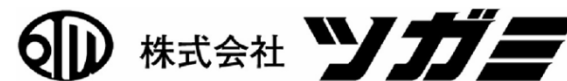


Briefing on Financial Statements for the First Half of the Year Ending March 2013



November 14, 2012

<http://www.tsugami.co.jp>

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1. Business Conditions and Outlook

(1) Changes in Financial Results - Semi annually and Full year -

1st half operating results for FY2012

[Net sales] Net sales exceeded the plan thanks primarily to reconstruction demand in Thailand and the entry into the smartphone market.

[Income] Income outperformed the plan, reflecting the effects of the increased net sales and action against the strong yen.
However, the profit margin declined slightly, attributable to the prolonged strength of the yen.

Full-year projections for FY2012

[Net sales]

- Demand remains weak because of the prolonged European debt crisis and a slowdown in the Chinese economy.
- Demand is expected to recover gradually from the end of the year. Sales in the IT business will recover only from the fourth quarter.

[Income] The income level remains uncertain due to unstable exchange rates.

Billion yen

	FY2011			FY2012				
	1 st half	2 nd half	Full year Result	1 st half Result	Year-on-year	Difference from initial projection	2 nd half Projection	Full year Projection
Net sales	16.7	19.0	35.7	34.4	+17.7	+4.4	20.6	55.0
Gross profit	3.5	4.9	8.4	8.7	+5.2	--	--	--
(Gross profit margin)	(21.0%)	(25.4%)	(23.4%)	(25.2%)	(+4.2%)	(--)	(--)	(--)
Operating income	1.4	2.7	4.1	5.6	+4.2	+0.8	3.2	8.8
(Operating income margin)	(8.4%)	(14.1%)	(11.4%)	(16.4%)	(+8.0%)	(+0.4%)	(15.5%)	(16.0%)
Ordinary income	1.2	2.7	3.9	5.0	+3.8	+0.4	3.4	8.4
(Ordinary income margin)	(7.3%)	(13.9%)	(10.8%)	(14.5%)	(+7.2%)	(-0.8%)	(16.5%)	(15.3%)
Net income	0.9	1.4	2.3	3.1	2.3	0.3	2.1	5.2
(Net income margin)	(5.2%)	(7.4%)	(6.4%)	(9.1%)	(+3.9%)	(-0.2%)	(10.2%)	(9.5%)
Net income per Share	13.2円	20.7円	33.9円	42.6円	+29.4円	+4.6円	28.1円	70.7円

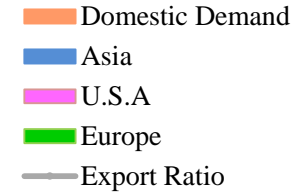
(2) Changes in Financial Results - Semi annually and Quarterly -

Billion yen

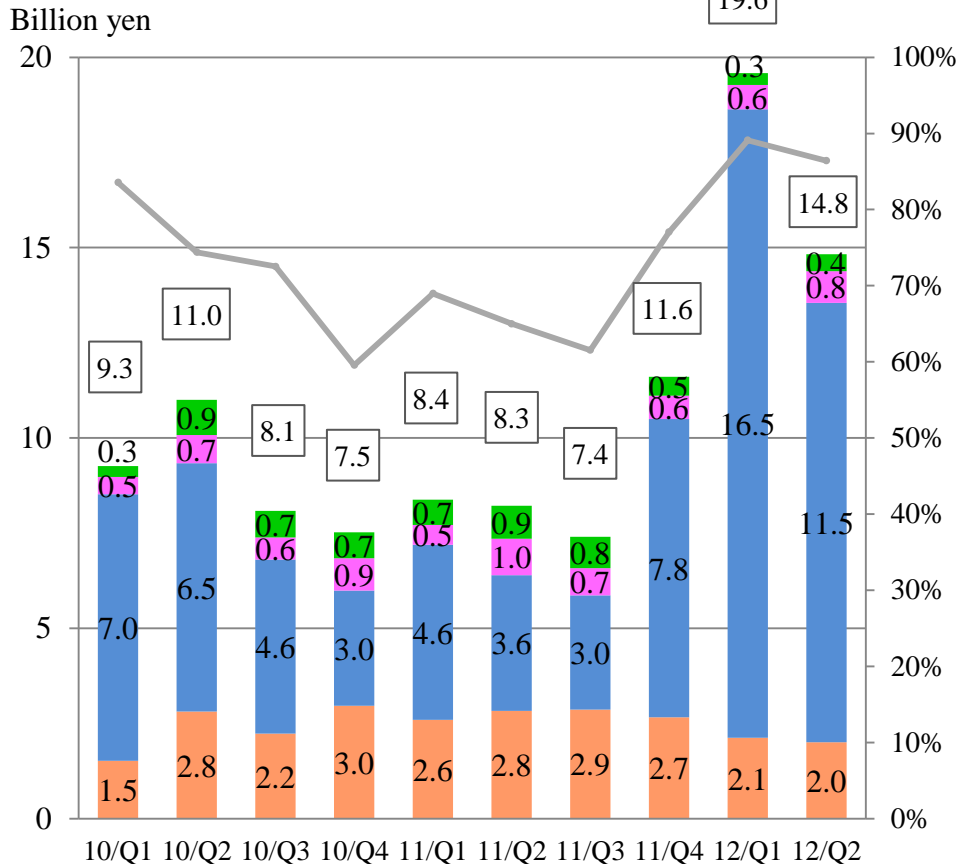
	FY2011						FY2012			
	1 st half	2 nd half	Q1	Q2	Q3	Q4	1 st half	Q1	Q2	2 nd half Projection
Net sales	16.7	19.0	8.4	8.3	7.4	11.6	34.4	19.6	14.8	20.6
Gross profit	3.5	4.9	1.7	1.8	1.8	3.1	8.7	4.8	3.9	--
(Gross profit margin)	(21.0%)	(25.4%)	(20.0%)	(22.1%)	(24.1%)	(26.2%)	(25.2%)	(24.3%)	(26.5%)	(--)
Operating income	1.4	2.7	0.6	0.8	0.7	2.0	5.6	3.3	2.3	3.2
(Operating income margin)	(8.4%)	(14.1%)	(7.6%)	(9.2%)	(9.8%)	(16.9%)	(16.4%)	(16.9%)	(15.7%)	(15.5%)
Ordinary income	1.2	2.7	0.6	0.6	0.7	2.0	5.0	2.8	2.1	3.4
(Ordinary income Margin)	(7.3%)	(13.9%)	(6.7%)	(7.9%)	(9.8%)	(16.6%)	(14.5%)	(14.5%)	(14.5%)	(16.5%)
Net income	0.9	1.4	0.5	0.4	0.4	1.0	3.1	1.8	1.3	2.1
(Net income margin)	(5.2%)	(7.4%)	(5.5%)	(5.0%)	(5.1%)	(8.8%)	(9.1%)	(9.3%)	(8.8%)	(10.2%)

(3) Net Sales by Geographic Segment

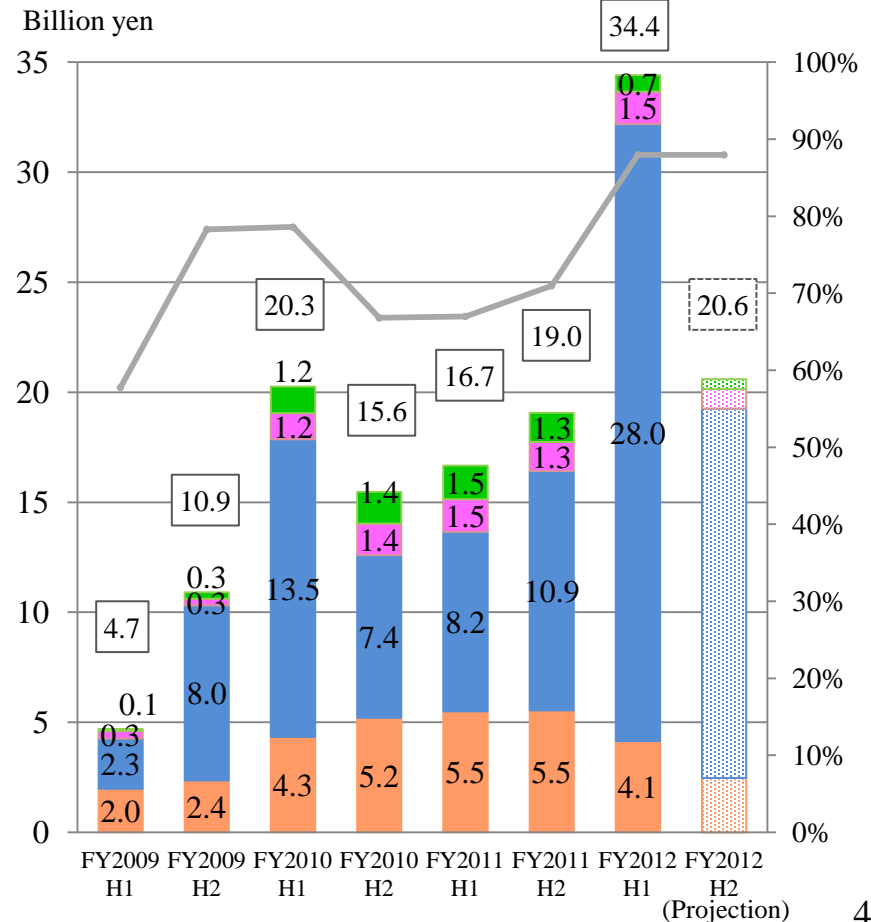
- In the first half, sales were strong, especially in Asia, but sales slowed from the summer. Sales will likely see sluggish growth in the Japanese, European, and U.S. markets.
- Reconstruction demand in Thailand is coming to a halt. Demand for smartphones are expected to recover from the beginning of next year.



Quarterly



Semi-Annually



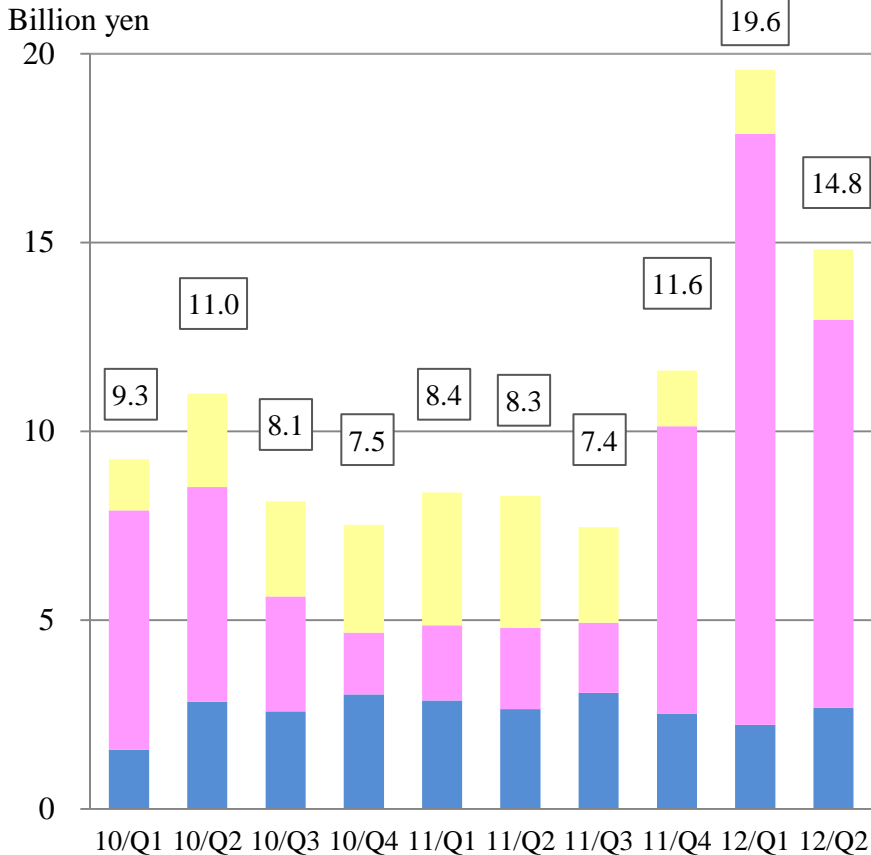
(4) Net Sales by Business Segment

Automobile: Sales low in the Chinese market. New machines launched in anticipation of a recovery.

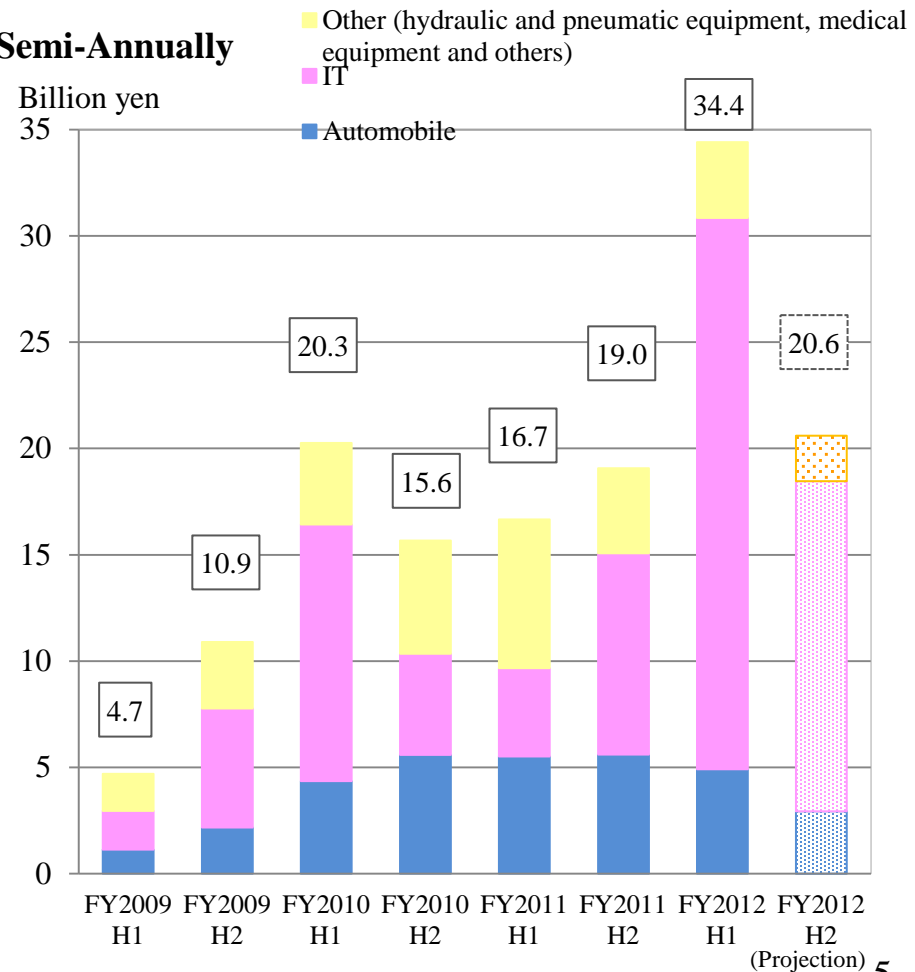
IT: Demand for HDD associated with reconstruction in Thailand coming to a halt in the Q2 of FY2012. New capital investment plans expected from next year.

Strong demand in the smartphone market ending in the Q2 of FY2012, and a recovery expected from the fourth quarter of FY2012.

Quarterly



Semi-Annually

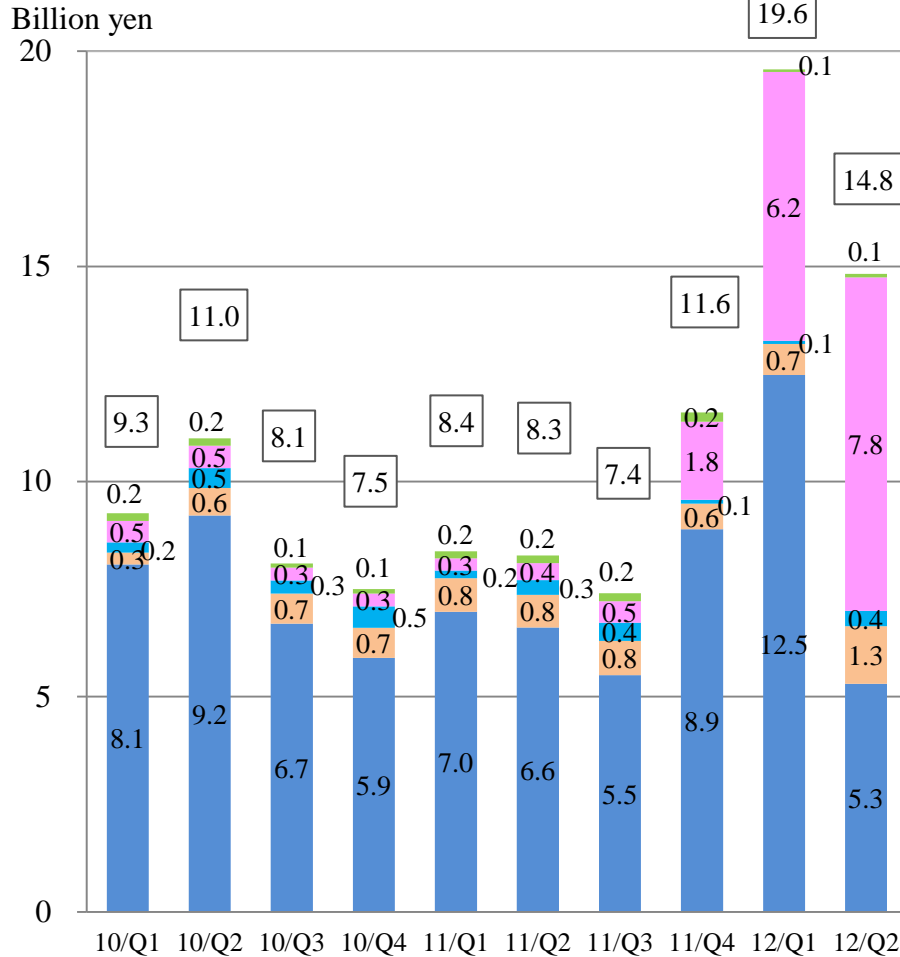


(5) Net Sales by Machinery Category

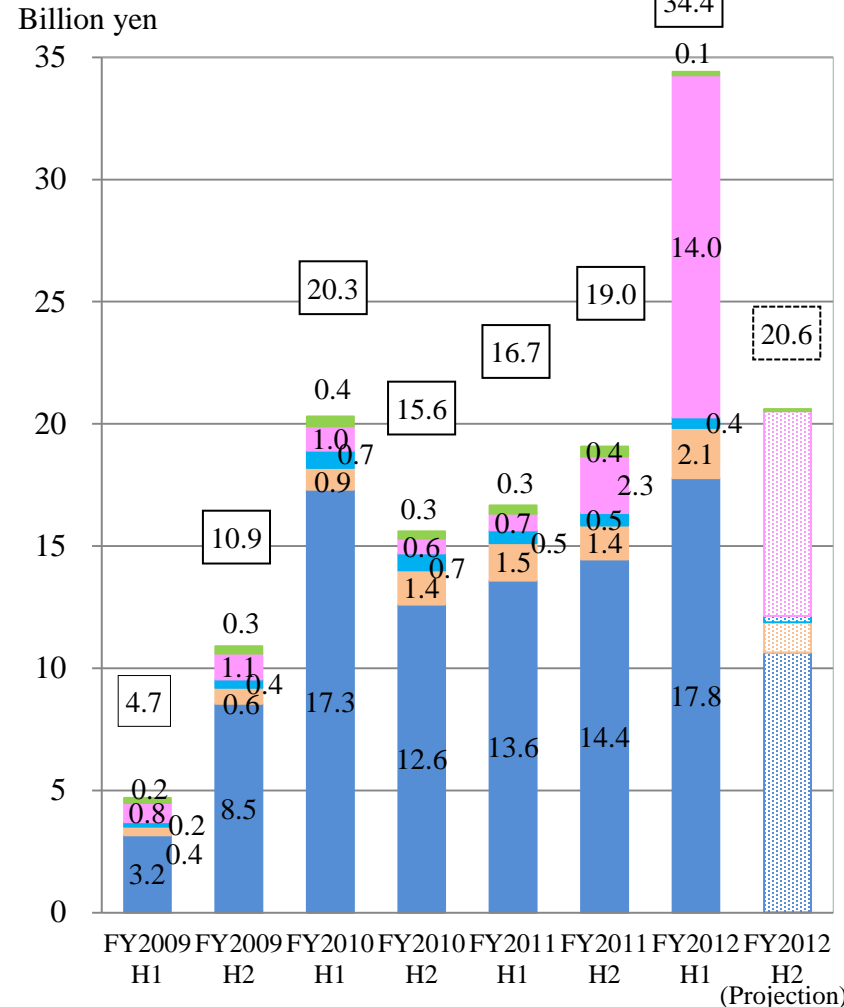
*With the entry into the smartphone market, Automatic lathes and tapping centers (in“ Rolling machines and specialized machines”) grew in FY2012.

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

Quarterly

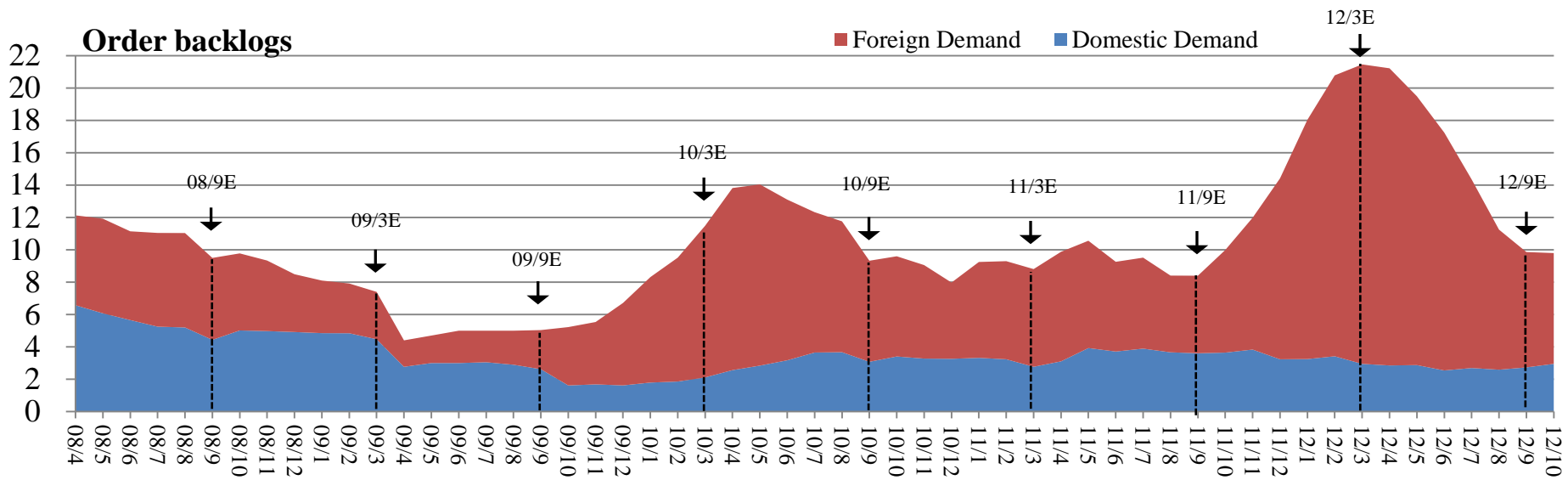
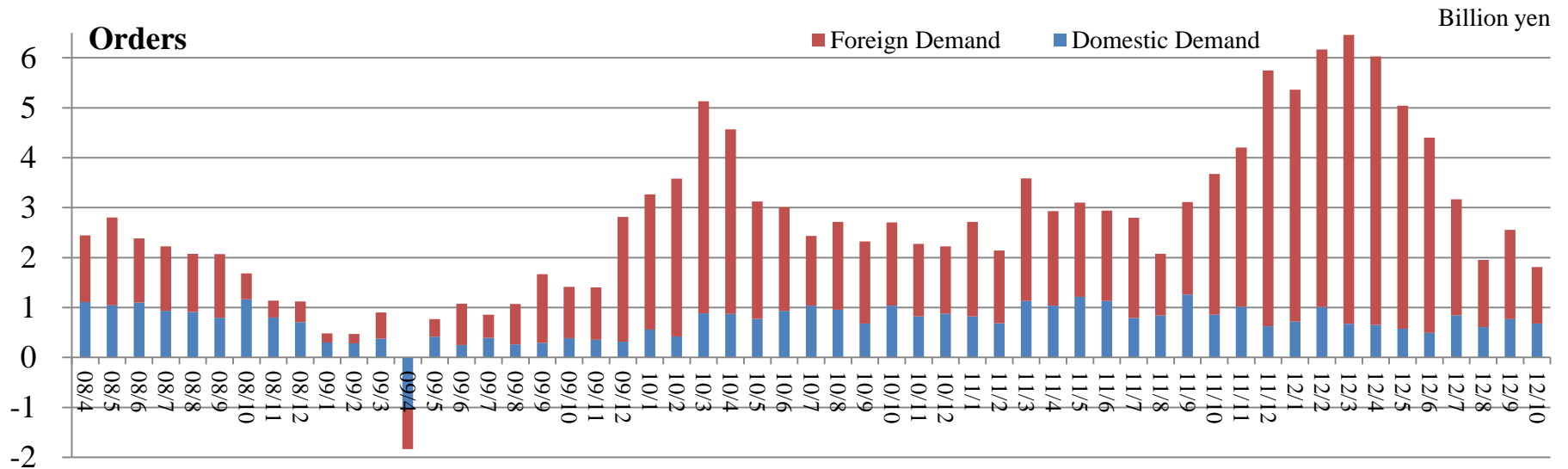


Semi-Annually



2. Orders

Orders Received and Order Backlogs



3. Financial Position

(1) Balance Sheets



Billion yen

	12/3E	(China)	12/9E	(China)	Year-on-year	
Total assets	50.8	(17.6)	46.4	(16.9)	- 4.3	
Current assets	37.1	(14.3)	33.3	(13.1)	- 3.8	
Cash and deposits	5.3		5.0		- 0.3	
Trade notes and accounts receivable	10.5		10.2		- 0.3	
Inventories	18.8		16.9		- 1.9	
Fixed assets	13.6	(3.3)	13.1	(3.8)	- 0.5	
Tangible fixed assets	7.2		8.6		+ 1.4	New wing in the Niigata factory +0.3 Production machines +0.6 Newly consolidated subsidiaries +0.5
Investments and other assets	6.2		4.3		- 1.9	Devaluation of investment securities -1.5 Investment in affiliates -0.4
Total liabilities	23.1	(12.8)	17.1	(10.8)	- 5.9	
Current liabilities	21.5	(12.4)	16.1	(10.5)	- 5.4	
Trade notes and accounts payable	16.5		12.7		- 3.8	
Short-term borrowings	2.1		0.0		- 2.1	
Long-term liabilities	1.6		1.0		- 0.5	
Total net assets	27.7	(4.8)	29.3	(6.1)	+1.6	
Common stock, Capital surplus	18.2	(3.4)	18.2	(3.4)	0.0	
Retained earnings	8.5		11.3		+2.8	
Capital adequacy ratio	53.9%	(27.3%)	62.2%	(35.9%)	+8.3%	

(2) Statement of Cash flows

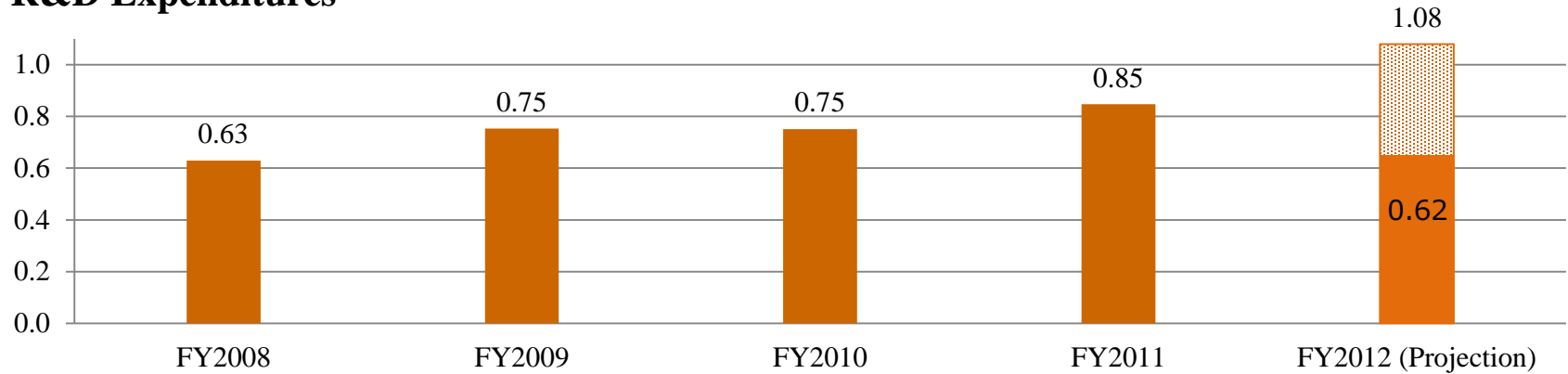
Billion yen

	FY2011 H1	FY2011 H2	FY2012 H1	
Cash flows from operating activities	1.1	-0.6	3.4	
Earnings before taxes, depreciation and amortization	1.6	2.9	5.3	Income before taxes and other adjustment 4.9 Depreciation and amortization 0.4
Gross working capital	-0.1	-3.6	-0.4	Decrease in trade notes and accounts payable -3.6 Decrease in trade notes and accounts receivable 2.0 Decrease in inventories 1.6 Decrease in other current assets 1.4
Corporate and other taxes	-0.4	-0.2	-1.8	
Cash flows from investing activities	-0.9	-1.0	-1.2	
Capital investment in Japan factory	-0.0	-0.1	-0.2	
Capital investment in China factory	-0.4	-1.0	-0.9	
Incorporated overseas subsidiaries	-0.5	0.0	0.0	FY2011 H1 : Production company in India
Cash flows from financing activities	0.6	2.0	-2.6	
Issuance of new shares	--	3.5	--	FY2011 H2: Public offering and Third-party Allotment: 6.9 million shares
Short-term borrowings	1.1	-1.1	-2.1	Balance of short term borrowings 0 yen
Redemption of corporate bonds	-0.15	-0.15	-0.15	
Dividends paid	-0.3	-0.3	-0.4	Increase in capital (FY2011 H1 : 5 yen, FY2011 H2: 5 yen, per share)
Net increase (decrease) in cash and cash equivalents	0.8	0.4	-0.4	
Cash and cash equivalents at the end of the term	4.9	5.3	4.9	

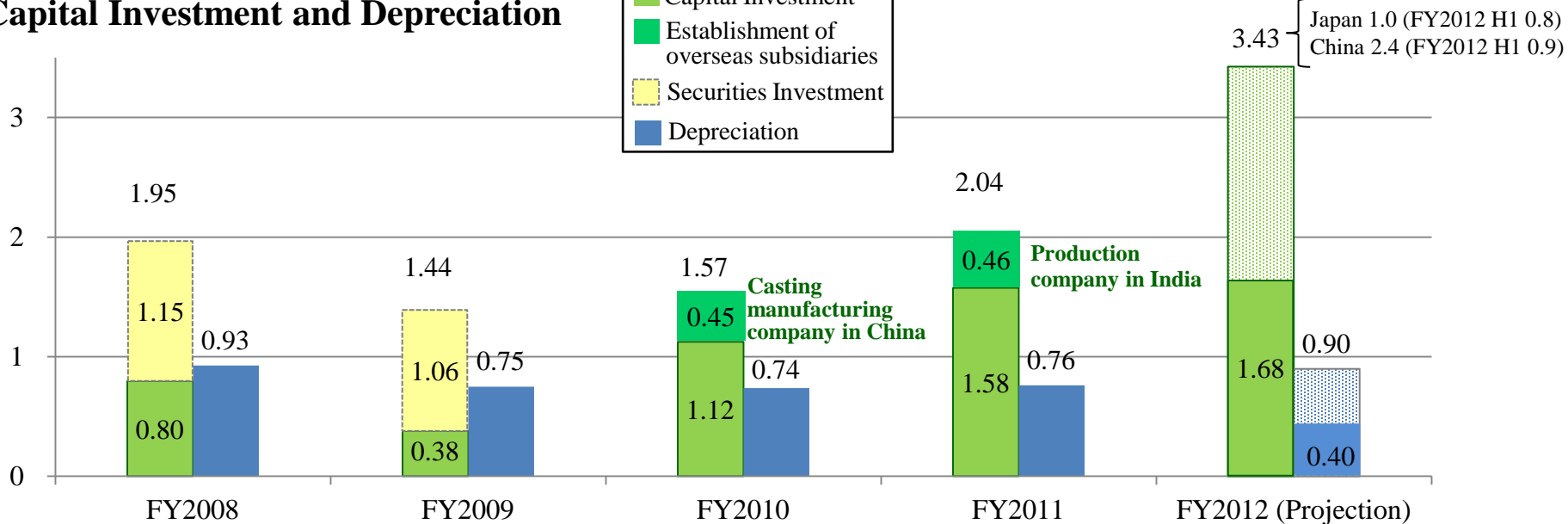
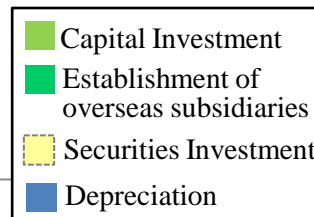
(3) R&D Expenditures, Capital Investment and Depreciation

Billion yen

R&D Expenditures



Capital Investment and Depreciation



4. Major Issues

(1) Development of New Products



Enhancing the lineup of high-end models, improving production efficiency, cutting costs, and increasing competitiveness

		Manufactured in Japan	Manufactured in China
New products	IT	SS20M FTG18TL	VA1-II B0126-II B0206-II
	Automobile-related and other industrial machinery	BH38-II SS327	B020M B0265-II B0326-II
Planned development	IT	2 types of automatic lathes	2 types of automatic lathes
	Automobile-related and other industrial machinery	Upgrade to new version of models manufactured in Japan	

(2) Factories in Japan - R&D center and high-mix low-volume production

High-mix low-volume production - Improving production efficiency

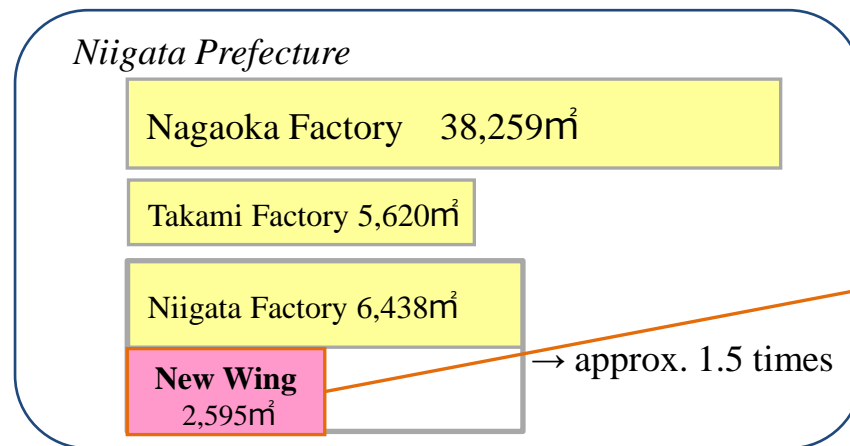
FY2012 Capital investment in Japan 1.0 bn yen

- New wing to the Niigata Factory 0.3
- Efficient production machines 0.7

(FY2012 H1 result 0.8 bn yen)

Production concentrated in 3 factories in Niigata prefecture

Add new wing to the Niigata Factory



(note) m² indicates area of the building



About 1km from Niigata West Port
a New Wing added in the site of the Niigata Factory
Completed in May 2012

Cutting costs of Japanese products (using the strong yen)

- Sourcing parts (including units) from overseas
- Streamlining the domestic production system

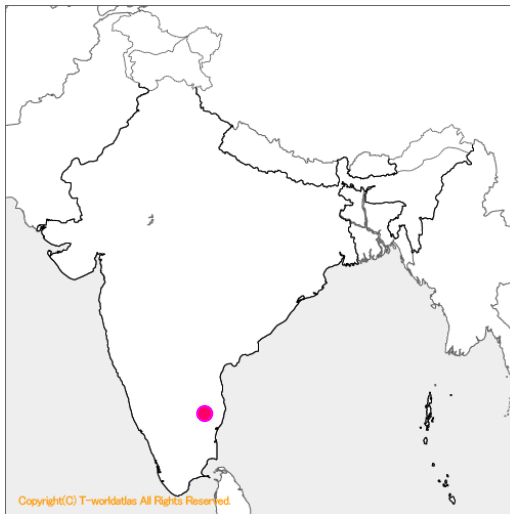
Production company

TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED

(in Chennai, India)

100% owned by TSUGAMI Group.

Production will start in December 2012.
Monthly production will be over 10 units.



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.