

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2013

November 14, 2012

TSUGAMI CORPORATION

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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 28, 2012

1. Consolidated business performance for the first half of the fiscal year ending March 31, 2013

(From April 1, 2012 to September 30, 2012)

(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	%
IH of the fiscal year ending March 31, 2013	34,409	106.5	5,636	303.4	4,982	308.0	3,136	259.0
IH of the fiscal year ended March 31, 2012	16,664	-17.8	1,397	-44.0	1,221	-47.9	873	-57.2

(Note): Comprehensive income: IH of the fiscal year ending March 31, 2013: 1,835 million yen (-- %)

IH of the fiscal year ended March 31, 2012: 102 million yen (-94.2%)

	Net income per share		Net income per share after residual equity adjustment	
	Yen		Yen	
IH of the fiscal year ending March 31, 2013	42.62		42.03	
IH of the fiscal year ended March 31, 2012	13.22		13.04	

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
IH of the fiscal year ending March 31, 2013	46,446	29,305	62.2	392.42
Fiscal year ended March 31, 2012	50,757	27,717	53.9	372.21

(Reference): Shareholders' equity: IH of the fiscal year ending March 31, 2013: ¥28,889 million

Fiscal year ended March 2012: ¥27,371 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, 2012	--	5.00	--	5.00	10.00
Fiscal year ending March 31, 2013	--	6.00			
Fiscal year ending March 31, 2013 (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, 2013

(From April 1, 2012 to March 31, 2013)

(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	55,000	53.9	88,000	115.3	8,400	116.7	5,200	128.0	70.68

(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): yes
Companies added to the scope: 2 companies (names TSUGAMI KOREA Co., Ltd,
Shinagawa Precision Machinery (Zhejiang) Co., Ltd.)
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: applied
(ii) Changes in accounting policy other than those stated in item (i) above: none
(iii) Changes in accounting estimates: yes
(iv) Restatements: none
(Note) Starting the first quarter of the fiscal year ending March 31, 2013, the Company is applying a new depreciation method. A change in accounting policy can be difficult to distinguish from a change in accounting estimates. For details, please refer to 2. Summary information (notes), (2) Changes in accounting policy and in accounting estimates, and restatements on page 3 of the accompanying documents.
- (4) Numbers of outstanding shares (common shares)
(i) Numbers of outstanding shares at the end of the terms (including treasury shares):
(ii) Numbers of treasury shares at the end of the terms:
(iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):

2Q of FY2013	74,919,379 shares	FY2012	74,919,379 shares
2Q of FY2013	1,300,714 shares	FY2012	1,382,906 shares
2Q of FY2013	73,590,831 shares	2Q of FY2012	66,095,316 shares

* 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 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 quarter.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Quarterly Results, Etc.

(1) Qualitative Information Relating to Consolidated Operating Results

During the first half under review, there were signs of a moderate recovery in the Japanese economy, aided by reconstruction demand after the Great East Japan Earthquake and eco-car tax breaks. However, uncertainty increased gradually because of the aggravated European debt crisis and slowdowns in the Chinese economy and other emerging economies.

The machine tool industry continued to face a challenging situation, reflecting the effects of the prolonged strength of the yen, sluggish growth in domestic demand, and a slowdown in the Chinese economy.

In this environment, net sales and income rose sharply at Tsugami Corporation (the "Company") and its affiliates (the "Group"), attributable to reconstruction demand after the Thai flooding and the full-scale effect of the Group's entry into the smartphone market.

Net sales, operating income, and ordinary income for the first half were 34,409 million yen (increased 106.5% year on year), 5,636 million yen (increased 303.4% year on year), and 4,982 million yen (increased 308.0% year on year), respectively. Net income was 3,136 million yen (increased 259.0% year on year).

(2) Qualitative Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 46,446 million yen at the end of the first half under review, decreasing 4,310 million yen from the end of the previous fiscal year. The decrease resulted primarily from a decrease of 1,915 million yen in inventories, 322 million yen in trade notes and accounts receivable, 1,503 million yen in investment securities and 439 million yen in investment in affiliates (*1), which offset a 1,413 million yen increase in tangible fixed assets(*2).

Liabilities came to 17,141 million yen, down 5,899 million yen from the end of the previous fiscal year. The decline resulted mainly from a fall of 3,794 million yen in trade notes and accounts payable and 2,107 million yen in short-term borrowings.

Net assets stood at 29,305 million yen at the end of the first half under review, increasing 1,588 million yen from the end of the previous fiscal year. The growth mainly reflected a 3,136 million yen increase in net income which offset a decrease of 1,029 million yen in unrealized gains on marketable securities and 367 million yen in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 62.2%, rising 8.3 percentage points from the end of the previous fiscal year.

(*1) A decrease of 465 million yen due to a change in the scope of consolidation is included.

(*2) An increase of 501 million yen due to a change in the scope of consolidation is included.

(ii) State of cash flows during the half under review

Cash and cash equivalents amounted to 4,859 million yen at the end of the first half under review, decreasing 405 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 3,411 million yen (increasing 1,117 million yen previous year).

The result principally reflected increases in cash, mainly attributable to net income before taxes of 4,872 million yen, depreciation and amortization expenses of 404 million yen, 219 million yen decrease in trade notes and accounts receivable, 1,614 million yen decrease in inventories and 742 million yen decrease in consumption taxes receivable, which offset decrease in cash, a 3,578 million yen decrease in trade notes and accounts payable and 1,817 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 1,195 million yen (decreasing 900 million yen previous year).

The cash outflow was primarily attributable to a decrease in cash that resulted from a 1,129 million yen outlay for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Cash used for financing activities was 2,587 million yen (increasing 648 million yen previous year).

The cash outflow resulted mainly from decrease in cash, including repayment of short-term borrowings of 2,073 million yen, redemptions of corporate bonds of 150 million yen and dividends paid of 367 million yen.

(Note) The difference in the increase in inventories, the decrease in short-term borrowings, and other items between the "State of assets, liabilities and net assets" and the "State of cash flows during the first half under review" is caused by changes in translation adjustments and the scope of consolidation.

(3) Qualitative Information Relating to Consolidated Business Performance Forecasts

Net sales and income exceeded the forecast for the first half under review. However, given increasingly challenging market conditions in Japan and overseas, our business performance forecasts for the fiscal year ending March 31, 2013, which were announced on May 10, 2012, remain unchanged.

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, 2013.

2. Summary information (notes)

(1) Important changes in subsidiaries during the first half under review

Starting the first quarter of the fiscal year ending March 31, 2013, TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co., Ltd., subsidiaries of the Company, are included in the scope of consolidation, because their significance has increased.

(2) Changes in accounting policy and in accounting estimates, and restatements

A change in accounting policy that is difficult to distinguish from a change in accounting estimates

(Change in depreciation method)

Starting the first quarter of the fiscal year ending March 31, 2013, with the revision of the Corporation Tax Act, the Company and its domestic consolidated subsidiaries are depreciating tangible fixed assets acquired on or after April 1, 2012 under the revised Corporation Tax Act.

Because of the change, operating income, ordinary income, and income before taxes and other adjustments for the first half under review each increased 9 million yen compared to the amount calculated by previous method.

3. Consolidated financial statements

(1) Consolidated balance sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2012)	Figures at the end of the consolidated first half under review (As of September 30, 2012)
Assets		
Current assets		
Cash and deposits	5,314	5,020
Trade notes and accounts receivable	10,536	10,214
Products and other commodities	4,275	5,458
Goods in process	6,926	4,800
Raw materials and supplies	7,606	6,633
Deferred tax assets	535	501
Other current assets	1,973	717
Allowance for doubtful accounts	-59	-76
Total current assets	37,108	33,269
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	3,555	4,808
Machinery, equipment and vehicles (net)	2,134	2,937
Land	581	581
Leased assets (net)	15	12
Construction in progress	684	--
Other tangible fixed assets (net)	262	308
Total tangible fixed assets	7,234	8,648
Intangible fixed assets	149	184
Investments and other assets		
Investment securities	4,967	3,464
Investments in affiliates	1,141	701
Long-term loans receivable	1	8
Deferred tax assets	1	1
Other intangible fixed assets	121	143
Total investments and other assets	6,233	4,318
Total fixed assets	13,616	13,151
Deferred assets	32	25
Total assets	50,757	46,446

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2012)	Figures at the end of the consolidated first half under review (As of September 30, 2012)
Liabilities		
Current liabilities		
Trade notes and accounts payable	16,503	12,709
Short-term borrowings	2,107	--
Corporate bonds due for redemption within one year	300	300
Accrued income tax	1,413	1,191
Reserve for bonus payment	272	389
Reserve for product warranties	148	221
Other current liabilities	730	1,280
Total current liabilities	21,476	16,091
Long-term liabilities		
Corporate bonds	300	150
Deferred tax liabilities	420	79
Reserve for retirement benefits	774	755
Reserve for directors' retirement benefits	12	14
Other long-term liabilities	56	50
Total long-term liabilities	1,563	1,049
Total liabilities	23,040	17,141
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,884	5,884
Retained earnings	8,535	11,326
Treasury stock	-499	-470
Total shareholders' equity	26,264	29,085
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,114	84
Deferred gains (losses) on hedges	1	0
Translation adjustments	-9	-280
Total accumulated other comprehensive income	1,106	-195
Subscription rights to shares	345	415
Total net assets	27,717	29,305
Total liabilities and net assets	50,757	46,446

(2) Consolidated statements of income and comprehensive income
(Consolidated statements of income)

	(Million yen)	
	Consolidated first half previous year (From April 1, 2011 to September 30, 2011)	Consolidated first half under review (From April 1, 2012 to September 30, 2012)
Net sales	16,664	34,409
Cost of sales	13,157	25,723
Gross profit	3,506	8,686
Selling, general and administrative expenses		
Salaries and allowances	516	568
Provision for allowance for doubtful accounts	--	6
Provision for reserve for bonus payments	74	136
Retirement benefit expenses	37	36
Provision for reserve for directors' retirement benefits	2	2
Research and development expenses	394	623
Insurance premiums	63	72
Provision for reserve for product warranties	41	137
Other	979	1,466
Total selling, general and administrative expenses	2,109	3,049
Operating income	1,397	5,636
Non-operating income		
Interest received	1	8
Dividends received	23	29
Insurance benefits received	4	1
Other non-operating income	44	17
Total non-operating income	73	56
Non-operating expenses		
Interest paid	28	47
Foreign exchange losses	142	516
Loss on sale of notes	54	24
Other non-operating expenses	23	122
Total non-operating expenses	249	711
Ordinary income	1,221	4,982
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary expenses		
Loss on retirement of fixed assets	0	41
Impairment loss	--	35
Loss on devaluation of investment securities	10	34
Other	0	--
Total extraordinary expenses	11	110
Income before taxes and other adjustments	1,210	4,872
Corporate, inhabitant and enterprise taxes	429	1,601
Deferred taxes	-92	133
Total corporate and other taxes	337	1,735
Income before minority interests	873	3,136
Minority interests in income	--	--
Net income	873	3,136

(Consolidated statements of comprehensive income)

	Million yen)	
	Consolidated first half previous year (From April 1, 2011 to September 30, 2011)	Consolidated first half under review (From April 1, 2012 to September 30, 2012)
Income before minority interests	873	3,136
Other comprehensive income		
Unrealized gains on marketable securities	-620	-1,029
Deferred gains (losses) on hedges	-5	-1
Translation adjustments	-145	-270
Total other comprehensive income	-770	-1,301
Comprehensive Income	102	1,835
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	102	1,835
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated statements of cash flows

	(Million yen)	
	Consolidated first half previous year (From April 1, 2011 to September 30, 2011)	Consolidated first half under review (From April 1, 2012 to September 30, 2012)
Cash flows from operating activities		
Net income before taxes and other adjustments	1,210	4,872
Depreciation and amortization expenses	360	404
Loss (gain) on devaluation of investment securities	10	34
Loss on retirement of fixed assets	0	41
Impairment loss	--	35
Increase (decrease) in allowance for doubtful accounts	-2	18
Increase (decrease) in reserve for retirement benefits	-5	-19
Interest and dividends received	-24	-37
Interest paid	28	47
Loss (gain) on sales of tangible fixed assets	-0	-0
Decrease (increase) in trade notes and accounts receivable	-739	219
Decrease (increase) in inventories	-1,675	1,614
Decrease (increase) in advance payments	-96	368
Increase (decrease) in trade notes and accounts payable	2,333	-3,578
Decrease (increase) in consumption taxes refund receivable	138	742
Other cash flows	-15	472
Sub total	1,522	5,233
Interest and dividends received	24	37
Interest paid	-37	-42
Corporate and other taxes paid	-391	-1,817
Cash flows from operating activities	1,117	3,411
Cash flows from investing activities		
Payments into time deposits	-30	-217
Refund of time deposits	30	182
Expenditure for acquisition of tangible fixed assets	-392	-1,129
Income from disposal of tangible fixed assets	5	4
Expenditure for acquisition of investment securities	-0	-0
Payment for investment in affiliates	-467	-25
Other cash flows	-45	-8
Cash flows from investing activities	-900	-1,195
Cash flows from financing activities		
Short-term borrowings	2,349	3,997
Repayment of short-term borrowings	-1,259	-6,070
Redemption of corporate bonds	-150	-150
Income from disposal of treasury stock	45	10
Expenditure for acquisition of treasury stock	-1	-2
Dividends paid	-329	-367
Repayments of lease obligations	-5	-5
Cash flows from financing activities	648	-2,587
Translation differences for cash and cash equivalents	-19	-60
Net increase (decrease) in cash and cash equivalents	846	-432
Cash and cash equivalents at the beginning of the term	4,061	5,264
Increase in cash and cash equivalents from newly consolidated subsidiary	--	27
Cash and cash equivalents at the end of the term	4,908	4,859

(4) Notes relating to assumptions for the going concern
No corresponding item exists.

(5) Notes for cases where shareholders' equity underwent a major change in value
No corresponding item exists.

(6) Segment information

I. Consolidated first half previous year (From April 1, 2011 to September 30, 2011)

1. Information relating to net sales, income or loss by reportable segment

(Million yen)

	Reportable segment		
	Japan	China	Total
Net sales			
Net sales to external customers	12,120	4,543	16,664
Intersegment net sales or transfer to other accounts	4,408	1,258	5,667
Total	16,529	5,802	22,331
Segment income	1,212	186	1,398

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	1,398
Elimination of unrealized income and others	-1
Operating income in consolidated statements of income	1,397

3. Information relating to impairment loss on fixed assets or goodwill, etc.
No corresponding item existed.

II. Consolidated first half under review (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.

Consolidated first half under review (From April 1, 2012 to September 30, 2012)

(Million yen)

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

4. Change in reportable segments

Starting the first quarter of the fiscal year ending March 31, 2013, TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co., Ltd., both subsidiaries of the Company, are included in the scope of consolidation. As a result, the reportable segments have changed from two segments—Japan and China—to three segments: Japan, China, and South Korea. The amounts for TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co., Ltd. are included in the South Korea segment, and the China segment, respectively.

4. Supplementary Information

(1) Overseas net sales

Consolidated first half under review (From April 1, 2012 to September 30, 2012)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	28,038	1,482	748	30,269
II Consolidated net sales				34,409
III Ratio of overseas net sales to consolidated net sales (%)	81.5	4.3	2.2	88.0

(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, Taiwan, Vietnam and India

(2) America.... the United States, Mexico and Argentina

(3) Europe..... Switzerland, Germany, Turkey, Hungary, Poland and France

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, 2011 to September 30, 2011)		Consolidated first half under review (From April 1, 2012 to September 30, 2012)		Year-on-year change	
		%		%		%
Automatic lathes	13,583	81.5	17,775	51.7	4,191	30.9
Grinding machines	1,540	9.3	2,064	6.0	524	34.0
Machining centers	519	3.1	424	1.2	-94	-18.3
Rolling machines and specialized machines.	680	4.1	14,001	40.7	13,321	--
Other	340	2.0	143	0.4	-197	-57.9
Total	16,664	100.0	34,409	100.0	17,745	106.5
(Overseas net sales)	(11,165)	(67.0)	(30,269)	(88.0)	(19,103)	(171.1)