

Stock Information (as of March 31, 2018)

Authorized shares 320,000,000 shares
 Issued shares 55,000,000 shares
 Number of shareholders 7,422

Major shareholders (Top 10)

Shareholders	Investment in the Company	
	Number of shares held	Ownership ratio
	Thousands	%
Mizuho Trust & Banking Co., Ltd. (Employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	2,592	4.88
The Dai-ichi Life Insurance Company, Limited	2,100	3.95
The Master Trust Bank of Japan, Ltd. (Trust account)	1,895	3.56
MSCO CUSTOMER SECURITIES	1,799	3.39
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,796	3.38
Japan Trustee Services Bank, Ltd. (Trust account)	1,711	3.22
Sumitomo Mitsui Banking Corporation	1,516	2.85
The Hokuetsu Bank, Ltd.	1,484	2.79
Tsugami Customers' Shareholding Association	1,110	2.09
The Master Trust Bank of Japan, Ltd. (Trust account 5)	1,001	1.88

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 1,918 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, 2018)

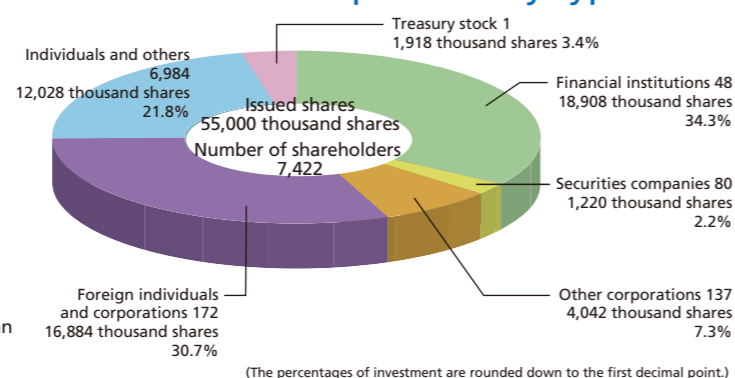
Corporate Name TSUGAMI CORPORATION
 Established March 15, 1937
 Head Office 12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
 Paid-in Capital 12,345 million yen
 Number of Employees 2,419
 Directors and Auditors (as of June 20, 2018)

Representative Director, Chairman and CEO Takao Nishijima
 Representative Director and CFO Nobuaki Takahashi
 Director Byun Jae-Hyun
 Director Kameswaran Balasubramanian
 Director Donglei Tang
 Outside Director Shigeru Nishiyama
 Outside Director Hitoshi Yoshida
 Director (Audit & Supervisory Board Member) Kenji Yoneyama
 Outside Director (Audit & Supervisory Board Member) Takeo Nakagawa
 Outside Director (Audit & Supervisory Board Member) Koichi Maruno
 Outside Director (Audit & Supervisory Board Member) Kunio Shimada

Head Office and Factories Head Office 12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
 Nagaoka Factory 1-1, Higashizao 1-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.
 TSUGAMII 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 1-1, Nikko-cho, Fuchu-shi, Tokyo Telephone: 0120-232-711 (toll free number) (Postal address) New Tokyo P. O. Box No.29, Tokyo, 137-8081 Mitsubishi UFJ Trust Banking Corporation Stock Transfer Agency Department
 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 2017
 (April 1, 2017 to March 31, 2018)

TSUGAMI CORPORATION

I am pleased to report our results for fiscal 2017, ended March 31, 2018.

During the consolidated fiscal year under review, the domestic market and the U.S. and European markets remained solid and the Chinese market continued to perform well.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") focused its efforts on expanding sales in the automotive component sector as well as in other sectors that had been covered by the Group. As a result, consolidated net sales for the fiscal year under review increased 40.3% year on year, to 57,576 million yen. Consolidated net sales in Japan increased 23.0% year on year, to 12,670 million yen. Consolidated exports increased 46.1% year on year, to 44,905 million yen. The export ratio increased 3.1% from 74.9% for the previous fiscal year, to 78.0%

A breakdown of consolidated net sales by machinery category shows that sales of mainstay automatic lathes increased 40.1% year on year, to 47,949 million yen, sales of grinding machines rose 26.7%, to 4,221 million yen, sales of machining centers declined 46.1%, to 269 million yen, and sales of rolling machines and other specialized machines increased 76.1%, to 4,795 million yen.

Consolidated operating income jumped 125.1% year on year, to 6,942 million yen. Consolidated ordinary income soared 128.5% year on year, to 6,510 million yen, and net income attributable to owners of the parent rose 58.5% year on year, to 4,171 million yen.

For the consolidated fiscal year ended March 31, 2018, the Company has decided to pay annual dividends of 18 yen per share, including interim dividends of 9 yen per share and year-end dividends of 9 yen per share.

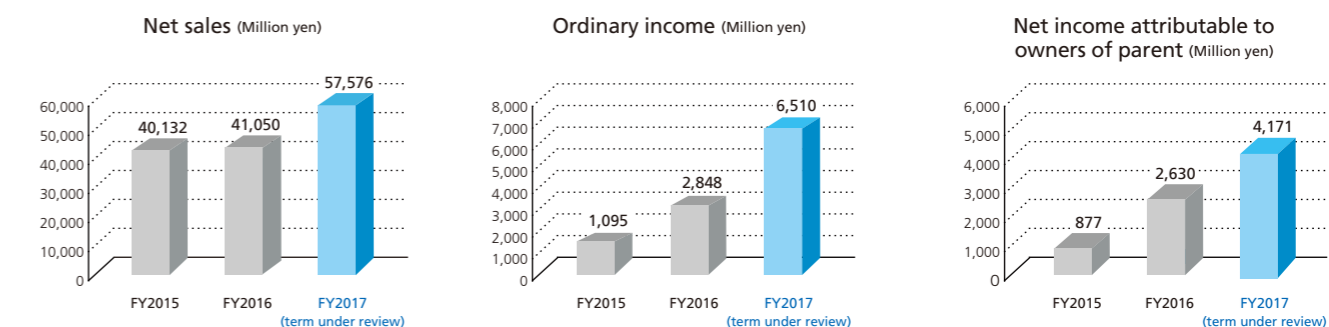
For the consolidated fiscal year ending March 31, 2019, the Company plans to pay annual dividends of 18 yen per share, including interim dividends of 9 yen per share and year-end dividends of 9 yen per share.

While continuing to work on expanding sales, improving production efficiency and reducing costs, the Group seeks to offer new products that fully meet customer requirements and enhance the services it provides. Through these efforts, it will consistently aim to raise customer satisfaction and work hard to maintain management structures trusted by customers.

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

June 2018
 Takao Nishijima Chairman and CEO

Business Performance (Consolidated)



Financial highlights

Item	FY2015		FY2016		FY2017	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Net sales (Million yen)	40,132	31,852	41,050	28,601	57,576	33,821
Ordinary income (Million yen)	1,095	252	2,848	706	6,510	1,767
Net income attributable to owners of parent (Million yen)	877	292	2,630	1,253	4,171	3,072
Net income per share (Yen)	13.04	4.34	41.91	19.96	74.71	55.03
Total assets (Million yen)	47,859	33,281	50,127	33,331	62,656	36,570
Net assets (Million yen)	32,594	26,574	31,462	24,708	37,516	21,129
Net assets per share (Yen)	473.78	386.23	510.43	400.56	585.58	385.68

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

Consolidated Financial Statements

Consolidated balance sheets

(Million yen)

Item	FY2017 (March 31, 2018)	FY2016 (March 31, 2017)
Assets		
Current assets	44,165	32,468
Cash and deposits	10,286	4,666
Trade notes and accounts receivable	14,482	9,846
Inventories	17,364	16,114
Other current assets	2,032	1,841
Fixed assets	18,490	17,659
Tangible fixed assets	9,145	8,196
Buildings, machinery, equipment and vehicles	8,025	7,528
Land	409	450
Other tangible fixed assets	711	217
Intangible fixed assets	696	649
Investments and other assets	8,648	8,813
Total assets	62,656	50,127
Liabilities		
Current liabilities	22,821	16,762
Trade notes and accounts payable	14,035	9,606
Short-term borrowings	3,200	4,183
Accrued income tax	1,068	525
Other current liabilities	4,516	2,447
Long-term liabilities	2,318	1,902
Net defined benefit liability	716	718
Other long-term liabilities	1,602	1,183
Total liabilities	25,139	18,665
Net assets		
Shareholders' equity	26,594	27,087
Common stock	12,345	12,345
Capital surplus	2,806	478
Retained earnings	13,257	17,250
Treasury stock	- 1,814	- 2,986
Accumulated other comprehensive income	4,489	3,533
Unrealized gains on marketable securities	4,149	3,308
Translation adjustments	409	329
Remeasurements of defined benefit plans	- 69	- 104
Subscription rights to shares	656	842
Non-controlling interests	5,776	-
Total net assets	37,516	31,462
Total liabilities and net assets	62,656	50,127

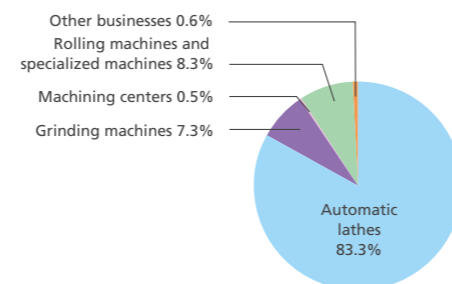
Consolidated statements of income

(Million yen)

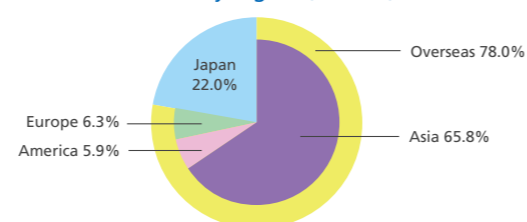
Item	FY2017 Year ended March 31, 2018	FY2016 Year ended March 31, 2017
Net sales	57,576	41,050
Cost of sales	43,021	31,418
Gross profit	14,554	9,631
Selling, general and administrative expenses	7,612	6,547
Operating income	6,942	3,083
Non-operating income	332	325
Non-operating expenses	764	560
Ordinary income	6,510	2,848
Extraordinary income	308	954
Extraordinary expenses	378	135
Income before taxes and other adjustments	6,440	3,666
Corporate, inhabitant and enterprise taxes	1,715	1,076
Deferred taxes	41	- 40
Net income	4,684	2,630
Net income attributable to non-controlling interests	513	-
Net income attributable to owners of parent	4,171	2,630

Sales breakdown (Consolidated)

Sales breakdown by product (FY2017)



Sales breakdown by region (FY2017)



Consolidated statements of changes in net assets

(Million yen)

	Shareholders' equity				Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	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, 2017	12,345	478	17,250	- 2,986	27,087	3,308	329	- 104	3,533	842	-	31,462
Changes during the period												
Cash dividends paid			- 978		- 978							- 978
Change in ownership interest of parent due to transactions with non-controlling shareholders		2,806			2,806							2,806
Net income attributable to owners of parent			4,171		4,171							4,171
Purchase of treasury stock				- 6,842	- 6,842							- 6,842
Disposal of treasury stock				- 25	376							350
Retirement of treasury stock		- 478	- 7,159	7,637								-
Changes in items other than shareholders' equity						840	79	35	956	- 185	5,776	6,546
Total changes during the period	-	2,327	- 3,992	1,171	- 492	840	79	35	956	- 185	5,776	6,054
Balance as of March 31, 2018	12,345	2,806	13,257	- 1,814	26,594	4,149	409	- 69	4,489	656	5,776	37,516

Releasing New Products to the Market

CNC Precision Automatic Lathe B0265V-III / B0266V-III

We have developed B0265V-III / B0266V-III, CNC precision automatic lathe that supports the flexible processing of complicated shaped workpieces.

- Features enhanced rigidity of the main body and improved processing capability.
- The back-side tool post with Y axis realizes compound processing on the back side and simultaneous machining on the main spindle side. (B0266V-III)
- Cartridge-type 5-axis cross and back-side tool post drills can be placed flexibly according to workpieces.
- The optional direct-drive rotary guide bushing provides high speed and accurate machining.
- Available with or without guide bushing depend on workpieces.
- Automatic programming software is included as a standard feature.



Participated Exhibitions

We actively developed new business partners.

We exhibited our products at Mechatronics Technology Japan (MECT2017) held at Port Messe Nagoya (Nagoya International Exhibition Hall) for 4 days from October 18, 2017.

We participated in SIMTOS 2018 (Seoul International Manufacturing Technology Show) held in Korea for 5 days from April 3, 2018.

We invited many users and dealers from Japan and abroad and engaged in active business talks to further expand the market.



Mechatronics Technology Japan (MECT2017)



SIMTOS 2018 (Seoul International Manufacturing Technology Show)