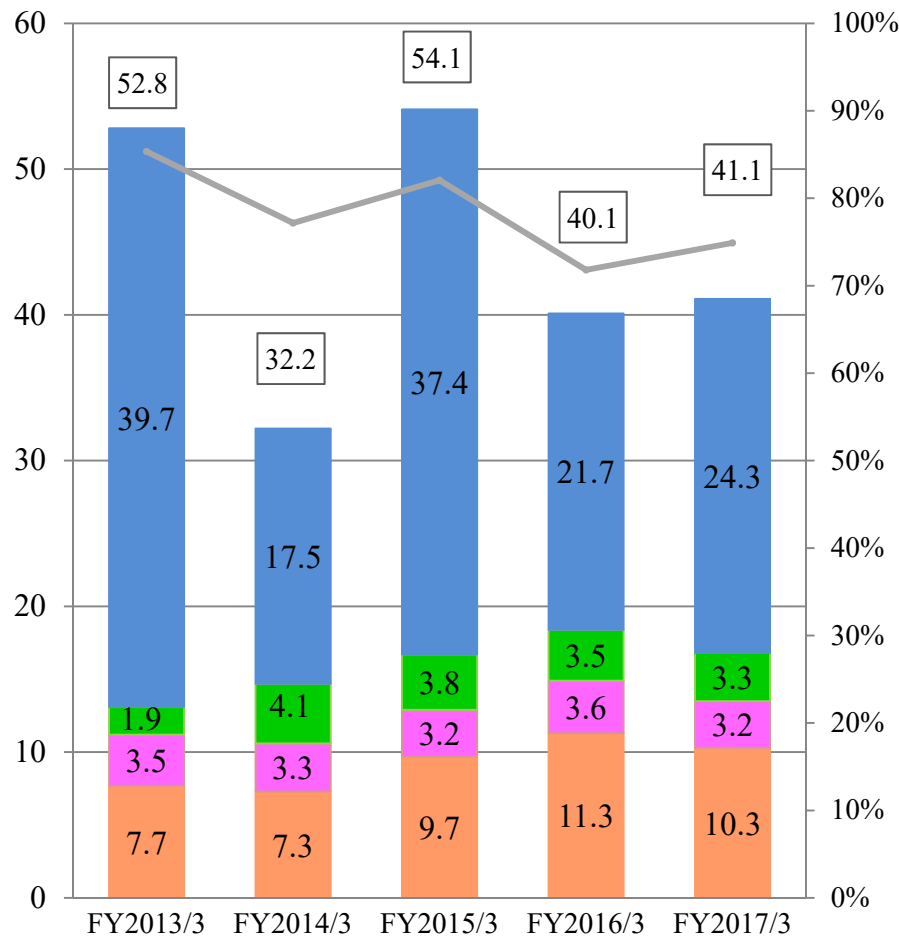
Six-month



(4) Net Sales by Geographic Segment

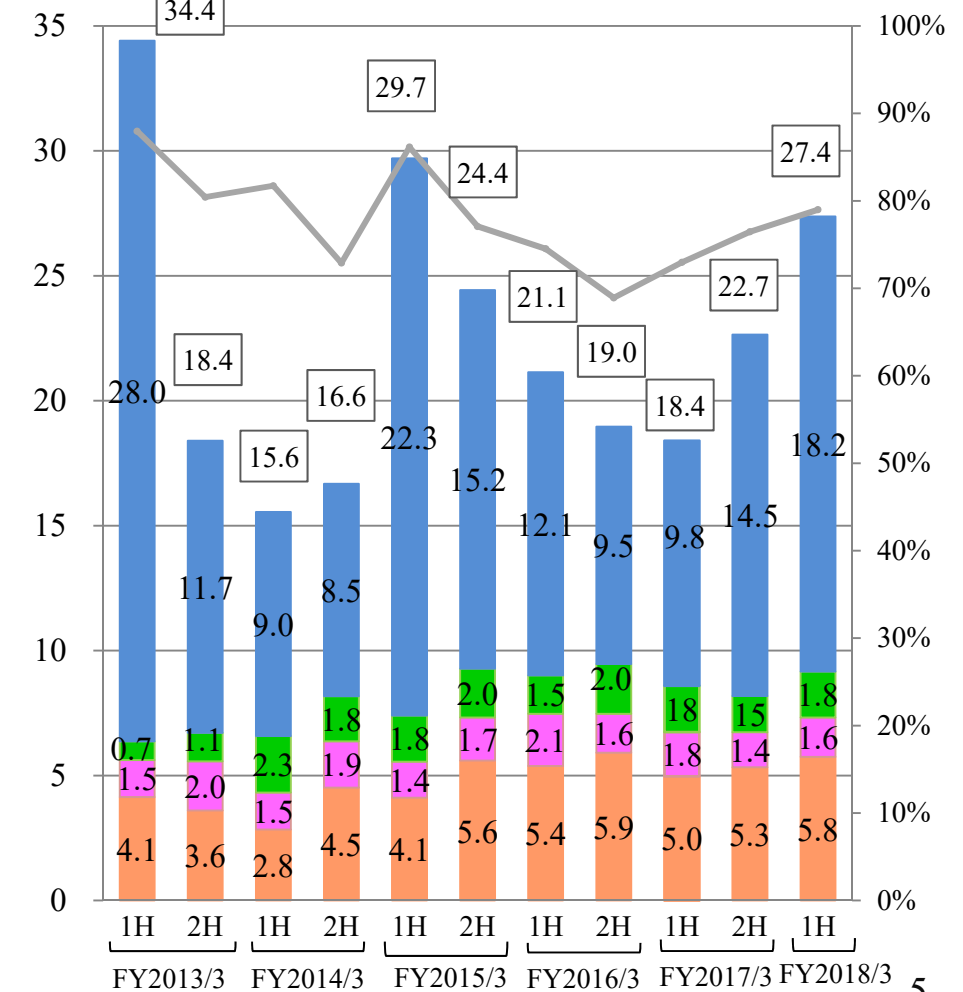
Full-year

Billion yen



Six-month

Billion yen



(5) Balance Sheets

	Billion yen				
	2016/9E	2017/3E	2017/9E	Difference from 2017/3E	
Total assets	46.5	50.1	58.0	+7.9	Note 1
Current assets	30.3	32.5	39.3	+6.8	Effect of exchange rate +0.3
Cash and deposits	6.0	4.7	10.4	+5.7	Note 2
Trade notes and accounts receivable	6.7	9.8	10.2	+0.4	Nagaoka No.7 building reconstruction +0.4
Inventories	16.5	16.1	17.1	+1.0	Production machines +0.4
Deferred tax assets and others	1.1	1.9	1.6	-0.3	Note 1
Effect of exchange rate				+0.2	
Depreciation and others				-0.5	
Non-current assets	16.2	17.6	18.7	+1.1	Note 3
Property, plant and equipment	8.7	8.2	8.7	+0.5	Note 2
Intangible assets	0.6	0.6	0.6	+0.0	
Investments and other assets	6.9	8.8	9.4	+0.6	
Total liabilities	16.6	18.7	21.3	+2.6	Note 3
Current liabilities	15.3	16.8	19.1	+2.3	Note 4
Trade notes and accounts payable	9.1	9.6	12.4	+2.8	
Short-term loans payable	3.9	4.2	2.6	-1.6	Note 3
Accrued income tax and others	2.3	3.0	4.1	+1.1	Note 5
Non-current liabilities	1.3	1.9	2.2	+0.3	
Total net assets	29.9	31.4	36.7	+5.3	Note 5
Common stock, Capital surplus	12.8	12.8	15.3	+2.5	Note 6
Retained earnings	15.8	17.3	19.1	+1.8	
Treasury stock	-1.3	-3.0	-6.9	-3.9	Note 5
Valuation difference on available-for-sale securities	2.1	3.3	3.8	+0.5	
Foreign currency translation adjustment and others	0.5	1.0	1.2	+0.2	Note 7
Non-controlling interests	--	--	4.2	+4.2	Note 6
					Ratio before non-controlling interest is 61.9%
(Capital adequacy ratio)	(62.4%)	(61.1%)	Note 7 (54.7%)	(-6.4%)	

(6) Cash flows

				Billion yen	
	FY2016 1H (2016/4 - 2016/9)	FY2016 2H (2016/10 - 2017/3)	FY2017 1H (2017/4 - 2017/9)		
Cash flows from operating activities	5.4	0.2	5.3	Note 1	
Income before taxes, depreciation and amortization	1.5	3.2	Note 1 3.6	Income before taxes:	3.11
Gross working capital	4.0	-1.7	Note 2 2.3	Depreciation and amortization:	0.47
Corporate and other taxes and others	-0.1	-1.3	-0.6	Note 2	
Cash flows from investing activities	0.0	0.9	0.1	Notes and accounts receivable:	-0.06
Capital investment in factories	-0.1	-0.1	Note 3 -0.2	Notes and accounts payable:	2.51
Sales of Shinshu factory	0.1	1.2	--	Inventories:	-0.69
Purchase or sales of investment securities and others	0.0	-0.2	0.3	Other current assets:	0.70
Cash flows from financing activities	-4.0	-2.4	0.3	Note 3	
Short-term loans payable	-1.5	-0.1	-1.8	No.7 building and Production machines in Japan : -0.01	
Dividends paid	-0.5	-0.5	-0.5	(Notes payable for plant and equipment 0.42 Building and Production machines -0.43) Production machines in China : -0.24	
Purchase of treasury stock	-2.0	-1.7	Note 4 -4.1	Note 4	
associated with the IPO of a subsidiary				Purchase: -4.27 Disposal: 0.17 5,048 thousand shares purchased	
Payment for IPO commission fee	--	--	Note 5 -0.1		
Proceed from sale of shares	--	--	Note 5 2.3	Note 5	
Proceeds from share issuance	--	--	Note 5 4.5	associated with the IPO of a subsidiary In China	
Effect of exchange rate change on cash and cash equivalents	-0.2	0.1	0.1		
Net increase (decrease) in cash and cash equivalents	1.2	-1.2	5.8		
Cash and cash equivalents at the end of the term	5.8	4.6	10.3		

2. Business Conditions and Outlook

(1) Outlook for Fiscal Year Ending March 31, 2018

Outlook for FY2018/3

- The Japanese, European and U.S. markets will remain firm. The Chinese market is at a high level.
- Turret lathes suitable for processing auto parts will make a positive contribution to results.
- Special demand for products for smartphones is unknown and is not reflected in the forecast.

Billion yen

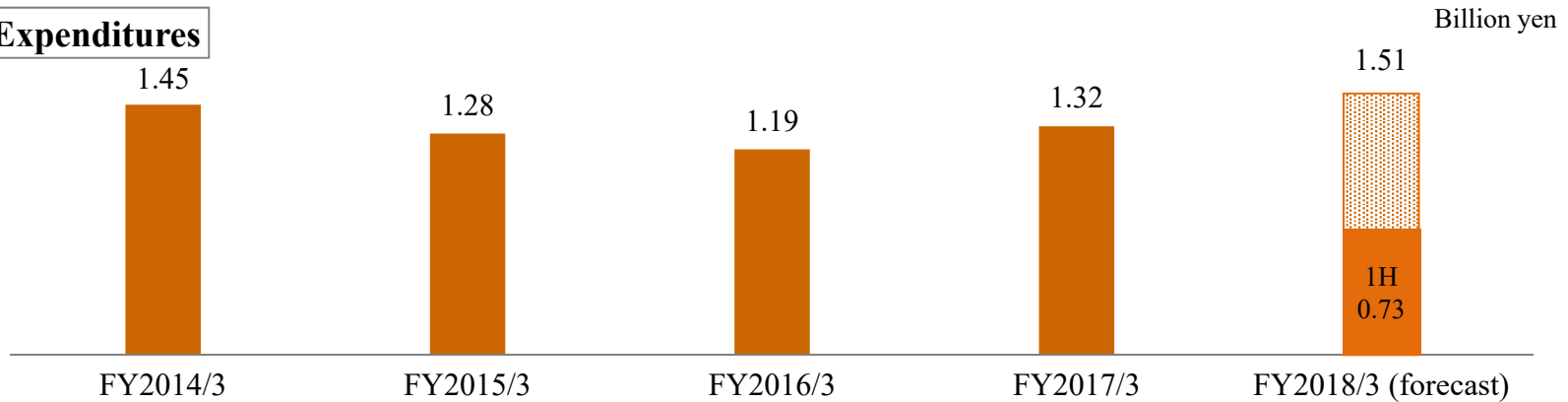
	Semi-annually				Full-year				
	FY2016 1H	FY2016 2H	FY2017 1H	FY2017 2H Revised forecasts	FY2016	FY2017 Revised Forecasts	Year-on- year	FY2017 Initial forecasts	Difference from initial forecasts
Net sales	18.4	22.7	27.4	24.6	41.1	52.0	+10.9	45.0	+7.0
Operating income	1.5	1.6	3.3	2.7	3.1	6.0	+2.9	4.5	+1.5
(Operating income margin)	(7.9%)	(7.2%)	(12.2%)	(10.8%)	(7.5%)	(11.5%)	(+4.0%)	(10.0%)	(+1.5%)
Ordinary income	1.1	1.7	3.0	2.6	2.8	5.6	+2.8	4.3	+1.3
(Ordinary income margin)	(5.7%)	(7.9%)	(10.8%)	(10.7%)	(6.9%)	(10.8%)	(+3.9%)	(9.6%)	(+1.2%)
Net income attributable to owners of the parent	0.7	1.9	2.3	1.3	2.6	3.6	+1.0	2.9	+0.7
(Net income margin)	(4.0%)	(8.4%)	(8.4%)	(5.3%)	(6.4%)	(6.9%)	(+0.5%)	(6.4%)	(+0.5%)
Net income per share	11.4 yen	31.0 yen	39.6 yen	24.8 yen	41.9 yen	64.4 yen	+22.5 yen	48.3 yen	+16.1 yen

(2) New Products

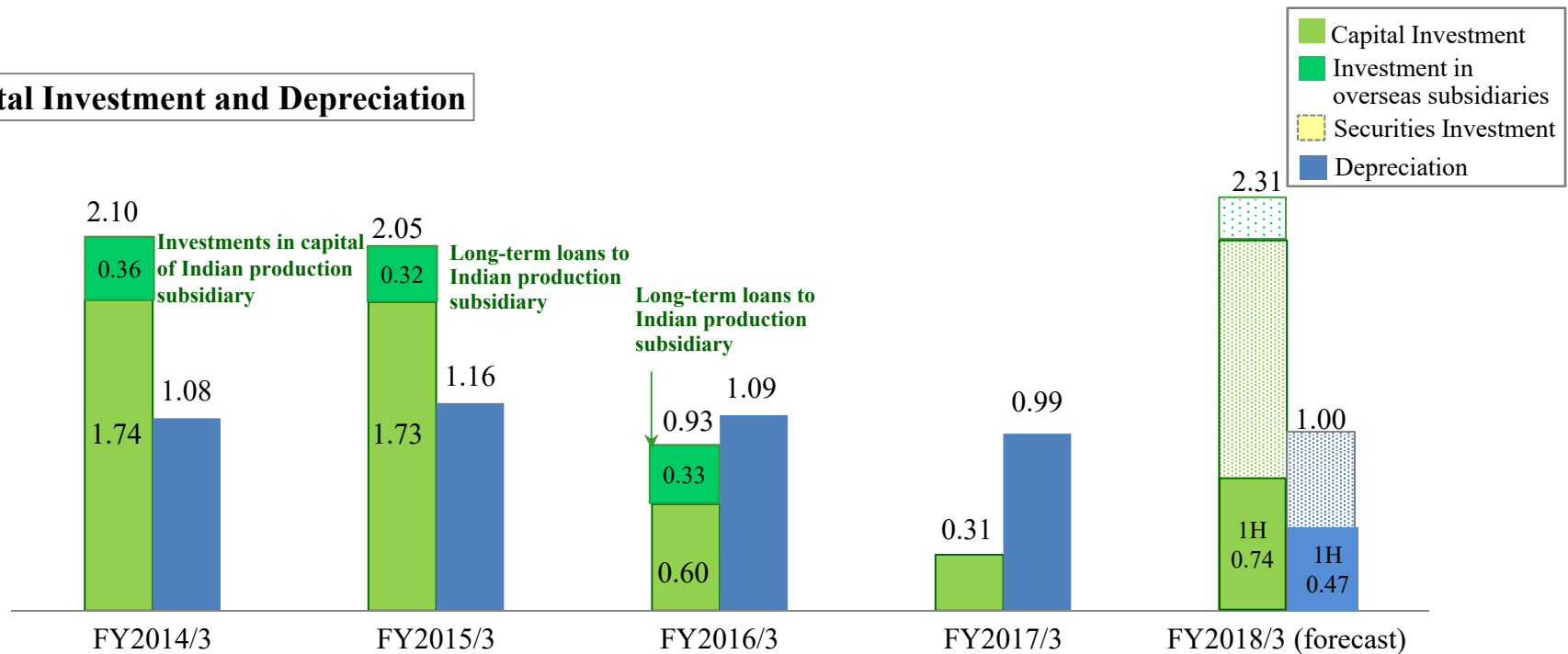
		Orders start	Main target
Released in FY2017/3	Automatic lathes B038M, SS38MH-5AX	2Q of FY2017/3	IT, Automobile parts and Others
	Automatic lathes M08JL5-II	2Q of FY2017/3	Automobile parts and Others
	Automatic lathes B0386-III, M08DY-II	3Q of FY2017/3	IT, Automobile parts and Others
Scheduled for release in FY2018/3	Automatic lathes B026/32/38V-III	2Q of FY2018/3	Automobile parts and Others
	Lathes, Automatic lathes M06/08SJ-II, B026/32/38-III	2Q of FY2018/3	IT, Automobile parts and Others
	Machining center VL3	2Q of FY2018/3	IT, Automobile parts and Others
	Automatic lathes 2 models	4Q of FY2018/3	IT, Automobile parts and Others

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

R&D Expenditures



Capital Investment and Depreciation

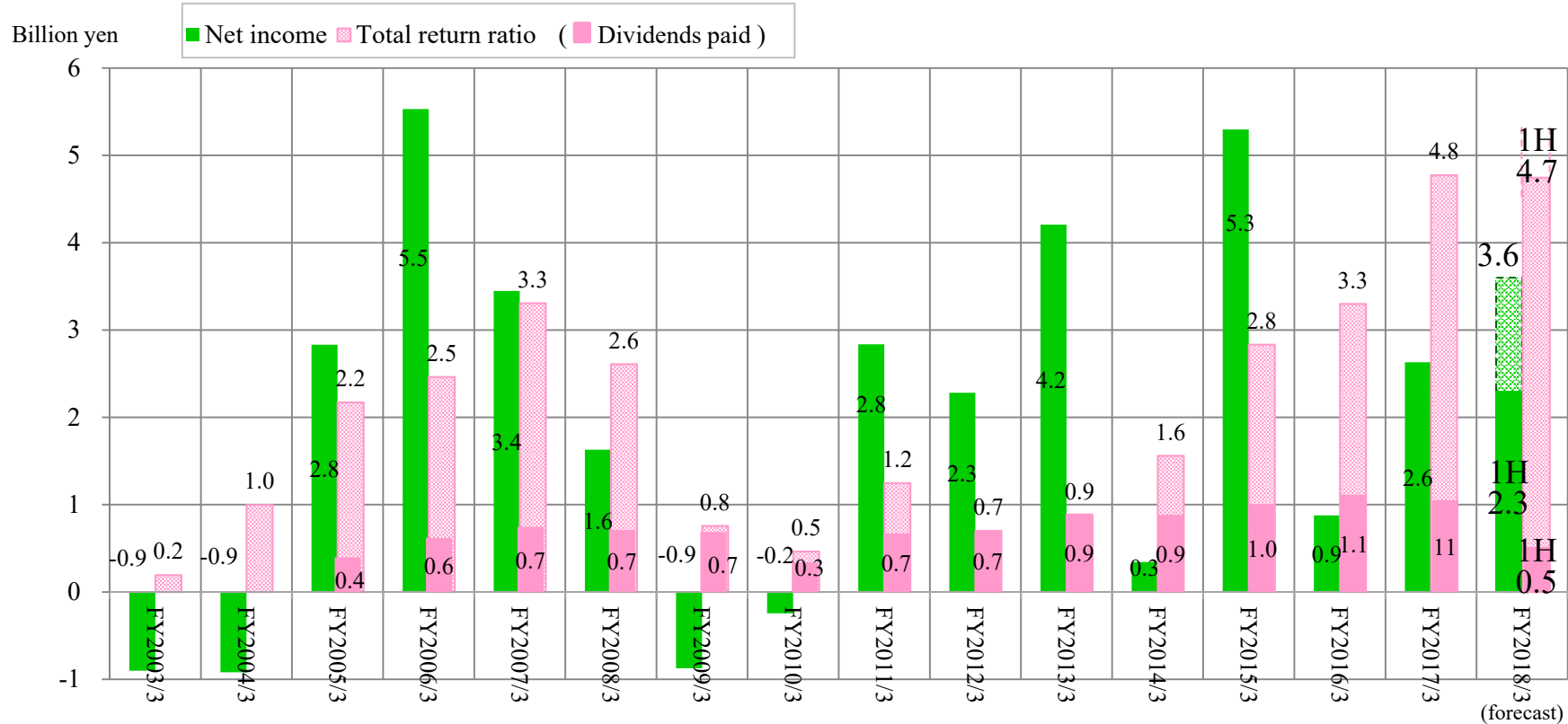


3. Shareholder Returns

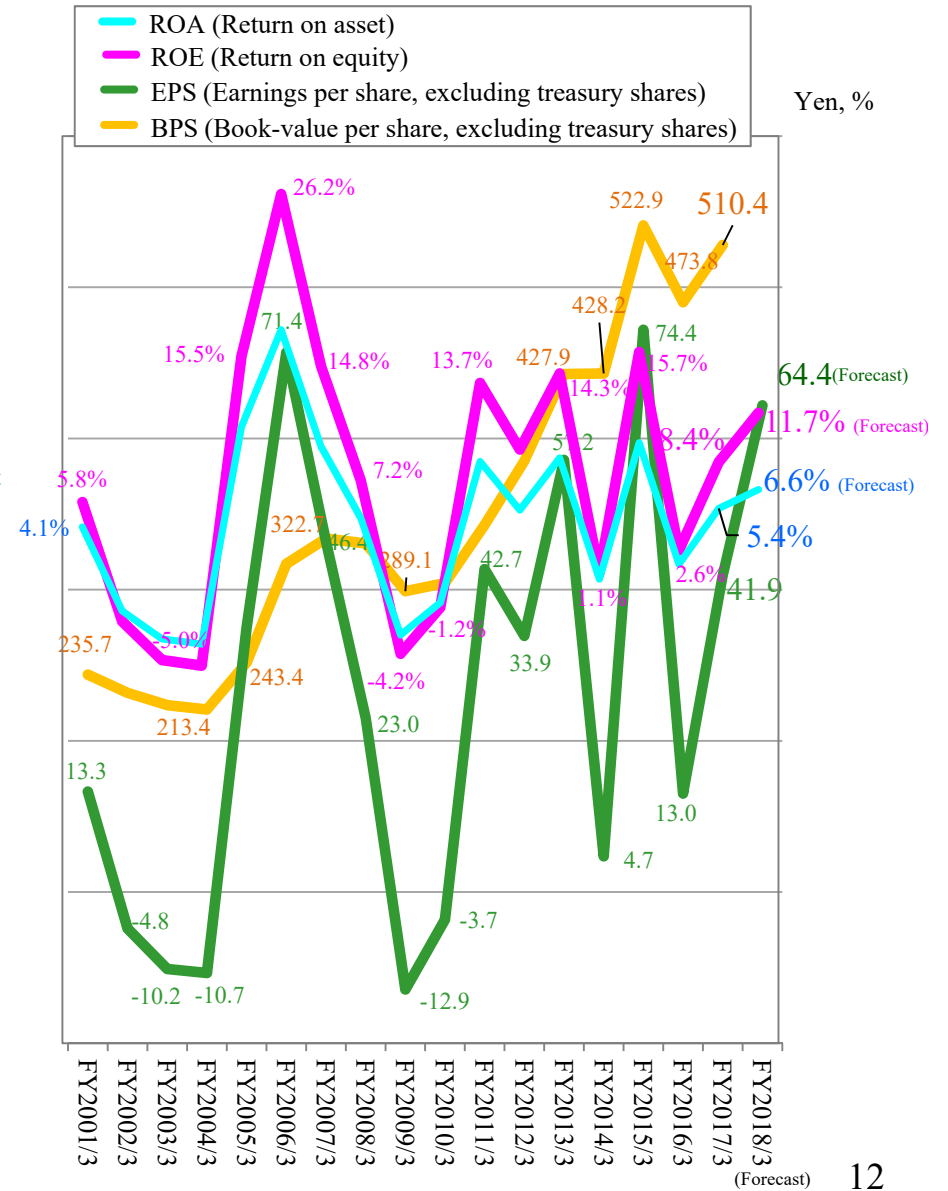
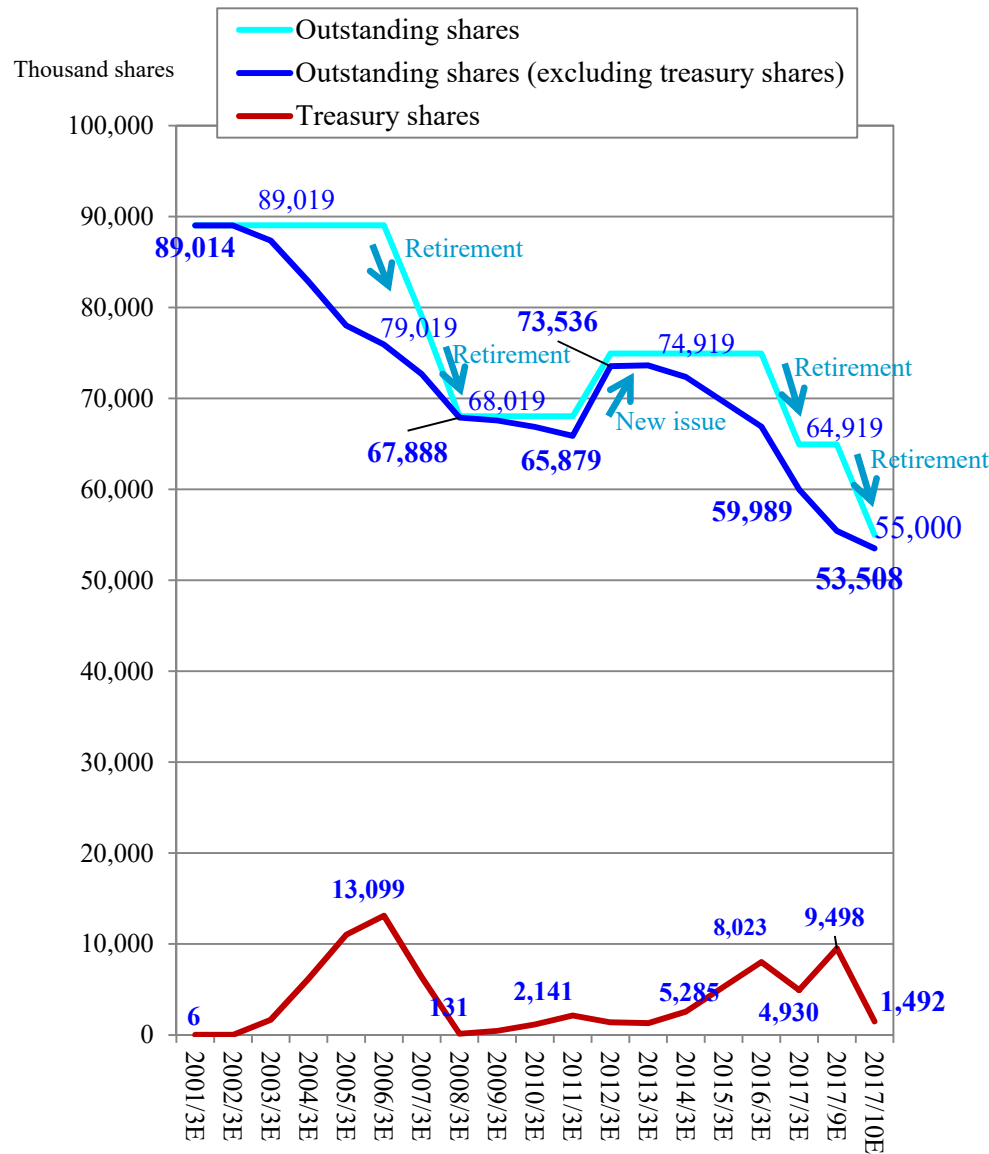
(1) Shareholder Returns

Billion yen

	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	FY18/3 (forecast)
Dividends paid (Full-year per share)	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)	1.1 (16 yen)	-- (18 yen)
Purchase of treasury shares	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	3.7	--
Total return	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	4.8	--
Dividend payout ratio	--	--	14.1%	11.2%	21.6%	43.4%	--	--	23.4%	29.5%	21.0%	254.2%	18.8%	122.7%	38.2%	28.0%
Total return ratio	--	--	76.7%	44.5%	95.9%	160.2%	--	--	44.0%	30.6%	21.0%	453.5%	53.5%	380.2%	181.5%	--



(2) Acquisition of Treasury Stock



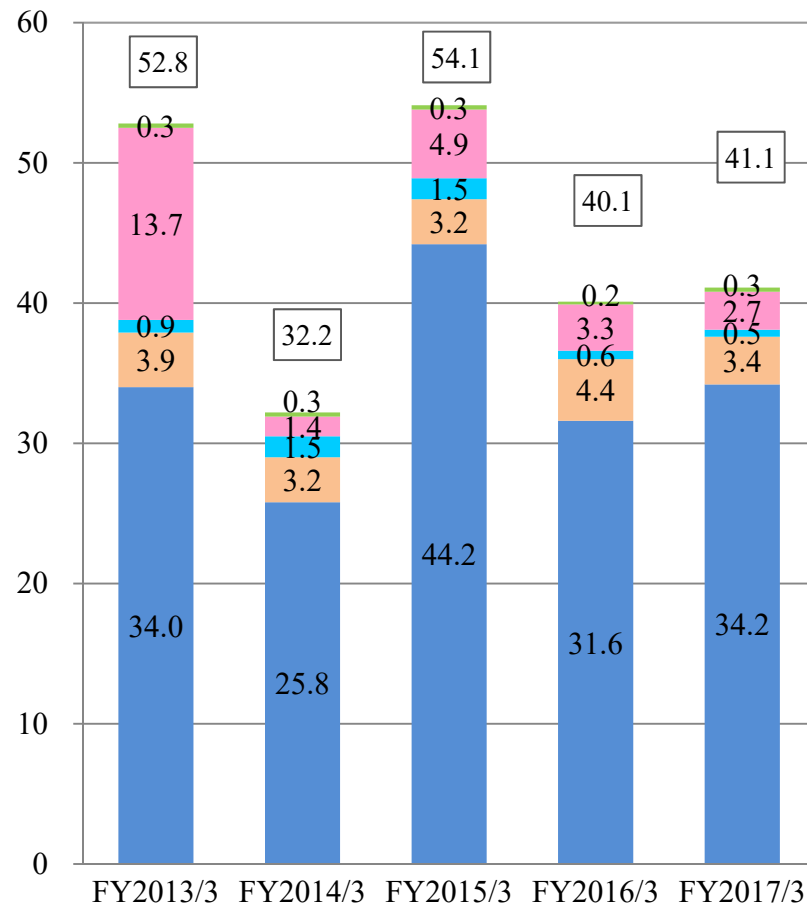
4. Reference

Net Sales by Machinery Category

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

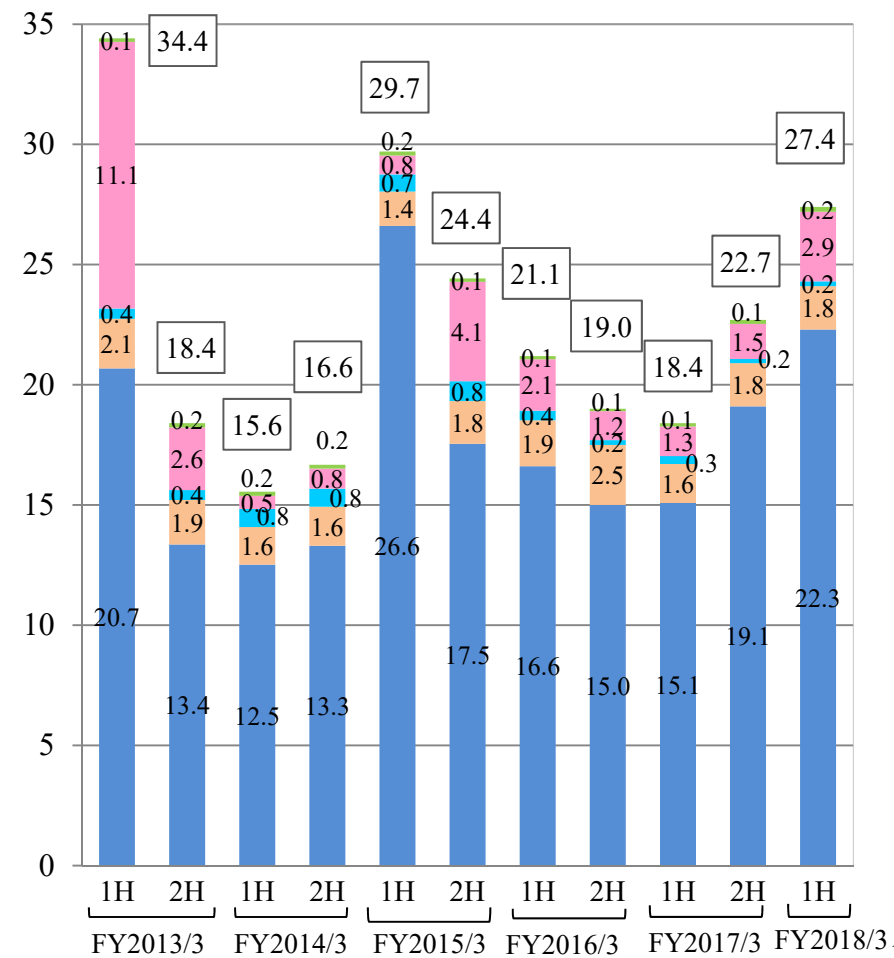
Full-year

Billion yen



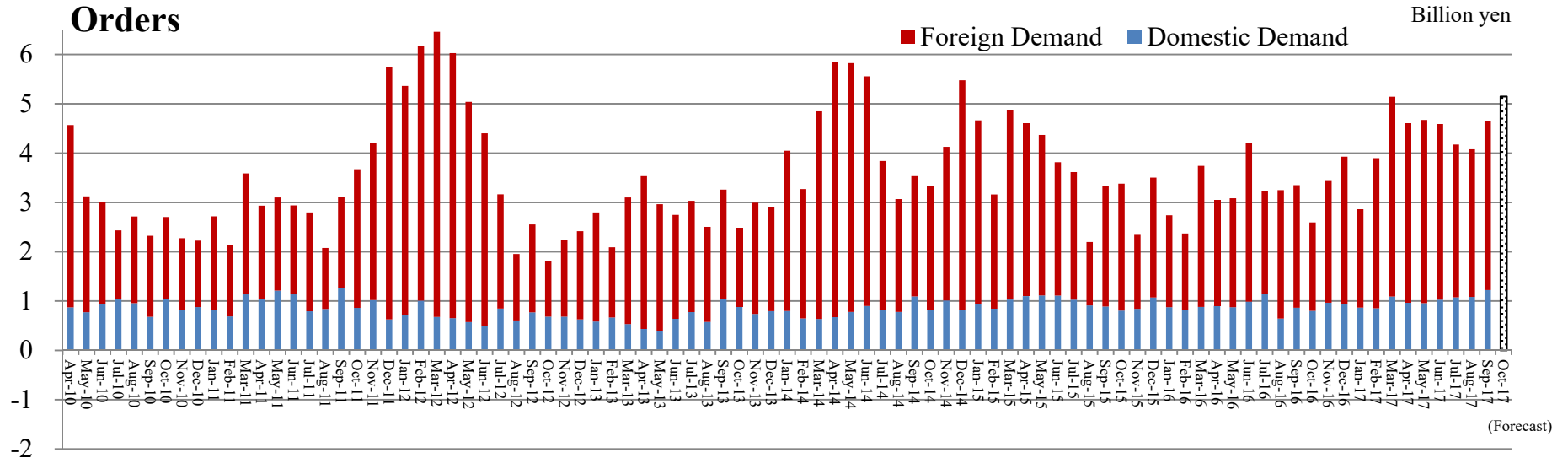
Six-month

Billion yen

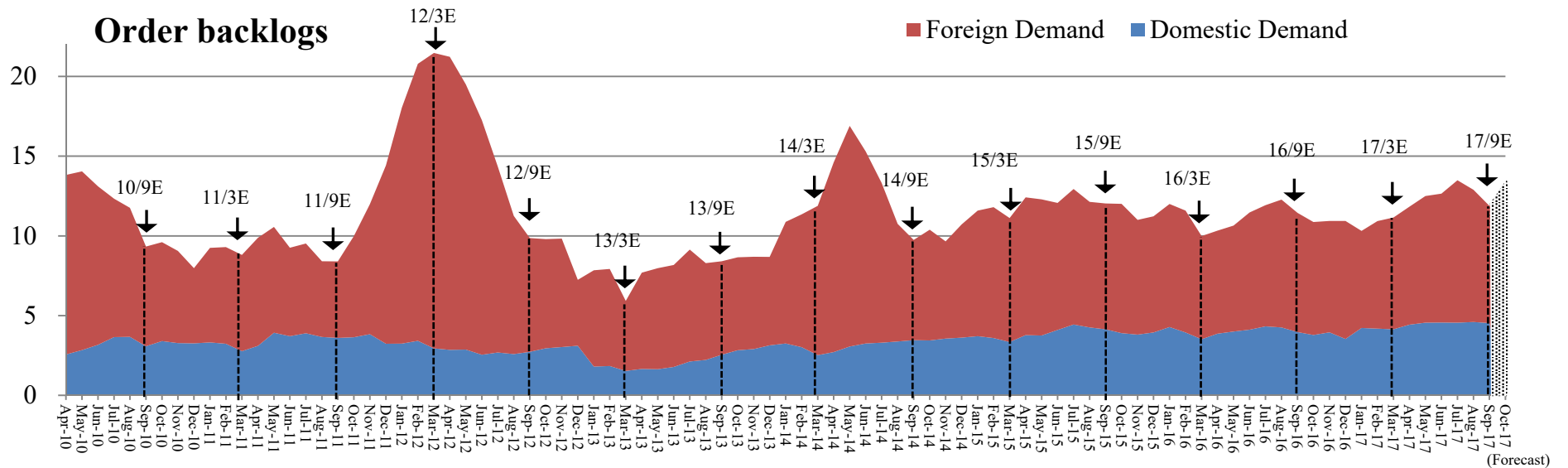


Orders Received and Order Backlogs

Orders

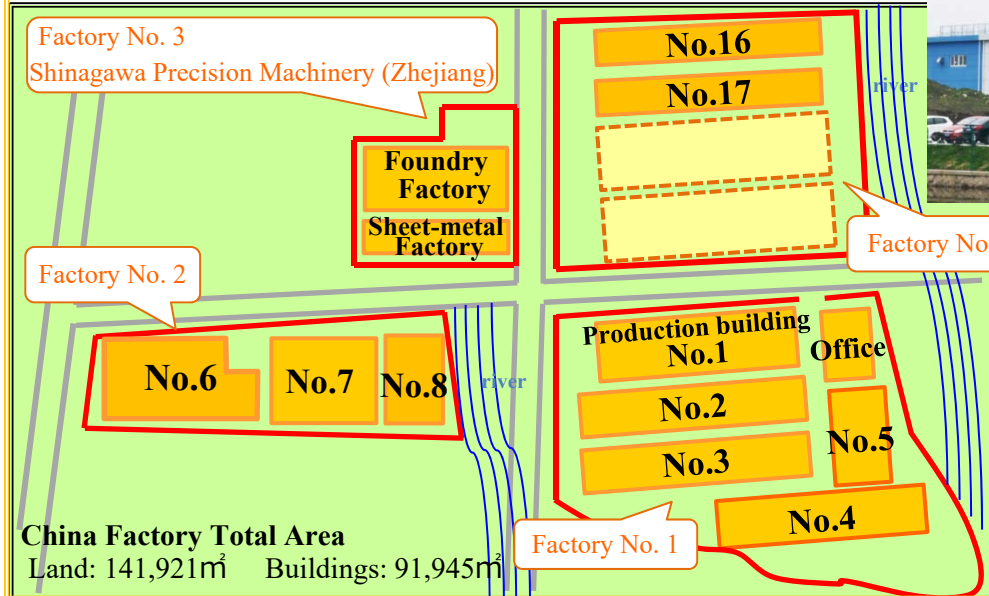


Order backlogs



Factories in China and India

【 China 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.