

Briefing on Financial Statements for the First Half of the Year Ending March 2011

November 12, 2010

 **TSUGAMI CORPORATION**

(Securities Code: 6101)

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

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I. Business Conditions and Outlook

(1) Changes in Financial Results on a Semiannual Basis

Billion yen, (%)

	FY 2008			FY 2009			FY2010				
	1 st half	2 nd half	Full-year	1 st half	2 nd half	Full-year	1 st half	Year-on-year	Difference from initial projection	2 nd half (Projections)	Full-year (Projections)
Net sales	15.3	7.4	22.7	4.7	10.9	15.6	20.3	+15.6	+1.3	18.0	38.3
Gross profit	3.3	1.4	4.6	0.7	2.3	3.1	4.3	+3.6	-	-	-
(Gross profit margin)	(21.4)	(18.2)	(20.4)	(15.8)	(21.4)	(19.6)	(21.4)	(+5.6)	-	-	-
Operating income	1.3	- 0.5	0.8	- 0.8	0.9	0.1	2.5	+3.3	+0.5	1.9	4.4
Ordinary income	1.3	- 0.7	0.6	- 1.0	0.9	- 0.1	2.3	+3.3	+0.3	1.9	4.2
(Ordinary income margin)	(8.7)	(- 9.5)	(2.8)	(- 21.5)	(8.1)	(- 0.8)	(11.6)	(+33.1)	(+1.0)	(10.5)	(11.0)
Net income	- 0.2	- 0.7	- 0.9	- 1.1	0.8	- 0.2	2.0	+3.1	+0.1	1.1	3.1

1st half operating results for FY2010

Net sales: Net sales recovered, especially in China and other emerging economies in Asia. Net sales also recovered gradually in Japan, the United States and Europe. With special IT demand, total net sales hit a record high in a half year.

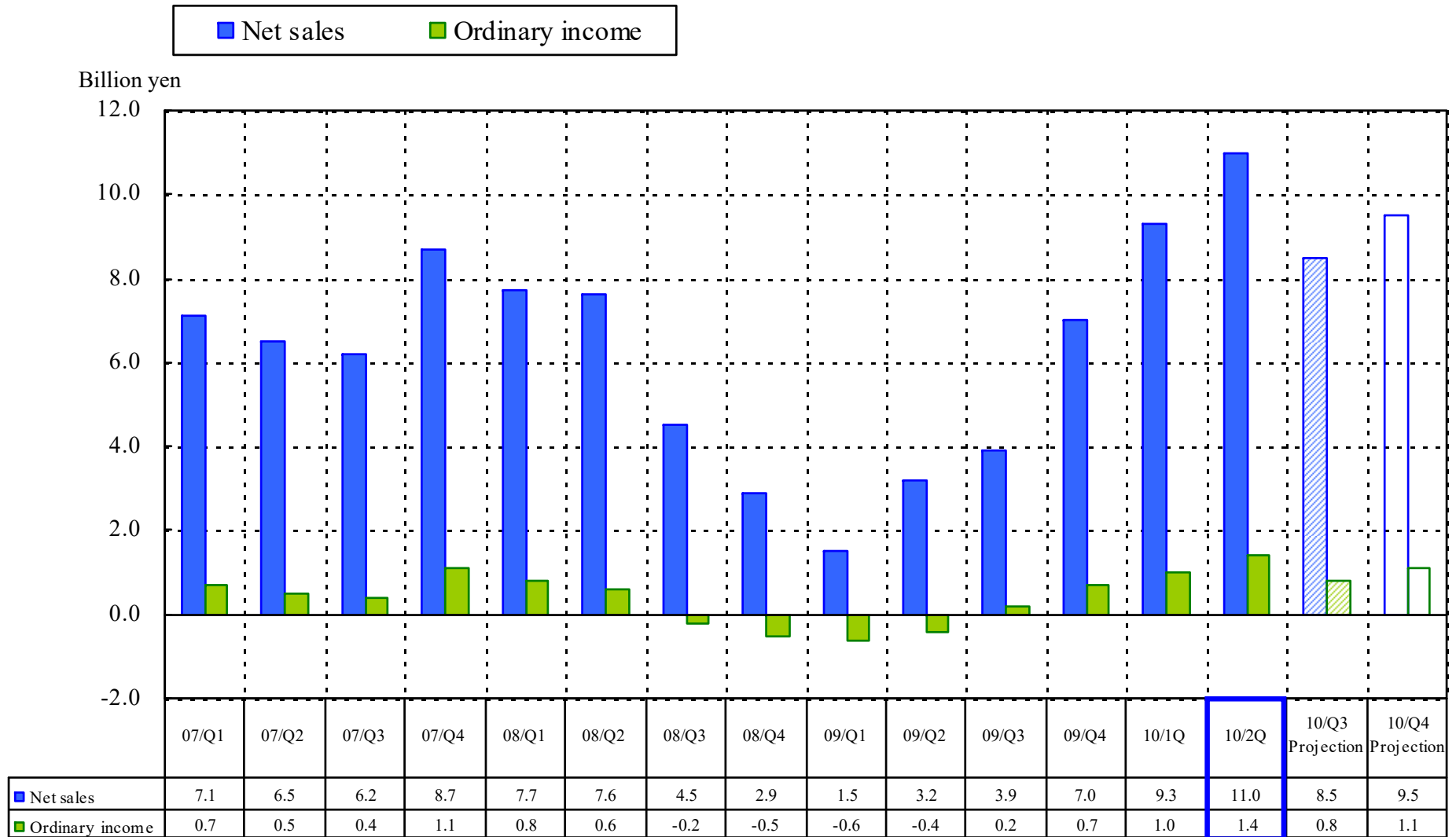
Income: With the increase in net sales, income rose. However, income did not reach record levels, reflecting an increase in the sale of lower-price products manufactured in China. The loss brought forward for tax reasons was eliminated in the first half. The normal tax rate will apply in the second half.

Full-year projections for FY2010

Net sales: Demand in China and other emerging economies will be solid. Net sales will recover in Japan, the United States and Europe. The trend of special IT demand is uncertain. The initial projection remains unchanged for the second half.

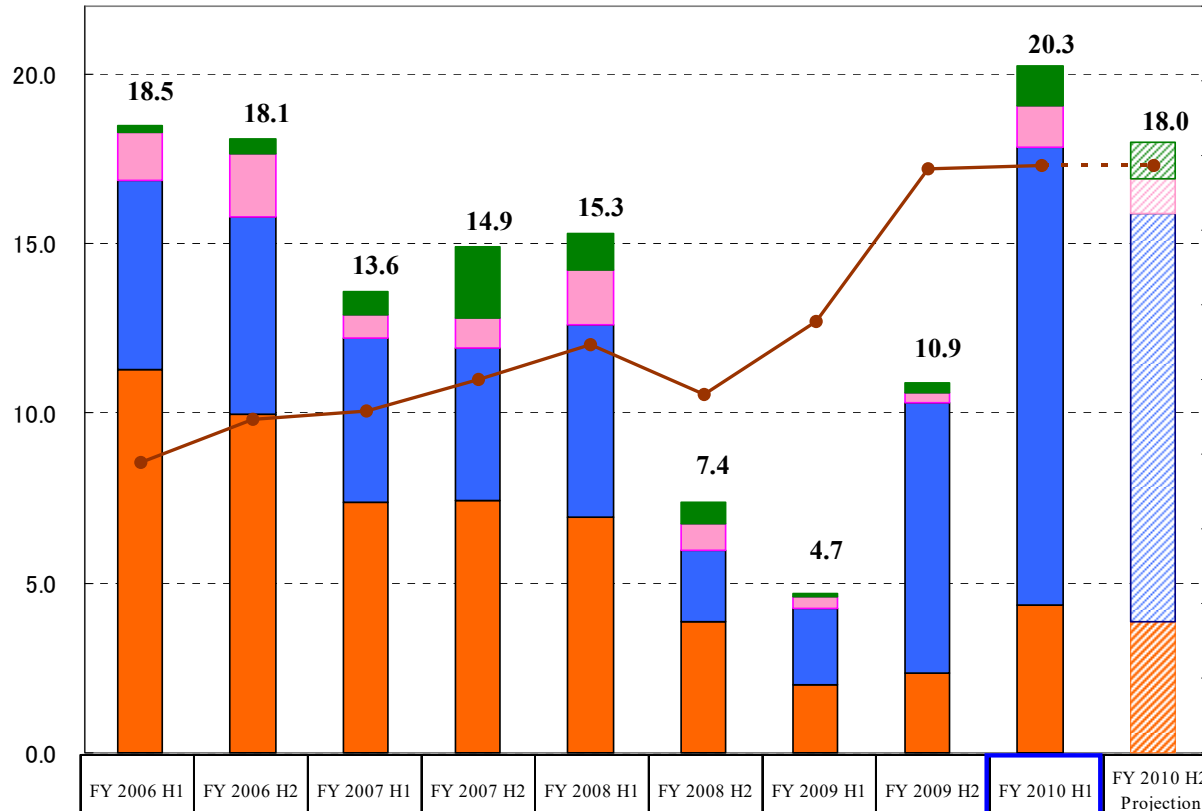
Income: Although production efficiency will improve, income will be affected by exchange rates. The income projections also remain unchanged.

(2) Changes in Financial Results on a Quarterly Basis



(3) Net Sales by Geographic Segment

Billion yen



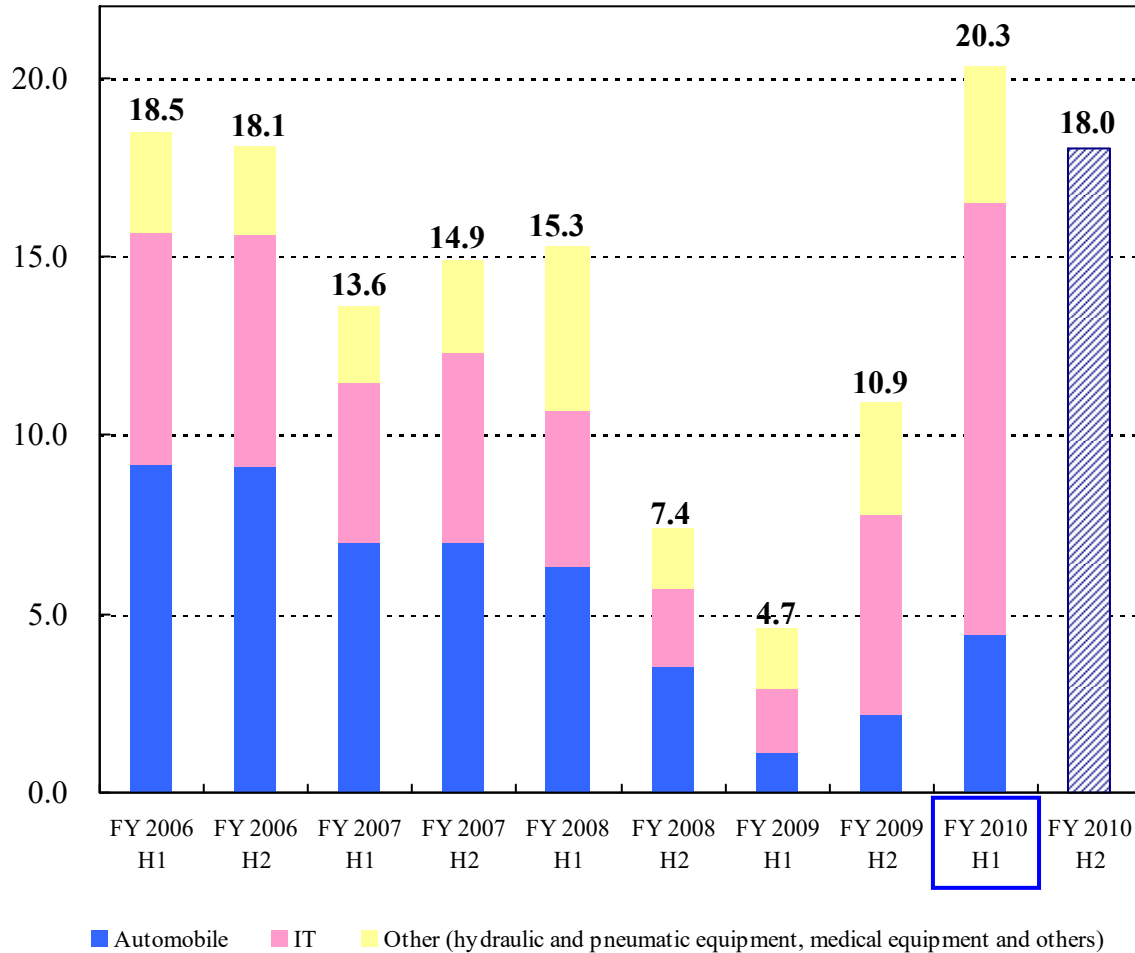
	FY 2006 H1	FY 2006 H2	FY 2007 H1	FY 2007 H2	FY 2008 H1	FY 2008 H2	FY 2009 H1	FY 2009 H2	FY 2010 H1	FY 2010 H2 Projection
Europe	0.2	0.4	0.7	2.1	1.0	0.7	0.1	0.3	1.2	-
U.S.A.	1.4	1.9	0.7	0.9	1.6	0.7	0.3	0.3	1.2	-
Asia	5.6	5.8	4.9	4.5	5.7	2.1	2.3	8.0	13.5	18.0
Total foreign demand	7.2	8.1	6.2	7.5	8.4	3.6	2.7	8.5	15.9	-
Total domestic demand	11.3	10.0	7.4	7.4	6.9	3.8	2.0	2.4	4.3	-
Export ratio	39.0%	44.7%	45.7%	50.1%	54.6%	48.1%	57.8%	78.3%	78.6%	-

<Most recent status>

- Small adjustments but a continued strong performance in China.
- Gradual recovery in Japan, the United States and Europe.

(4) Net Sales by Business Segment

Billion yen



<Most recent status>

IT: Recovery in HDD coming to a halt, large-lot inquiries especially about mobile phone components.

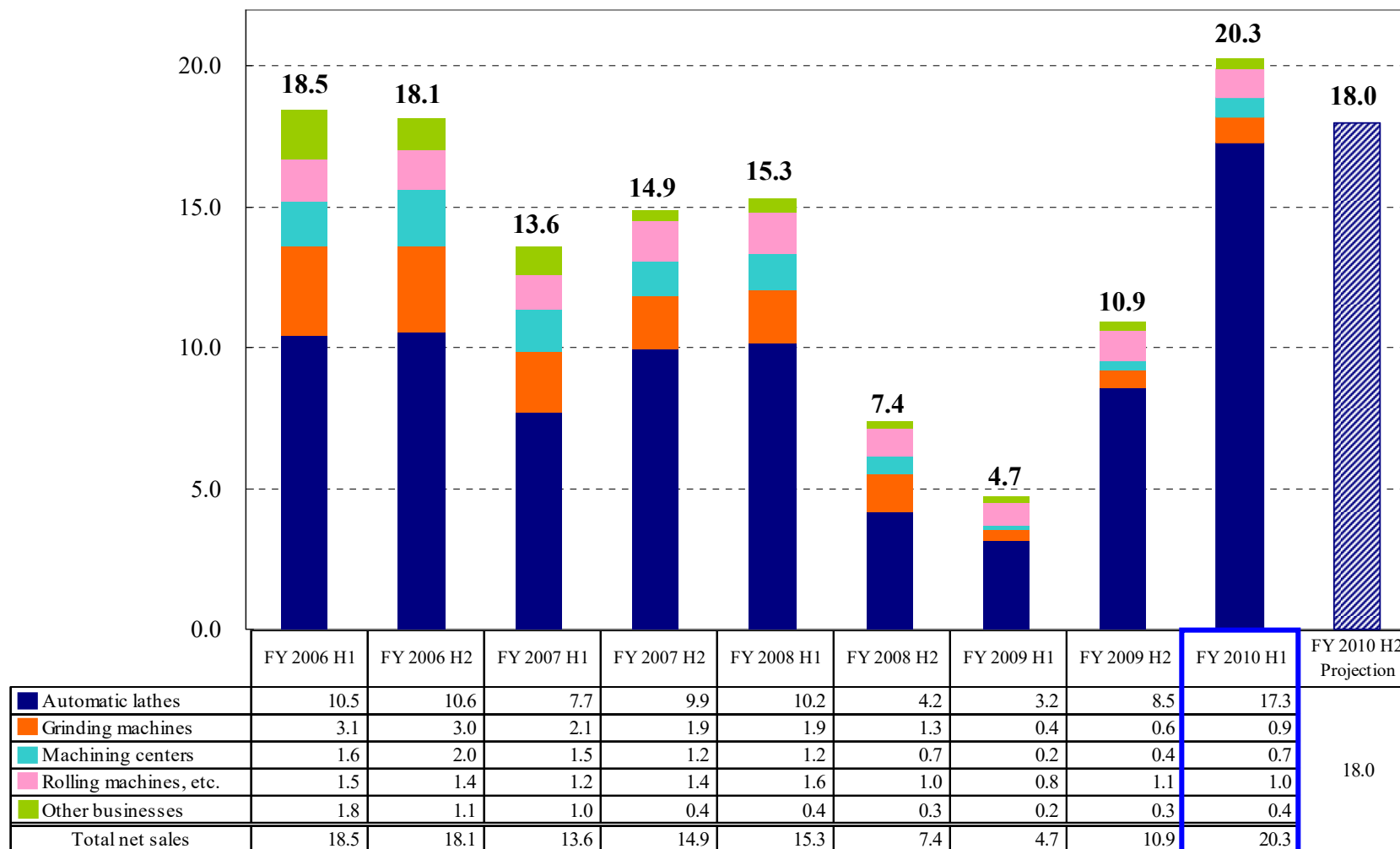
Automobile: Performing well in China, Korea and Europe.

Recovery in Japan and the United States.

Other: Solid sales of construction equipment, hydraulic and pneumatic equipment, and medical equipment.

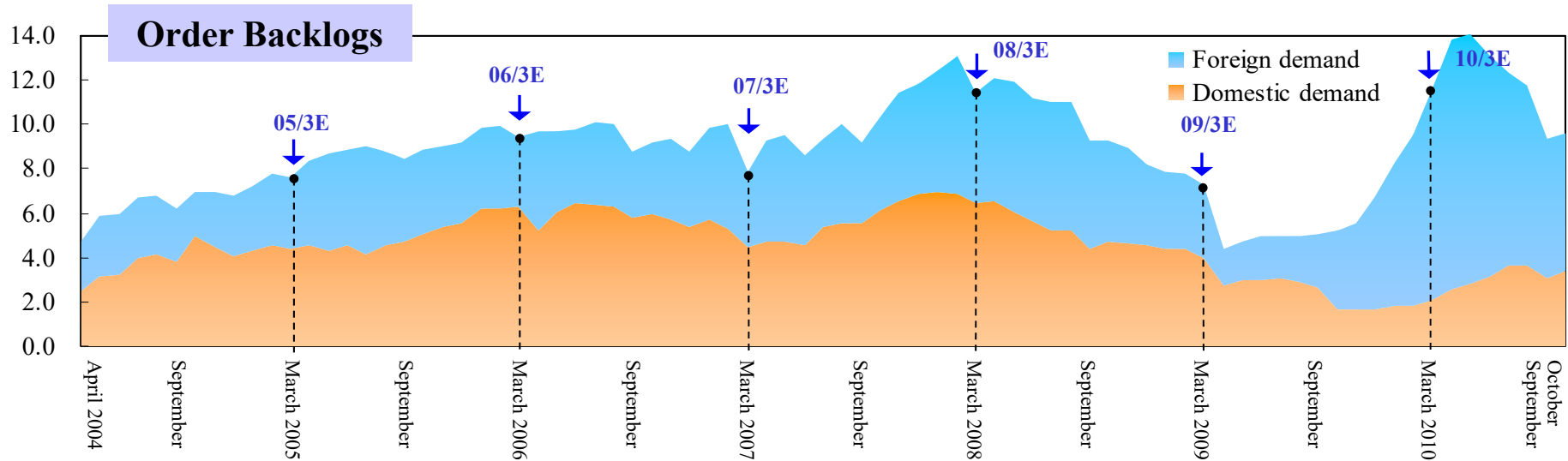
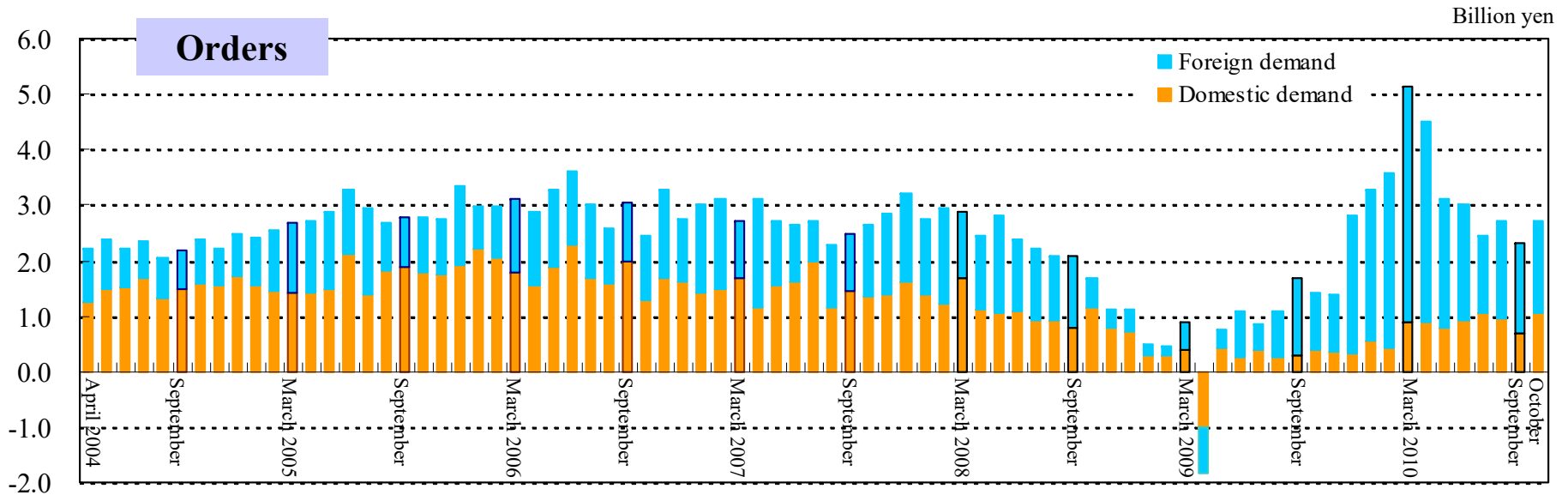
(5) Net Sales by Machinery Category

Billion yen



2. Orders

(1) Orders Received and Order Backlogs



3. Financial Position and Major Financial Indicators

(1) Balance Sheets

Billion yen

	09/9	10/3	10/9	Compared with 09/9	Compared with 10/3		09/9	10/3	10/9	Compared with 09/9	Compared with 10/3
Current assets	14.0	20.2	27.5	+13.5	+7.3	Current liabilities	2.7	9.3	15.0	+12.3	+5.7
Cash and deposits	2.4	3.9	5.6	+3.2	+1.7	Trade notes and accounts payable	1.4	6.9	13.4	+12.0	+6.5
Trade notes and accounts receivable	4.5	7.5	9.8	+5.3	+2.3	Short-term borrowings	0.5	1.0	0.0	- 0.5	- 1.0
Inventories	6.9	8.2	11.0	+4.1	+2.8	Corporate bonds due for redemption within one year	0.3	0.3	0.3	0.0	0.0
Other current assets	0.2	0.6	1.1	+0.9	+0.5	Accrued income tax	0.1	0.1	0.2	+0.1	+0.1
Fixed assets	9.4	10.9	10.3	+0.9	- 0.6	Other current liabilities	0.5	1.0	1.1	+0.6	+0.1
Tangible fixed assets	6.3	6.2	6.1	- 0.2	- 0.1	Long-term liabilities	2.0	1.9	1.7	- 0.3	- 0.2
Investments and other assets	3.1	4.7	4.2	+1.1	- 0.5	Total liabilities	4.7	11.2	16.7	+12.0	+5.5
Deferred assets	0.0	0.0	0.0	0.0	0.0	Common stock	10.6	10.6	10.6	0.0	0.0
Bond issuance expenses	0.0	0.0	0.0	0.0	0.0	Capital surplus	4.1	4.1	4.1	0.0	0.0
						Retained earnings	4.0	4.8	6.5	+2.5	+1.7
						Treasury stock	- 0.2	- 0.2	- 0.4	- 0.2	- 0.2
						Valuation and translation adjustments	- 0.0	0.4	0.1	+ 0.1	- 0.3
						Subscription rights to shares	0.2	0.2	0.2	0.0	0.0
						Total net assets	18.7	19.9	21.1	+2.4	+1.2
Total assets	23.4	31.1	37.8	+14.4	+6.7	Total liabilities and net assets	23.4	31.1	37.8	+14.4	+6.7

(2) Statements of Cash Flows

Billion yen

	09/9	10/9	Year-over-year increase/decrease
Cash flows from operating activities	- 0.06	(Note 1) 3.75	+3.81
Cash flows from investing activities	- 0.19	(Note 2) - 0.37	- 0.18
Cash flows from financing activities	- 0.61	(Note 3) - 1.63	- 1.02
Translation differences for cash and cash equivalents	- 0.03	- 0.04	- 0.01
Cash and cash equivalents at the beginning of the term	3.19	3.84	+0.65
Cash and cash equivalents at the end of the term	2.30	5.55	+ 3.25

FY2010 (10/9) Notes

Cash flows from operating activities (Note 1)

Income before income taxes	2.19
Depreciation and amortization expenses	0.34
Other	- 0.02
(Sub total)	(2.51)
Decrease in trade notes and accounts receivable	- 2.47
Decrease in inventories	- 2.85
Decrease in trade notes and accounts payable	6.65
(Sub total)	(1.33)
Taxes paid	- 0.09
(Total)	(3.75)

Cash flows from investing activities (Note 2)

Machinery and equipment in plants in Tsugami	
China	- 0.12
Machinery and equipment in Tsugami Japan	- 0.25
(Total)	(- 0.37)

Cash flows from financing activities (Note 3)

Repayments of loans payable	- 0.90
Dividends paid	- 0.35
Acquisition of treasury stock	- 0.23
Redemption of corporate bonds	- 0.15
(Total)	- 1.63

(3) Major Financial Indicators (on a first half, closing balance basis)

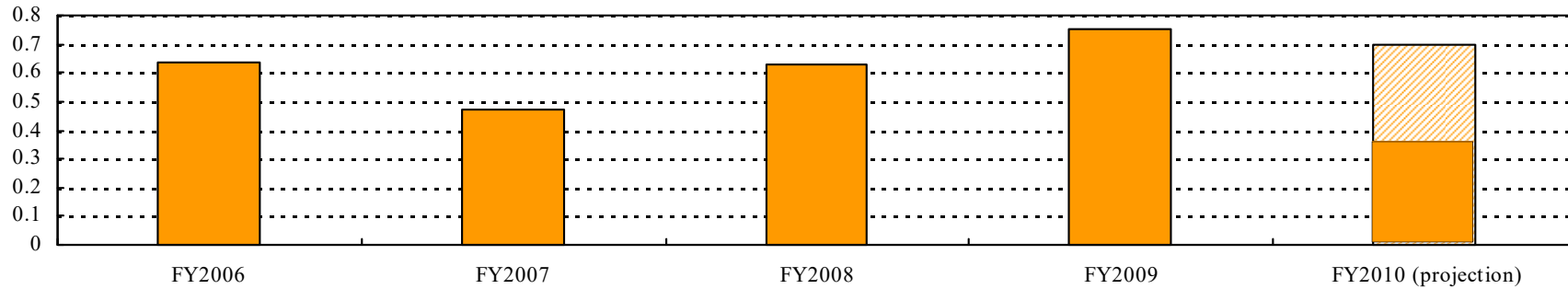
Yen

	08/9	09/9	10/9
Book-value per share (BPS)	312.2	271.7	307.0
Book-value per share (excluding treasury stock)	312.5	275.9	314.2
Earnings per share (EPS)	-2.8	-16.1	30.0
Earnings per share (excluding treasury stock)	-2.8	-16.3	30.7
Equity ratio	67.3%	79.0%	55.3%
Ratio of ordinary income to total assets (Semiannual basis)	4.2%	4.3%	6.2%
Ratio of ordinary income to net sales	8.7%	-21.5%	11.6%

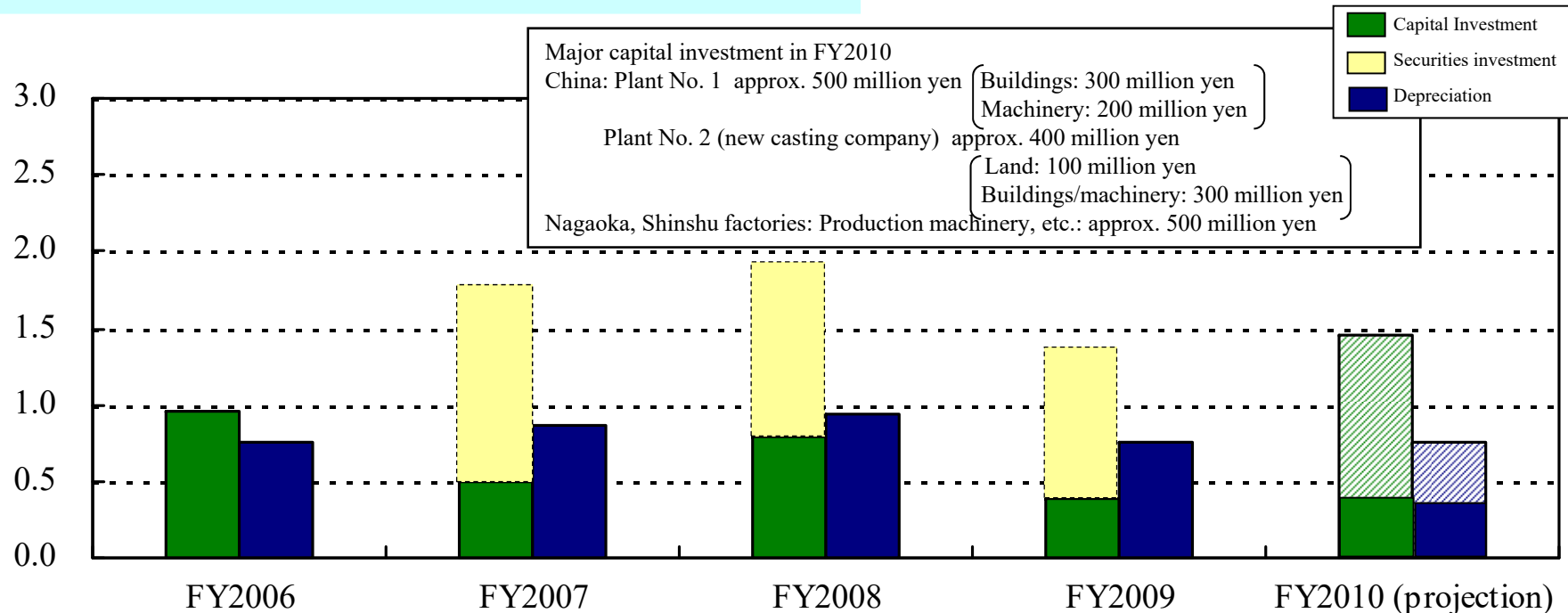
(4) R&D Expenditures and Capital Investment

Billion yen

R&D Expenditures



Capital Investment, Equipment Finance and Depreciation



4. Major Issues

(1) Development of New Products

New products		
	Manufactured in Japan	Manufactured in China
IT	N8H MB25 C180 VA35H-5F SS207 CH154	S205/206 B0385
Automobile-related and other industrial machinery	SS26 G300 G350	
Planned development		
	Manufactured in Japan	Manufactured in China
IT	Upgrade to new version of existing models manufactured in Japan (to increase the operating rate in Japan)	Under consideration
Automobile-related and other industrial machinery		

Notice

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.

 **TSUGAMI CORPORATION**

PRECISION TSUGAMI