

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

July 30, 2012

TSUGAMI CORPORATION

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Scheduled quarterly report submission date: August 10, 2012

Scheduled date of commencement of dividend payments: --

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: None

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

(From April 1, 2012 to June 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	%
Q1 of the fiscal year ending March 31, 2013	19,582	133.7	3,310	421.6	2,839	402.3	1,824	296.3
Q1 of the fiscal year ended March 31, 2012	8,379	-9.6	634	-37.5	565	-41.4	460	-47.2

(Note): Comprehensive income: Fiscal year ending March 31, 2013: 1,071 million yen (96.3%)

Fiscal year ended March 31, 2012: 545 million yen (-17.9%)

	Net income per share	Net quarterly income per share after residual equity adjustment
	Yen	Yen
Q1 of the fiscal year ending March 31, 2013	24.80	24.43
Q1 of the fiscal year ended March 31, 2012	6.98	6.87

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Q1 of the fiscal year ending March 31, 2013	53,468	28,497	52.6	382.07
Fiscal year ended March 31, 2012	50,757	27,717	53.9	372.21

(Reference): Shareholders' equity: Q1 of the fiscal year ending March 31 2013: ¥28,123 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	--				
Fiscal year ending March 31, 2013 (forecast)		6.00	--	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
Interim	30,000	80.0	4,800	243.5	4,600	276.7	2,800	220.5	38.06
Full-year	55,000	53.9	8,800	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 quarter 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: yes
(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 under review, 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):

Q1 of FY2013	74,919,379 shares	FY2012	74,919,379 shares
Q1 of FY2013	1,310,891 shares	FY2012	1,382,906 shares
Q1 of FY2013	73,572,587 shares	Q1 of FY2012	65,966,703 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 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 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 quarter under review, the Japanese economy recovered moderately, aided by significant reconstruction demand after the earthquake and measures to support eco-car purchases. However, with the European financial crisis and the historically strong yen both persisting for the long term, the economic situation does not allow for optimism.

In the machine tool industry, demand from the domestic auto industry and exports to North America were solid, but the industry remained unstable, reflecting the growing effects of the prolonged strength of the yen and of the economic crisis in Europe.

In this environment, net sales and income rose sharply at Tsugami Corporation (the "Company") and its affiliates (the "Group"), attributable to the full-scale effect of the Group's entry into the smartphone market in the previous fiscal year.

Net sales, operating income, and ordinary income for the quarter were 19,582 million yen (increased 133.7% year on year), 3,310 million yen (increased 421.6% year on year), and 2,839 million yen (increased 402.3% year on year), respectively. Net income was 1,824 million yen (increased 296.3% year on year).

(2) Qualitative Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 53,468 million yen at the end of the first quarter under review, rising 2,711 million yen from the end of the previous fiscal year. The increase resulted primarily from a 965 million yen increase in cash and deposit, 2,431 million yen in trade notes and accounts receivable, 265 million yen growth in inventories and 1,081 million yen increase in tangible fixed assets (*1), which offset a 880 million yen decline in investment securities and 439 million yen in investment in affiliates (*2).

Liabilities grew 1,931 million yen from the end of the previous fiscal year, and reached 24,971 million yen at the end of the first quarter under review. The result was mainly attributable to a 3,160 million yen increase in trade notes and accounts payable which offset a 1,091 million yen fall in short-term borrowings and a 590 million yen drop in accrued income tax.

Net assets stood at 28,497 million yen at the end of the first quarter under review, increasing 780 million yen from the end of the previous fiscal year. The growth mainly reflected a 1,824 million yen increase in net income which offset a 563 million yen decrease 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 52.6%, declining 1.3 percentage points from the end of the previous fiscal year.

(*1) An increase of 427 million yen due to a change in the scope of consolidation is included.

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

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

Cash and cash equivalents amounted to 6,056 million yen at the end of the first quarter under review, increasing 791 million yen from the end of the previous fiscal year. A description of each cash flow during the first quarter was as follows:

(Cash flows from operating activities)

Cash generated through operating activities was 3,049 million yen (increasing 1,005 million yen previous year).

The result principally reflected increases in cash, including a quarterly net income before taxes and other adjustments of 2,769 million yen, depreciation and amortization expenses of 186 million yen, and a 3,213 million yen rise in trade notes and accounts payable, which offset decreases in cash, such as a 2,478 million yen rise in trade notes and accounts receivable, 420 million yen increase in inventories and 1,443 million yen in corporate and other taxes paid..

(Cash flows from investing activities)

Cash used for investing activities was 659 million yen (decreasing 146 million yen previous year).

The cash outflow was primarily attributable to a decrease in cash that resulted from a 531 million yen outlay for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Cash used for financing activities was 1,582 million yen (decreasing 482 million yen previous year).

The cash outflow resulted mainly from decreases in cash, including repayment of short-term borrowings of 1,068 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 quarter under review" is caused by changes in translation adjustments and the scope of consolidation.

(3) Qualitative Information Relating to Consolidated Business Performance Forecasts

Our business performance forecasts for the fiscal year ending March 31, 2013, which were announced May 10, 2012, remain unchanged without any revisions.

We plan to pay annual dividends of 12 yen per share according to its initial plan, including year-end dividends of 6 yen per share and interim 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 quarter under review

Starting the first quarter under review, 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 under review, 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 each increased 3 million yen compared to the amount calculated by previous method.

3. Quarterly consolidated financial statements

(1) Quarterly 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 quarter under review (As of June 30, 2012)
Assets		
Current assets		
Cash and deposits	5,314	6,279
Trade notes and accounts receivable	10,536	12,968
Products and other commodities	4,275	4,719
Goods in process	6,926	5,751
Raw materials and supplies	7,606	8,601
Deferred tax assets	535	543
Other current assets	1,973	1,177
Allowance for doubtful accounts	-59	-49
Total current assets	37,108	39,991
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	3,555	4,398
Machinery, equipment and vehicles (net)	2,134	2,638
Land	581	581
Leased assets (net)	15	13
Construction in progress	684	409
Other tangible fixed assets (net)	262	273
Total tangible fixed assets	7,234	8,315
Intangible fixed assets	149	191
Investments and other assets		
Investment securities	4,967	4,086
Investments in affiliates	1,141	702
Long-term loans receivable	1	4
Deferred tax assets	1	1
Other intangible fixed assets	121	146
Total investments and other assets	6,233	4,940
Total fixed assets	13,616	13,447
Deferred assets	32	28
Total assets	50,757	53,468

	(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 quarter under review (As of June 30, 2012)
Liabilities		
Current liabilities		
Trade notes and accounts payable	16,503	19,664
Short-term borrowings	2,107	1,015
Corporate bonds due for redemption within one year	300	300
Accrued income tax	1,413	823
Reserve for bonus payment	272	496
Reserve for product warranties	148	174
Other current liabilities	730	1,330
Total current liabilities	21,476	23,803
Long-term liabilities		
Corporate bonds	300	150
Deferred tax liabilities	420	201
Reserve for retirement benefits	774	749
Reserve for directors' retirement benefits	12	13
Other long-term liabilities	56	53
Total long-term liabilities	1,563	1,167
Total liabilities	23,040	24,971
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,884	5,884
Retained earnings	8,535	10,015
Treasury stock	-499	-474
Total shareholders' equity	26,264	27,770
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,114	550
Deferred gains (losses) on hedges	1	1
Translation adjustments	-9	-199
Total accumulated other comprehensive income	1,106	353
Subscription rights to shares	345	373
Total net assets	27,717	28,497
Total liabilities and net assets	50,757	53,468

(2) Quarterly consolidated statements of income and comprehensive income
 (Quarterly consolidated statements of income)
 (For the first consolidated quarter)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2011 to June 30, 2011)	Consolidated first quarter under review (From April 1, 2012 to June 30, 2012)
Net sales	8,379	19,582
Cost of sales	6,706	14,819
Gross profit	1,673	4,762
Selling, general and administrative expenses		
Salaries and allowances	263	309
Provision for reserve for bonus payments	33	62
Retirement benefit expenses	18	18
Provision for reserve for directors' retirement benefits	1	1
Research and development expenses	188	237
Insurance premiums	22	37
Provision for reserve for product warranties	25	58
Other	485	728
Total selling, general and administrative expenses	1,039	1,452
Operating income	634	3,310
Non-operating income		
Interest received	0	3
Dividends received	23	29
Other non-operating income	23	21
Total non-operating income	47	54
Non-operating expenses		
Interest paid	15	26
Foreign exchange losses	61	413
Loss on sale of notes	29	11
Other non-operating expenses	11	73
Total non-operating expenses	116	525
Ordinary income	565	2,839
Extraordinary income		
Gain on sales of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary expenses		
Loss on retirement of fixed assets	0	1
Impairment loss	--	35
Loss on devaluation of investment securities	--	34
Other extraordinary expenses	0	--
Total extraordinary expenses	0	70
Income before taxes and other adjustments	566	2,769
Corporate, inhabitant and enterprise taxes	225	888
Deferred taxes	-120	56
Total corporate and other taxes	105	945
Income before minority interests	460	1,824
Minority interests in income	--	--
Net income	460	1,824

(Quarterly Consolidated Statements of Comprehensive Income)
 (For the first consolidated quarter)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2011 to June 30, 2011)	Consolidated first quarter under review (From April 1, 2012 to June 30, 2012)
Income before minority interests	460	1,824
Other comprehensive income		
Unrealized gains on marketable securities	138	-563
Deferred gains (losses) on hedges	-5	0
Translation adjustments	-47	-190
Total other comprehensive income	85	-753
Comprehensive Income	545	1,071
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	545	1,071
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated statements of cash flows

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2011 to June 30, 2011)	Consolidated first quarter under review (From April 1, 2012 to June 30, 2012)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	566	2,769
Depreciation and amortization expenses	181	186
Loss (gain) on devaluation of investment securities	--	34
Increase (decrease) in allowance for doubtful accounts	-1	-7
Increase (decrease) in reserve for retirement benefits	0	-25
Interest and dividends received	-24	-32
Interest paid	15	26
Loss (gain) on sales of tangible fixed assets	-1	-0
Decrease (increase) in trade notes and accounts receivable	-283	-2,478
Decrease (increase) in inventories	-752	-420
Increase (decrease) in trade notes and accounts payable	1,182	3,213
Impairment loss	--	35
Other cash flows	473	1,182
Sub total	1,357	4,483
Interest and dividends received	24	32
Interest paid	-16	-22
Corporate and other taxes paid	-359	-1,443
Cash flows from operating activities	1,005	3,049
Cash flows from investing activities		
Payments into time deposits	-10	-144
Refund of time deposits	10	45
Expenditure for acquisition of tangible fixed assets	-93	-531
Income from disposal of tangible fixed assets	4	4
Expenditure for acquisition of investment securities	-0	-0
Payment for investment in affiliates	-11	-25
Other cash flows	-45	-7
Cash flows from investing activities	-146	-659
Cash flows from financing activities		
Repayment of short-term borrowings	--	-1,068
Redemption of corporate bonds	-150	-150
Income from disposal of treasury stock	0	8
Expenditure for acquisition of treasury stock	-0	-1
Dividends paid	-329	-367
Repayments of lease obligations	-2	-2
Cash flows from financing activities	-482	-1,582
Translation differences for cash and cash equivalents	-7	-43
Net increase (decrease) in cash and cash equivalents	369	764
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	4,431	6,056

(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 quarter previous year (From April 1, 2011 to June 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	5,691	2,688	8,379
Intersegment net sales or transfer to other accounts	2,536	666	3,203
Total	8,227	3,355	11,582
Segment income	495	145	640

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

(Million yen)

Income	Amount
Total income for reportable segments	640
Elimination of unrealized income and others	-5
Operating income in quarterly consolidated statements of income	634

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

II. Consolidated first quarter under review (from April 1, 2012 to June 30, 2012)

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

(Million yen)

	Reportable segment			
	Japan	China	Other	Total
Net sales				
Net sales to external customers	6,131	13,202	248	19,582
Intersegment net sales or transfer to other accounts	6,977	718	20	7,716
Total	13,109	13,921	268	27,298
Segment income	1,582	1,539	30	3,152

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

(Million yen)

Income	Amount
Total income for reportable segments	3,152
Elimination of unrealized income and others	157
Operating income in quarterly consolidated statements of income	3,310

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

Consolidated first quarter under review (From April 1, 2012 to June 30, 2012)

	Japan	China	Other	Corporate or elimination	Total
Impairment loss	35	--	--	--	35

4. Change in reportable segments

Starting the first quarter under review, 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 Other. The amounts for Other segment are those for TSUGAMI KOREA Co., Ltd.

4. Supplementary Information

(1) Overseas net sales

Consolidated first quarter under review (From April 1, 2012 to June 30, 2012)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	16,504	644	306	17,455
II Consolidated net sales				19,582
III Ratio of overseas net sales to consolidated net sales (%)	84.3	3.3	1.5	89.1

(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, the Philippines, Taiwan, Singapore, Vietnam and India

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

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

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 quarter previous year (From April 1, 2011 to June 30, 2011)		Consolidated first quarter under review (From April 1, 2012 to June 30, 2012)		Year-on-year change	
		%		%		%
Automatic lathes	12,477	63.7	6,974	83.2	5,503	78.9
Grinding machines	723	3.7	778	9.3	-55	-7.1
Machining centers	69	0.4	181	2.2	-112	-62.0
Rolling machines and specialized machines.	6,249	31.9	283	3.4	5,965	--
Other	63	0.3	162	1.9	-99	-61.0
Total	19,582	100.0	8,379	100.0	11,202	133.7
(Overseas net sales)	(17,455)	(89.1)	(5,779)	(69.0)	(11,676)	(202.0)