

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2014

November 12, 2013

TSUGAMI CORPORATION

Stock code: 6101

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Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: Yes (for institutional investors and analysts)

Scheduled date of commencement of dividend payments: November 27, 2013

1. Consolidated business performance for the first half of the fiscal year ending March 31, 2014

(From April 1, 2013 to September 30, 2013)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1H of the fiscal year ending March 31, 2014	15,551	-54.8	792	-85.9	1,397	-72.0	883	-71.8
1H of the fiscal year ended March 31, 2013	34,409	106.5	5,636	303.4	4,982	308.0	3,136	259.0

(Note): Comprehensive income: 1H of the fiscal year ending March 31, 2014: 1,293 million yen (-29.5%)

1H of the fiscal year ended March 31, 2013: 1,835 million yen (-%)

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
1H of the fiscal year ending March 31, 2014	12.05	11.90
1H of the fiscal year ended March 31, 2013	42.62	42.03

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
1H of the fiscal year ending March 31, 2014	45,976	32,323	69.2	439.07
Fiscal year ended March 31, 2013	45,919	31,998	68.6	427.86

(Reference): Shareholders' equity: 1H of the fiscal year ending March 31, 2014: 31,792 million

Fiscal year ended March 2013: 31,498 million

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, 2013	--	6.00	--	6.00	12.00
Fiscal year ending March 31, 2014	--	6.00			
Fiscal year ending March 31, 2014 (forecast)			--	6.00	12.00

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

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2014

(From April 1, 2013 to March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	38,000	-28.0	3,600	-57.4	4,100	-39.7	1,850	-56.0	25.37

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

*Notes

(1) Important changes in subsidiaries during the first half 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: none

(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):

2Q of FY2013	74,919,379 shares	FY2012	74,919,379 shares
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(ii) Numbers of treasury shares at the end of the terms:

2Q of FY2013	2,510,164 shares	FY2012	1,300,070 shares
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(iii) Average numbers of shares outstanding during the
periods (quarterly consolidated accumulation periods):

2Q of FY2013	73,369,751 shares	2Q of FY2012	73,590,831 shares
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* 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 "Qualitative Information Relating to Consolidated Business Performance Forecasts" on page 2 of the accompanying documents of this summary of financial results for the first half.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Results, Etc.

(1) Information Relating to Consolidated Operating Results

During the first half under review, the Japanese economy continued to recover moderately, backed by a recovery in exports associated with a weaker yen, public investments for reconstruction after the Great East Japan Earthquake, and an emergency economic stimulus package.

The machine tool industry remained out of sorts, dragged down by a downturn in the Chinese economy and sluggish growth in domestic demand, despite a correction to the strong yen, the robust North American market, and signs of a recovery in the European market.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") launched new models and developed its customer base. Despite these efforts, however, both net sales and income declined year on year, primarily because of the tardiness of the recovery in China, the end of reconstruction demand after the Thai flooding, and a decline in demand for products for smartphones.

Net sales, operating income, and ordinary income for the first half were 15,551 million yen (decreased 54.8% year on year), 792 million yen (decreased 85.9% year on year), and 1,397 million yen (decreased 72.0% year on year), respectively. Net income was 883 million yen (decreased 71.8% year on year).

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 45,976 million yen at the end of the first half under review, increasing 56 million yen from the end of the previous fiscal year. The increase resulted primarily from a 1,348 million yen increase in cash and deposit, 86 million yen in trade notes and accounts receivable and 779 million yen increase in tangible fixed assets, which offset a 1,205 million yen decline in inventories, 279 million yen in consumption taxes receivable and 716 million yen in investment securities.

Liabilities came to 13,652 million yen, down 268 million yen from the end of the previous fiscal year. The result was mainly attributable to an increase of 481 million yen in short-term borrowings which offset a 150 million yen decrease in corporate bonds and 653 million yen decrease in accrued income tax.

Net assets stood at 32,323 million yen at the end of the first half under review, increasing 325 million yen from the end of the previous fiscal year. The growth mainly reflected increases of 883 million yen in net income, 157 million yen in unrealized gains on marketable securities and 252 million yen in translation adjustments, which offset a 561 million yen decrease in treasury stock.

As a result of the changes stated above, the capital adequacy ratio came to 69.2%, rising 0.6 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 6,552 million yen at the end of the first half under review, increasing 1,256 million yen from the end of the previous fiscal year. A description of each cash flow during the first half was as follows:

(Cash flows from operating activities)

Cash generated through operating activities was 1,838 million yen (increased 3,411 million yen previous year).

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 1,177 million yen, 1,283 million yen decrease in inventories and depreciation and amortization expenses of 519 million yen, which offset decrease in cash, a 399 million yen decrease in trade notes and accounts payable and 842 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash generated through investing activities was 33 million yen (decreased 1,195 million yen previous year).

The cash inflow was primarily attributable to proceeds from sales of investment securities of 614 million yen, offsetting decrease in cash that resulted from a 561 million yen outlay for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Cash used for financing activities was 815 million yen (decreased 2,587 million yen previous year).

The cash outflow resulted mainly from decreases in cash, including redemptions of corporate bonds of 150 million yen, expenditure for purchase of treasury stock of 615 million yen and dividends paid of 441 million yen, which offset 394 million yen increase in short-term borrowings.

(3) Information Relating to Consolidated Business Performance Forecasts

The consolidated business performance forecasts for the fiscal year ending March 31, 2014 are described in the Notice of Revisions to Business Performance Forecasts published on October 15, 2013.

We plan to pay annual dividends of 12 yen per share according to our initial plan, including interim dividends of 6 yen per share and year-end dividends of 6 yen per share, for the fiscal year ending March 31, 2014.

2. Consolidated financial statements

(1) Consolidated Balance Sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2013)	Figures at the end of the consolidated first half under review (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	5,467	6,815
Trade notes and accounts receivable	5,303	5,389
Products and other commodities	7,320	6,288
Goods in process	3,471	3,872
Raw materials and supplies	7,572	6,997
Consumption taxes receivable	568	289
Deferred tax assets	588	579
Other	333	398
Allowance for doubtful accounts	-77	-89
Total current assets	30,547	30,541
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	4,917	4,907
Machinery, equipment and vehicles (net)	3,517	3,639
Land	568	566
Leased assets (net)	8	5
Construction in progress	5	647
Other (net)	306	335
Total tangible fixed assets	9,322	10,102
Intangible fixed assets	320	328
Investments and other assets		
Investment securities	4,787	4,070
Investments in affiliates	755	755
Long-term loans receivable	8	8
Deferred tax assets	1	1
Other	158	157
Total investments and other assets	5,710	4,993
Total fixed assets	15,353	15,424
Deferred assets	18	11
Total assets	45,919	45,976

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2013)	Figures at the end of the consolidated first half under review (As of September 30, 2013)
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,759	6,724
Short-term borrowings	3,619	4,101
Corporate bonds due for redemption within one year	300	150
Accrued income tax	829	175
Reserve for bonus payment	220	245
Reserve for product warranties	292	263
Other	786	836
Total current liabilities	12,808	12,498
Long-term liabilities		
Deferred tax liabilities	316	364
Reserve for retirement benefits	737	735
Reserve for directors' retirement benefits	16	12
Other	41	42
Total long-term liabilities	1,112	1,154
Total liabilities	13,920	13,652
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,884	5,884
Retained earnings	11,956	12,402
Treasury stock	-471	-1,032
Total shareholders' equity	29,714	29,598
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,092	1,249
Translation adjustments	691	944
Total accumulated other comprehensive income	1,783	2,193
Subscription rights to shares	500	531
Total net assets	31,998	32,323
Total liabilities and net assets	45,919	45,976

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

	(Million yen)	
	Consolidated first half previous year (From April 1, 2012 to September 30, 2012)	Consolidated first half under review (From April 1, 2013 to September 30, 2013)
Net sales	34,409	15,551
Cost of sales	25,723	11,831
Gross profit	8,686	3,720
Selling, general and administrative expenses		
Salaries and allowances	568	640
Provision for allowance for doubtful accounts	6	8
Provision for reserve for bonus payments	136	69
Retirement benefit expenses	36	42
Provision for reserve for directors' retirement benefits	2	2
Research and development expenses	623	746
Insurance premiums	72	67
Provision for reserve for product warranties	137	158
Other	1,466	1,191
Total selling, general and administrative expenses	3,049	2,927
Operating income	5,636	792
Non-operating income		
Interest received	8	10
Dividends received	29	28
Foreign exchange gains	--	678
Insurance benefits received	1	12
Other	17	64
Total non-operating income	56	794
Non-operating expenses		
Interest paid	47	69
Foreign exchange losses	516	--
Loss on sale of notes	24	54
Other	122	65
Total non-operating expenses	711	190
Ordinary income	4,982	1,397
Extraordinary income		
Gain on sales of fixed assets	0	72
Total extraordinary income	0	72
Extraordinary expenses		
Loss on retirement of fixed assets	41	7
Loss on sales of fixed assets	--	12
Impairment loss	35	--
Loss on devaluation of investment securities	34	--
Loss on sales of investment securities	--	271
Total extraordinary expenses	110	292
Income before taxes and other adjustments	4,872	1,177
Corporate, inhabitant and enterprise taxes	1,601	242
Deferred taxes	133	51
Total corporate and other taxes	1,735	294
Income before minority interests	3,136	883
Minority interests in income	--	--
Net income	3,136	883

(Consolidated Statements of Comprehensive Income)

	Million yen)	
	Consolidated first half previous year (From April 1, 2012 to September 30, 2012)	Consolidated first half under review (From April 1, 2013 to September 30, 2013)
Income before minority interests	3,136	883
Other comprehensive income		
Unrealized gains on marketable securities	-1,029	157
Deferred gains (losses) on hedges	-1	--
Translation adjustments	-270	252
Total other comprehensive income	-1,301	409
Comprehensive Income	1,835	1,293
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	1,835	1,293
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated Statements of Cash Flows

	(Million yen)	
	Consolidated first half previous year (From April 1, 2012 to September 30, 2012)	Consolidated first half under review (From April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Net income before taxes and other adjustments	4,872	1,177
Depreciation and amortization expenses	404	519
Loss (gain) on devaluation of investment securities	34	--
Loss (gain) on sales of investment securities	--	271
Loss on retirement of fixed assets	41	7
Impairment loss	35	--
Increase (decrease) in allowance for doubtful accounts	18	12
Increase (decrease) in reserve for retirement benefits	-19	-2
Increase (decrease) in reserve for product warranties	72	-29
Interest and dividends received	-37	-38
Interest paid	47	69
Loss (gain) on sales of tangible fixed assets	-0	-59
Foreign exchange losses (gains)	123	-178
Decrease (increase) in trade notes and accounts receivable	219	39
Decrease (increase) in inventories	1,614	1,283
Decrease (increase) in advance payments	368	-3
Increase (decrease) in trade notes and accounts payable	-3,578	-399
Decrease (increase) in consumption taxes refund receivable	742	283
Other	277	-242
Sub total	5,233	2,710
Interest and dividends received	37	38
Interest paid	-42	-67
Corporate and other taxes paid	-1,817	-842
Cash flows from operating activities	3,411	1,838
Cash flows from investing activities		
Payments into time deposits	-217	-168
Refund of time deposits	182	76
Expenditure for acquisition of tangible fixed assets	-1,129	-561
Proceeds from sales of tangible fixed assets	4	79
Proceeds from sales of investment securities	--	614
Payment for investment in affiliates	-25	--
Other	-8	-6
Cash flows from investing activities	-1,195	33
Cash flows from financing activities		
Short-term borrowings	3,997	5,101
Repayment of short-term borrowings	-6,070	-4,707
Redemption of corporate bonds	-150	-150
Proceeds from sales of treasury stock	10	2
Purchase of treasury stock	-2	-615
Dividends paid	-367	-441
Repayments of lease obligations	-5	-5
Cash flows from financing activities	-2,587	-815
Translation differences for cash and cash equivalents	-60	199
Net increase (decrease) in cash and cash equivalents	-432	1,256
Cash and cash equivalents at the beginning of the term	5,264	5,296
Increase in cash and cash equivalents from newly consolidated subsidiary	27	--
Cash and cash equivalents at the end of the term	4,859	6,552

(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 half previous year (From April 1, 2012 to September 30, 2012)

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	14,280	19,699	429	34,409
Intersegment net sales or transfer to other accounts	8,777	1,840	23	10,641
Total	23,058	21,540	452	45,050
Segment income	3,170	2,286	48	5,505

 2. Total income or loss for reportable segments, its difference from the amount stated in consolidated statements of income, and major factors for the difference
 (Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	5,505
Elimination of unrealized income and others	131
Operating income in Consolidated Statements of Income	5,636

3. Information relating to impairment loss on fixed assets or goodwill, etc.

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	35	--	--	--	35

II. Consolidated first half under review (from April 1, 2013 to September 30, 2013)

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	9,012	5,787	751	15,551
Intersegment net sales or transfer to other accounts	4,048	2,810	27	6,886
Total	13,061	8,598	778	22,438
Segment income (loss)	-189	416	140	367

2. Total income or loss for reportable segments, its difference from the amount stated in consolidated statements of income, and major factors for the difference

(Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	367
Elimination of unrealized income and others	424
Operating income in Consolidated Statements of Income	792

3. Information relating to impairment loss on fixed assets or goodwill, etc.

No corresponding item exists.

3. Supplementary Information

(1) Overseas net sales

Consolidated first half under review (From April 1, 2013 to September 30, 2013)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	8,973	1,479	2,257	12,711
II Consolidated net sales				15,551
III Ratio of overseas net sales to consolidated net sales (%)	57.7	9.5	14.5	81.7

(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 half previous year (From April 1, 2012 to September 30, 2012)		Consolidated first half under review (From April 1, 2013 to September 30, 2013)		Year-on-year change	
		%		%		%
Automatic lathes	20,682	60.1	12,782	82.2	-7,899	-38.2
Grinding machines	2,064	6.0	1,456	9.3	-608	-29.5
Machining centers	424	1.2	648	4.2	223	52.6
Rolling machines and specialized machines	11,094	32.3	496	3.2	-10,597	-95.5
Other	143	0.4	168	1.1	24	17.1
Total	34,409	100.0	15,551	100.0	-18,857	-54.8
(Overseas net sales)	(30,269)	(88.0)	(12,711)	(81.7)	(-17,557)	(-58.0)