

# Briefing on Financial Statements for the First Half of the Year Ending March 2014



November 12, 2013

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# 1. Business performance for the First Half of the Year Ending March 31, 2014

## (1) Changes in Financial Results



### First half operating results for FY2013

The recovery in the domestic market was limited. The European and U.S. markets recovered somewhat, but the Chinese market was still weak.

**[Net sales]** Net sales were 3.4 billion yen short of the initial forecast due to the general delay in the recovery of markets. Net sales declined 18.8 billion yen from H1 of FY2012 because of decreases in reconstruction demand after the Thai flooding and demand from large customers for products for smartphones.

**[Operating income]** Operating income was 1.1 billion yen less than the initial forecast, chiefly reflecting net sales short of the forecast, high initial costs for new products, and an increase in research and development expenses.

Billion yen

	FY2012 ('12/4 - '13/3)			H1 of FY2013 ('13/4 - '13/9)			
	H1	H2	Full-year	H1	Year-on-year	Initial forecasts	Difference from initial forecasts
Net sales	34.4	18.4	52.8	15.6	-18.8	19.0	-3.4
Gross profit	8.7	6.0	14.7	3.7	-5.0	--	--
(Gross profit margin)	(25.2%)	(32.7%)	(27.8%)	(23.9%)	(-1.3%)	(-)	(-)
Operating income	5.6	2.8	8.4	0.8	-4.8	1.9	-1.1
(Operating income margin)	(16.4%)	(15.3%)	(16.0%)	(5.1%)	(-11.3%)	(10.0%)	(-4.9%)
Ordinary income	5.0	1.8	6.8	1.4	-3.6	1.8	-0.4
(Ordinary income margin)	(14.5%)	(9.9%)	(12.9%)	(9.0%)	(-5.5%)	(9.5%)	(-0.5%)
Net income	3.1	1.1	4.2	0.9	-2.2	1.2	-0.3
(Net income margin)	(9.1%)	(5.8%)	(8.0%)	(5.7%)	(-3.4%)	(6.3%)	(-0.6%)
Net income per share	42.6 yen	14.6 yen	57.2 yen	12.1 yen	30.6 yen	16.3 yen	-4.3 yen

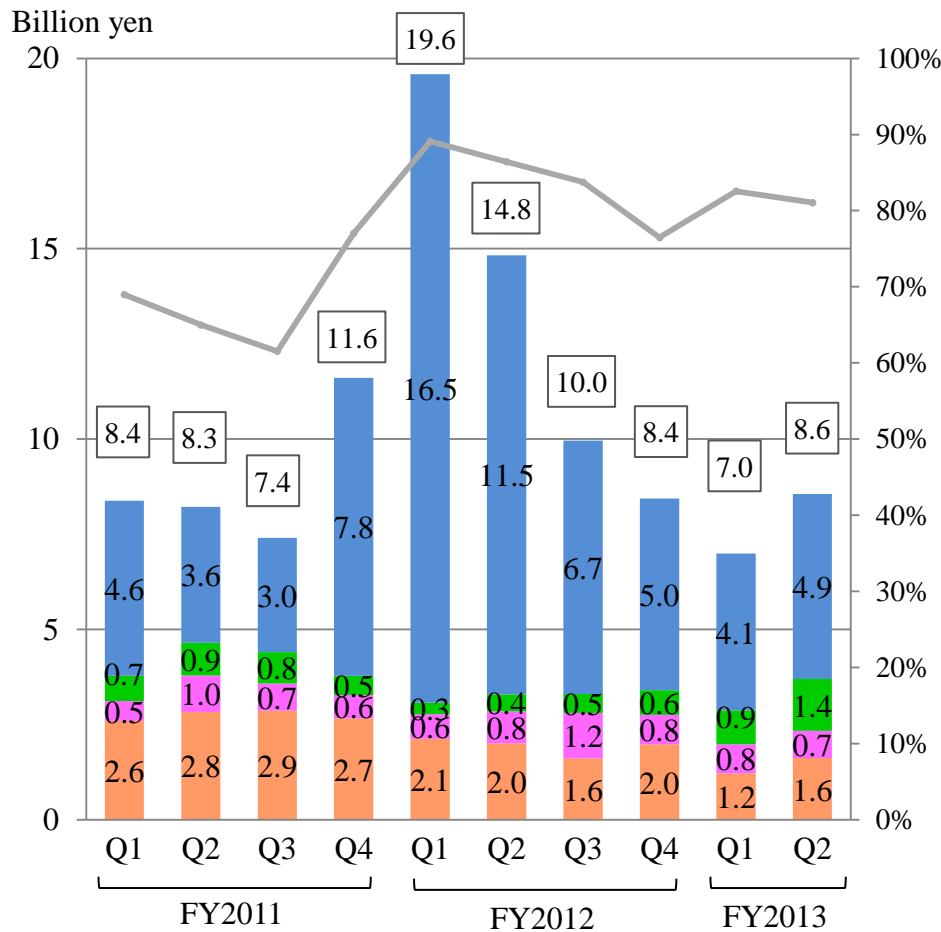
## (2) Changes in Financial Results - Quarterly -

Billion yen

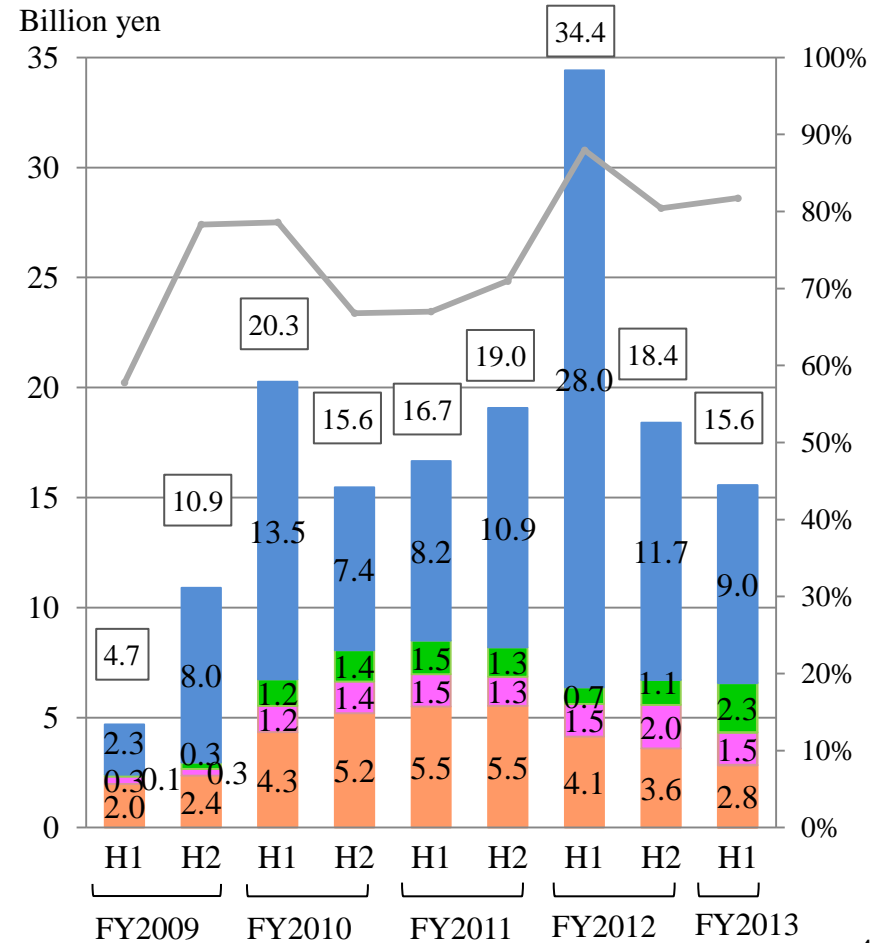
	FY2011 ( '11/4-'12/3)				FY2012 ( '12/4-'13/3)				FY2013 ( '13/4-'13/9)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	8.4	8.3	7.4	11.6	19.6	14.8	10.0	8.4	7.0	8.6
Gross profit	1.7	1.8	1.8	3.1	4.8	3.9	3.4	2.6	1.8	1.9
(Gross profit margin)	(20.0%)	(22.1%)	(24.1%)	(26.2%)	(24.3%)	(26.5%)	(33.9%)	(31.2%)	(26.3%)	(22.0%)
Operating income	0.6	0.8	0.7	2.0	3.3	2.3	1.8	1.0	0.4	0.4
(Operating income margin)	(7.6%)	(9.2%)	(9.8%)	(16.9%)	(16.9%)	(15.7%)	(17.3%)	(12.9%)	(5.9%)	(4.4%)
Ordinary income	0.6	0.6	0.7	2.0	2.8	2.2	1.6	0.2	1.1	0.3
(Ordinary income margin)	(6.7%)	(7.9%)	(9.8%)	(16.6%)	(14.5%)	(14.5%)	(16.3%)	(2.3%)	(16.0%)	(3.2%)
Net income	0.5	0.4	0.4	1.0	1.8	1.3	0.9	0.2	0.8	0.1
(Net income margin)	(5.5%)	(5.0%)	(5.1%)	(8.8%)	(9.3%)	(8.8%)	(9.0%)	(2.1%)	(11.9%)	(0.6%)

### (3) Net Sales by Geographic Segment

#### Quarterly



#### Semi-Annually



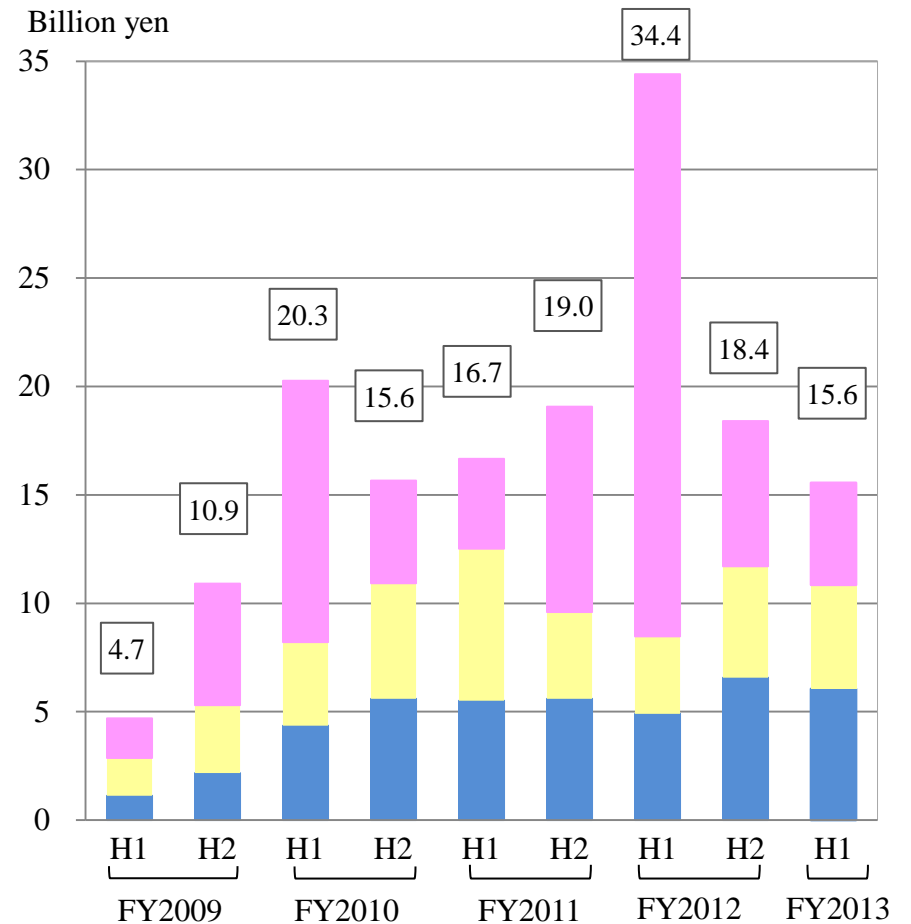
# (4) Net Sales by Business Segment

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

## Quarterly



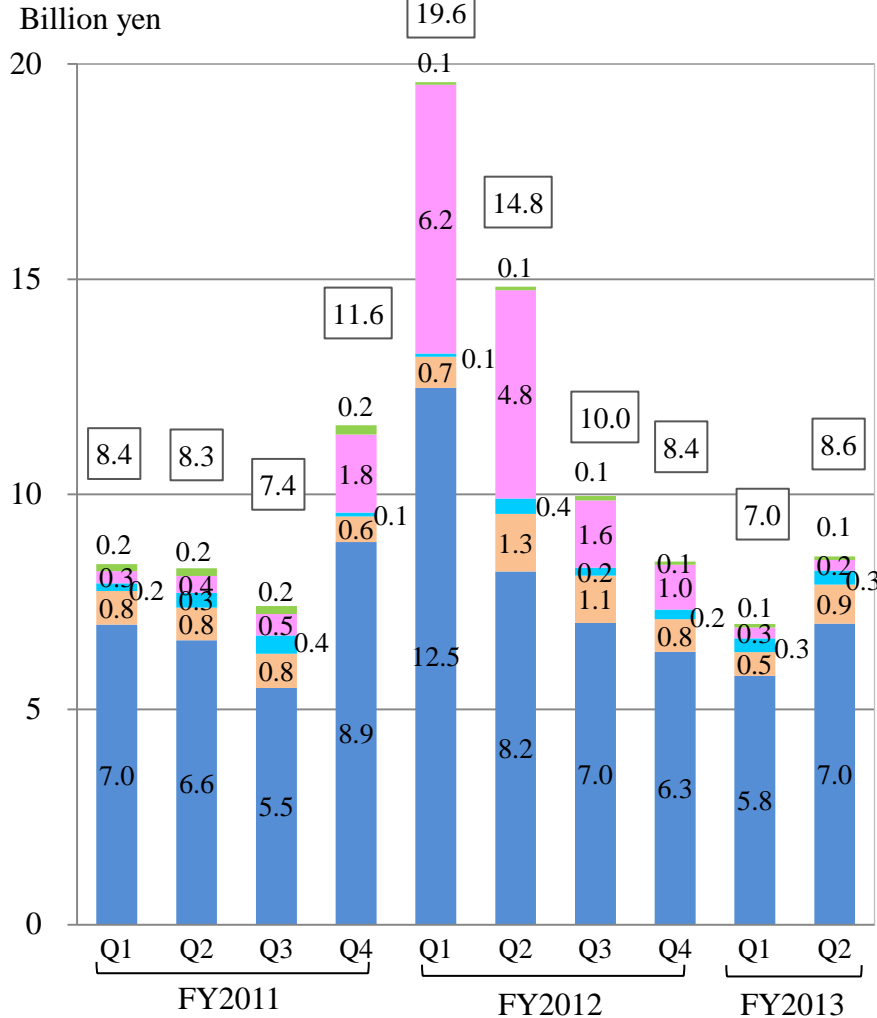
## Semi-Annually



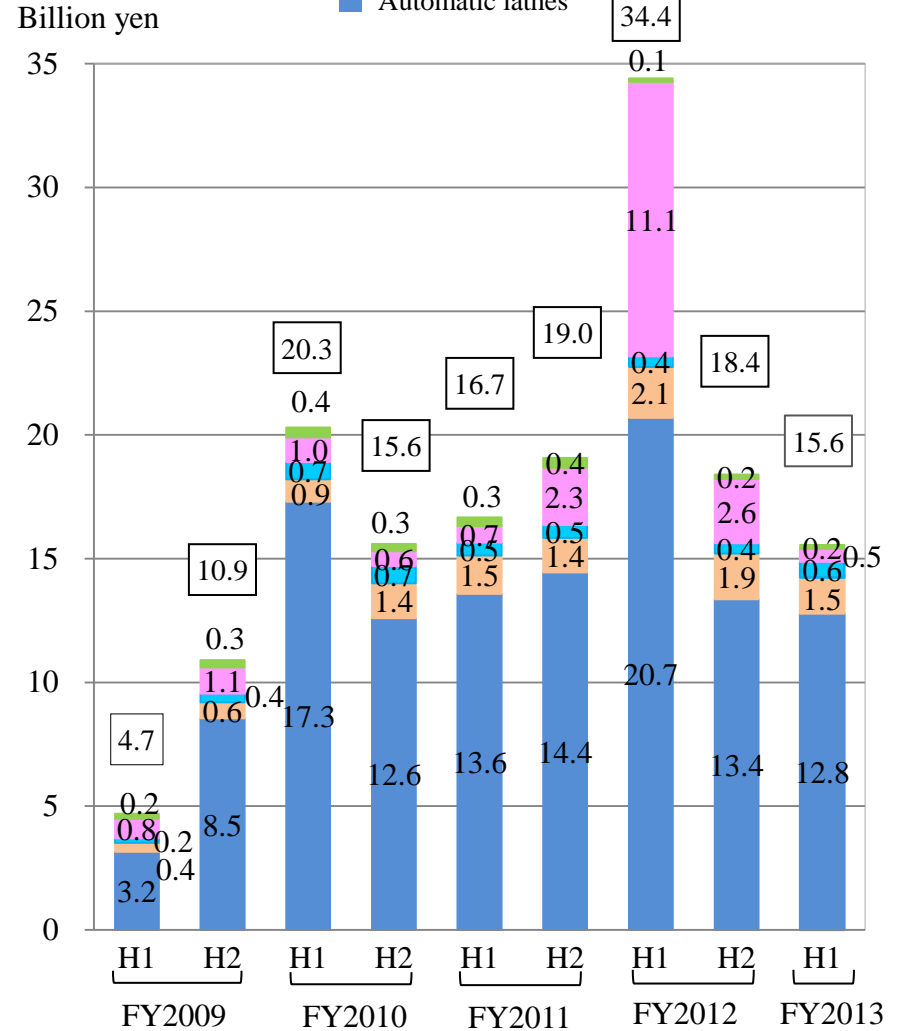
# (5) Net Sales by Machinery Category

- Other businesses
- Rolling machines, etc.
- Machining centers
- Grinding machines
- Automatic lathes

## Quarterly



## Semi-Annually



## (6) Balance Sheets

Billion yen

	2012/9E	2013/3E	2013/9E	Difference from 2013/3E	Difference from 2012/9E
<b>Total assets</b>	46.4	45.9	46.0	+0.1	-0.4
<b>Current assets</b>	33.3	30.5	30.5	-0.0	-2.8
Cash and deposits	5.0	5.5	6.8	+1.3	+1.8
Trade notes and accounts receivable	10.2	5.3	5.4	+0.1	-4.8
Inventories	16.9	18.4	17.2	-1.2	+0.3
Deferred tax assets and others	1.2	1.3	1.1	-0.2	-0.1
<b>Fixed assets</b>	13.1	15.4	15.4	+0.0	+2.3
Tangible fixed assets	8.6	9.3	10.1	+ 0.8	Note 1 +1.5
Intangible fixed assets	0.2	0.3	0.3	0.0	+0.1
Investments and other assets	4.3	5.7	5.0	-0.7	Note 2 +0.7
<b>Total liabilities</b>	17.1	13.9	13.7	-0.2	-3.4
<b>Current liabilities</b>	16.1	12.8	12.5	-0.3	-3.6
Trade notes and accounts payable	12.7	6.8	6.7	-0.1	-6.0
Short-term borrowings	0.0	3.6	4.1	+0.5	+4.1
Accrued income tax and others	3.4	2.4	1.7	-0.7	Note 3 -1.7
<b>Long-term liabilities</b>	1.0	1.1	1.2	+0.1	+0.2
<b>Total net assets</b>	29.3	32.0	32.3	+0.3	+3.0
Common stock, Capital surplus	18.2	18.2	18.2	0.0	0.0
Retained earnings	11.3	12.0	12.4	+0.4	+1.1
Treasury stock	-0.5	-0.5	-1.0	-0.5	-0.5
Unrealized gains on marketable securities	0.1	1.1	1.2	+0.1	+1.1
Translation adjustments and others	0.2	1.2	1.5	+0.3	+1.3
<b>Capital adequacy ratio</b>	62.2%	68.6%	69.2%	+0.6%	+7.0%

(Note)

- China Factory new wing (No.6, 7) 0.9

Production machines 1.3

Depreciation and others -0.7
- Sales of Tornos shares -0.8

Valuation of investment securities +1.4
- Income taxes payable -1.0

Notes payable-equipment  
for Niigata Factory new wing (No.2)  
-0.3  
for Line of main spindle -0.2



## (7) Cash flows

				Billion yen
	FY2012 H1 ( '12/4-'12/9)	FY2012 H2 ( '12/10-'13/3)	FY2013 H1 ( '13/4-'13/9)	(Note)
Cash flows from operating activities	3.4	-1.5	1.8	1.
Income before taxes, depreciation and amortization	5.3	2.3	Note 1 1.7	<u>Income before taxes</u> 1.2 <u>Depreciation and amortization</u> 0.5
Gross working capital	-0.4	-2.2	Note 2 0.9	2.
Corporate and other taxes	-1.8	-1.3	-0.8	<u>Notes and accounts payable</u> -0.4 <u>Notes and accounts receivable</u> 0.04 <u>Inventories</u> 1.28 <u>Other current assets</u> 0.06
Cash flows from investing activities	-1.2	-1.2	0.0	3.
Capital investment in Japan factory	-0.2	-0.7	-0.1	<u>China Factory new wing (No.7), Production machines</u>
Capital investment in China factory	-0.9	-0.4	Note 3 -0.5	4.
Sales of investment securities	--	0.1	Note 4 0.6	<u>Sales of Tornos shares</u>
Cash flows from financing activities	-2.6	2.9	-0.8	5.
Short-term borrowings	-2.1	3.5	0.4	<u>1,350 thousand shares purchased</u>
Redemption of corporate bonds	-0.15	-0.15	-0.15	
Dividends paid	-0.4	-0.4	-0.4	
Purchase of treasury stock	-0.0	-0.0	Note 5 -0.6	
Net increase (decrease) in cash and cash equivalents	-0.4	0.4	1.3	
Cash and cash equivalents at the end of the term	4.9	5.3	6.6	

## 2. Business Conditions and Outlook

### (1) Outlook for Fiscal Year Ending March 31, 2014



#### Outlook for FY2013

- [Net sales]**
- Given the delay in recovery in markets in general, net sales will be 5.0 billion yen short of the initial forecast.
  - The main markets are expected to recover slightly from the Q3.
  - New products launched in the Q2, including Turret lathe, are expected to contribute to net sales from the Q3.
  - Growth in the IT business, the core business, from the Q4 is anticipated, but there are uncertainties.

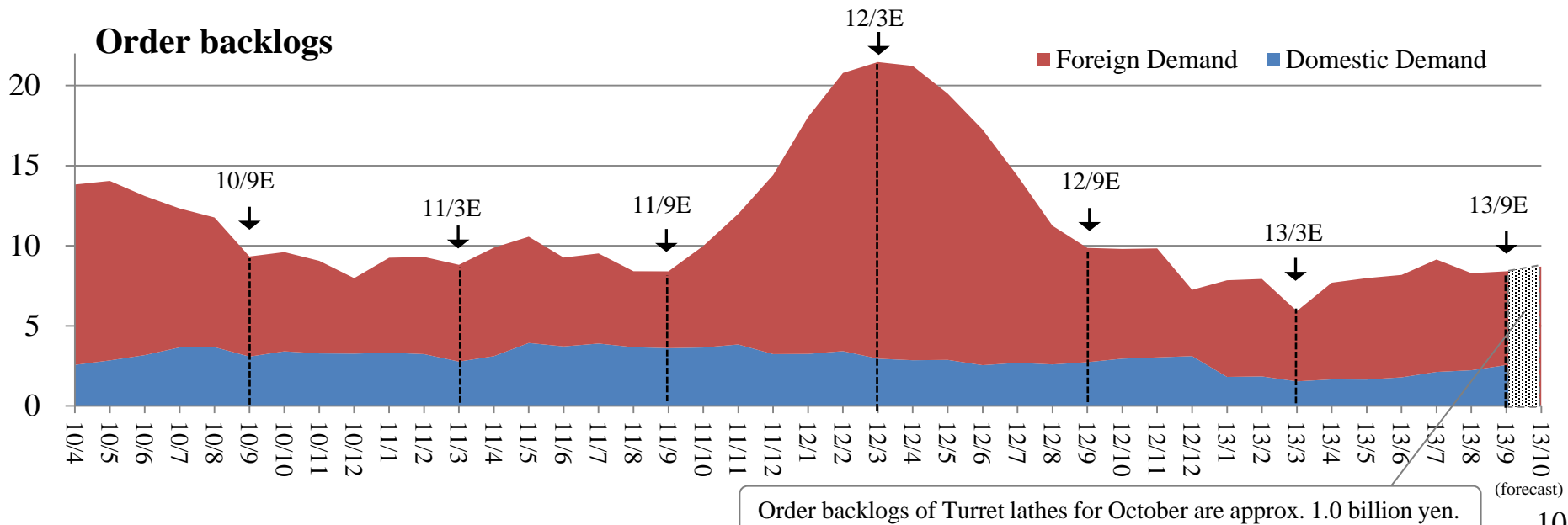
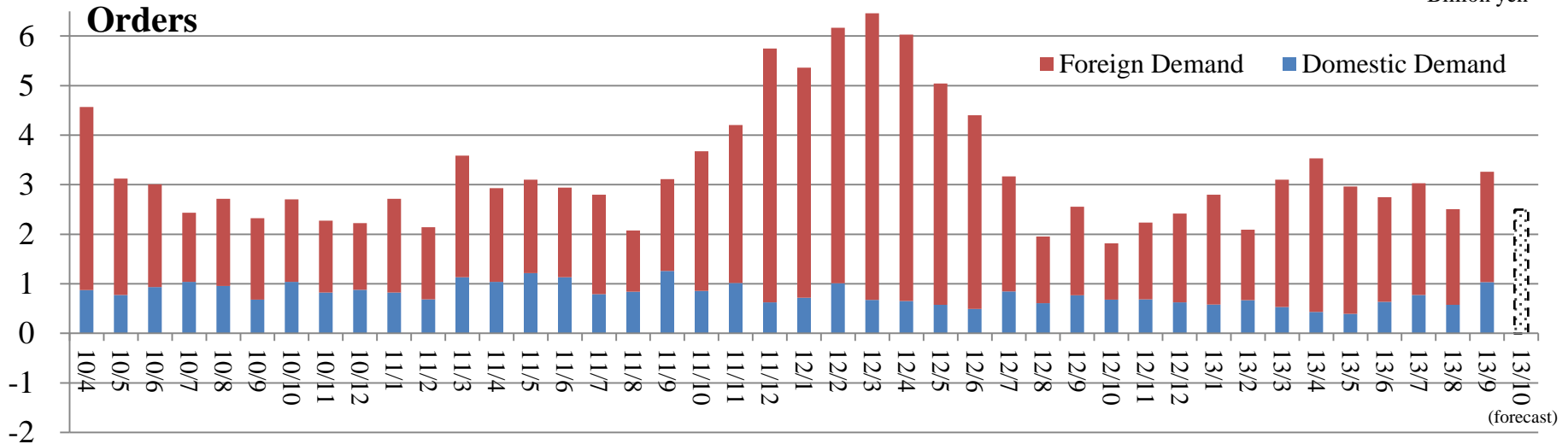
**[Operating income]** Tax payment of 0.9 billion yen associated with the transfer of shares in a subsidiary in China is expected.

Billion yen

	Semi-annually				Full-year				
	FY2012 H1	FY2012 H2	FY2013 H1	FY2013 H2 Revised forecasts	FY2012	FY2013 Revised Forecasts	Year-on-year	Initial forecasts	Difference from initial forecasts
Net sales	34.4	18.4	15.6	22.4	52.8	38.0	-14.8	43.0	-5.0
Operating income	5.6	2.8	0.8	2.8	8.4	3.6	-4.8	5.2	-1.6
(Operating income margin)	(16.4%)	(15.3%)	(5.1%)	(12.5%)	(16.0%)	(9.5%)	(-6.5%)	(12.1%)	(-2.6%)
Ordinary income	5.0	1.8	1.4	2.7	6.8	4.1	-2.7	4.9	-0.8
(Ordinary income margin)	(14.5%)	(9.9%)	(9.0%)	(12.1%)	(12.9%)	(10.8%)	(-2.1%)	(11.4%)	(-0.6%)
Net income	3.1	1.1	0.9	0.95	4.2	1.85	-2.35	3.2	-1.35
(Net income margin)	(9.1%)	(5.8%)	(5.7%)	(4.2%)	(8.0%)	(4.9%)	(-3.1%)	(7.4%)	(-2.5%)
Net income per share	42.6 yen	14.6 yen	12.1 yen	13.3 yen	57.2 yen	25.4 yen	-31.8 yen	43.4 yen	-18.0 yen

## (2) Orders Received and Order Backlogs

Billion yen



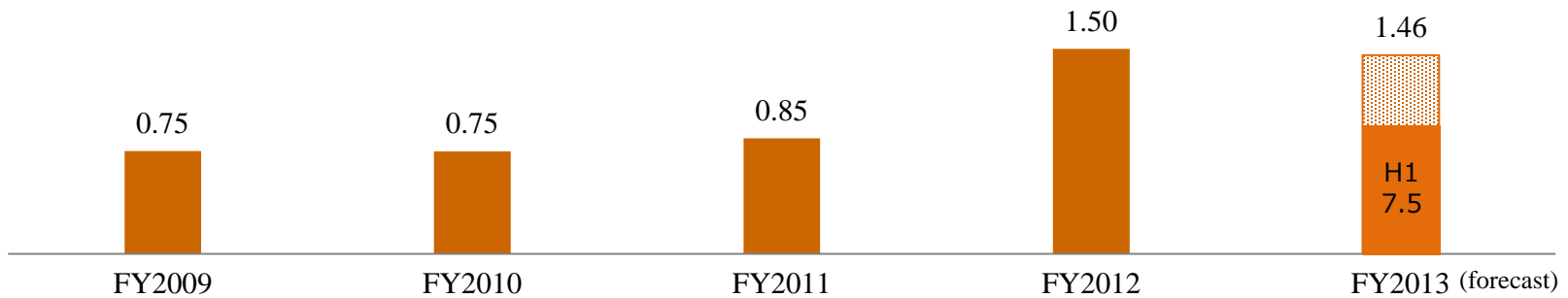
### (3) New Products

		Orders start	Main target
<b>Released</b>	M06J, M08J M06SY, M08SY	July 2013	Automobile parts and Others
	B020M	June 2013	IT, Automobile small size parts and Others
	B038T	June 2013	Automobile small size parts and Others
	VA3	July 2013	IT, Automobile small size parts and Others
	G350-750 (2 types)	July 2013	Automobile parts
<b>Scheduled for release</b>	Automatic lathes 2 models	Q4 / FY2013	IT, Automobile small size parts and Others
	Grinding machines 2 models	Q3 / FY2013	Automobile parts and Others
	Turret lathes 2 models	Q4 / FY2013	Automobile parts and Others
	Turning center 1 model	Q4 / FY2013	Automobile parts and Others

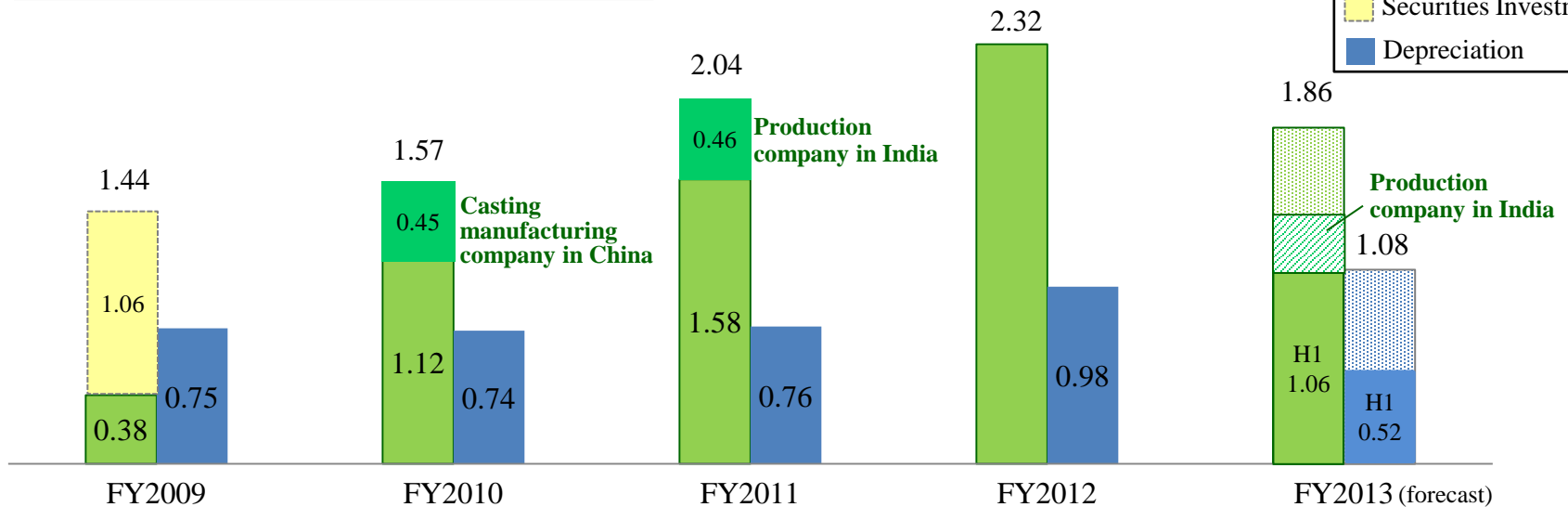
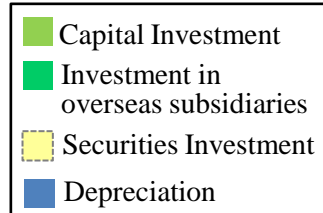
# (4) R&D Expenditures, Capital Investment and Depreciation

## R&D Expenditures

Billion yen



## Capital Investment and Depreciation



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.