

Stock Information (as of March 31, 2011)

Authorized shares 320,000,000 shares
 Issued shares 68,019,379 shares
 Number of shareholders 11,929

Major shareholders (Top 10)

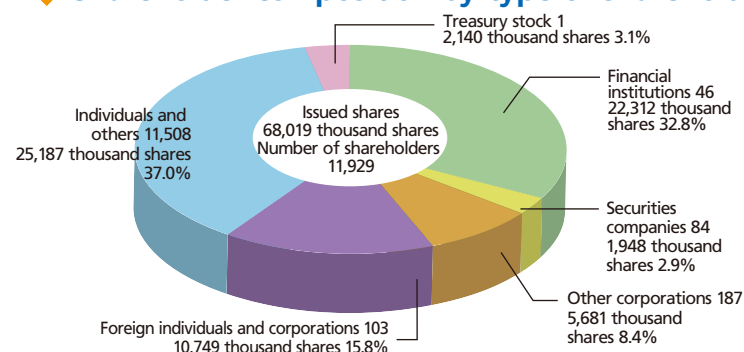
| Shareholders | Investment in the Company | |
|---|---------------------------|-----------------|
| | Number of shares held | Ownership ratio |
| Mizuho Trust & Banking Co., Ltd. (Employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) | 4,592 | 6.75 |
| Morgan Stanley and Company Inc. Goldman Sachs and Company Regular Account | 3,517 | 5.17 |
| The Dai-ichi Life Insurance Company, Limited | 2,379 | 3.49 |
| Mori Seiki Co., Ltd. | 2,100 | 3.08 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 2,000 | 2.94 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 1,908 | 2.80 |
| Sumitomo Mitsui Banking Corporation | 1,765 | 2.59 |
| The Hokuetsu Bank, Ltd. | 1,516 | 2.22 |
| TSUGAMI Customers' Shareholding Association | 1,484 | 2.18 |
| | 1,221 | 1.79 |

Notes: 1. The figures for ownership ratio are rounded to the second decimal place.
 2. The 4,592 thousand shares held by Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) are held in a pension trust account for Tokyo Seimitsu, which reserves the right to give instructions on how to exercise voting rights for these shares.
 3. There are 2,140 thousand shares of treasury stock listed in the shareholder register other than the shares listed in the table above.

Corporate Data (as of March 31, 2011)

| | | |
|--|--|---|
| Corporate Name | TSUGAMI CORPORATION | |
| Established | March 15, 1937 | |
| Head Office | 9-10, Horidome-cho 1-chome, Nihonbashi, Chuo-ku, Tokyo | |
| Paid-in Capital | 10,599 million yen | |
| Number of Employees | 511 | |
| Directors and Auditors (as of June 17, 2011) | Representative Director, Chairman and CEO | Takao Nishijima |
| | Representative Director and Senior Executive Officer | Toshiharu Nijijima |
| | Director and Senior Executive Officer | Kiyoshi Tauchi |
| | Director and Senior Executive Officer | Makoto Kuniyoshi |
| | Director and Senior Executive Officer | Yoshihiro Miura |
| | Director and Senior Executive Officer | Donglei TANG |
| | Outside Director | Takeo Nakagawa |
| | Outside Director | Kunio Shimada |
| | Standing Statutory Auditor | Toshio Honma |
| | Outside Statutory Auditor | Yoshifumi Miyata |
| | Outside Statutory Auditor | Hiroaki Tamai |
| | Outside Statutory Auditor | Ryuichi Kimura |
| Head Office and Factories | Head Office | 9-10, Horidome-cho 1-chome, Nihonbashi, Chuo-ku, Tokyo |
| | Nagaoka Factory | 1-1, Higashizao 1-chome, Nagaoka-shi, Niigata |
| | Shinshu Factory | 3600 Nakagomi, Saku-shi, Nagano |
| | Takami Factory | 1-2, Higashi-Takami 2-chome, Nagaoka-shi, Niigata |
| | Niigata Factory | 132, Momoyama-cho 2-chome, Higashi-ku, Niigata-shi, Niigata |
| Sales Network | East Japan Marketing Division (Tokyo) | |
| | Central Japan Marketing Division (Nagoya) | |
| | West Japan Marketing Division (Osaka) | |
| Group Companies | TSUGAMI MACHINERY CO., LTD. TSUGAMI GENERAL SERVICE CO., LTD. TSUGAMI PRECISION CO., LTD. PRECISION TSUGAMI (CHINA) CORPORATION TSUGAMI (THAI) Co., Ltd. TSUGAMI (GERMANY) GmbH TSUGAMI KOREA Co., Ltd | |

Shareholder composition by type of shareholder



Shareholder Information

| | |
|---|--|
| Business year | From April 1 each year to March 31 of the following year |
| Annual shareholders meeting | June each year |
| Surplus dividends | The record date for the year end dividend shall be March 31 each year. When paying interim dividends, the record date shall be September 30 each year. |
| Administrator of Shareholders' Register | Mitsubishi UFJ Trust Baking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo |
| Business handling office | Mitsubishi UFJ Trust Baking Corporation Stock Transfer Agency Department |
| Contact office | 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081 Mitsubishi UFJ Trust Baking Corporation Stock Transfer Agency Department Telephone: 0120-232-711 (toll free number) |
| Method of public notice | Public notices of the Company shall be published on its website (http://www.tsugami.co.jp/). However, if the Company is unable to publish notices electronically, public notices shall be published in the Kanpo ("official gazette"). |
| Listed stock exchange | Tokyo |

Notice

- In principle, the contact that receives customer requests for changes of addresses and name, purchasing shares constituting less than one unit, and transferring dividends to designated accounts shall be securities companies, etc. in which the customers have opened an account. Mitsubishi UFJ Trust Baking Corporation shall receive inquiries about the shipment and return of mail articles, etc. and dividends overdue and general questions as to administrative work involving shares.
- Mitsubishi UFJ Trust Banking Corporation shall undertake procedures for shares recorded in a special account, not an account at a securities company, etc.
- As shares recorded in a special account may not be sold directly from the special account when selling them on the market, it is necessary to transfer them to an account at a securities company, etc.

To Our Shareholders

Business Report for Fiscal Year 2010
 (April 1, 2010 to March 31, 2011)



I am pleased to report our results for fiscal 2010, ended March 31, 2011.

The Japanese economy recovered moderately during fiscal 2010, backed by exports to China and other emerging countries in Asia. Uncertainty over the future of the economy increased, reflecting concerns about a slowdown due to a strong yen from the second half and anxiety about the repercussions of the recent Great East Japan Earthquake and electric power shortages associated with the earthquake.

In the machine tool industry, demand from abroad, especially China and other emerging countries in Asia, grew steadily, and there were signs of a recovery in domestic demand. However, concern about the future of the industry is rising because of the recent situation.

In this environment, Tsugami Corporation (the "Company") and its affiliates (the "Group") were proactive in seeking to supply precision machine tools to markets based on their accumulated know-how in precision processing, to meet demand in emerging countries such as China as well as the advancing needs of customers in IT and associated industries.

As a result of these initiatives, on a consolidated basis, net sales for fiscal 2010 came to 35,932 million yen, rising 130.4% from the previous fiscal year.

Operating income for the fiscal year amounted to 3,732 million yen (compared with operating income of 84 million yen in the previous fiscal year). Ordinary income for the period totaled 3,504 million yen (an ordinary loss of 117 million yen). Net income for the period was 2,837 million yen (a net loss of 244 million yen).

With respect to dividends, the Company decided to pay annual dividends of 10 yen per share according to its initial plan, including interim dividends of 5 yen per share and year-end dividends of 5 yen per share, for fiscal 2010.

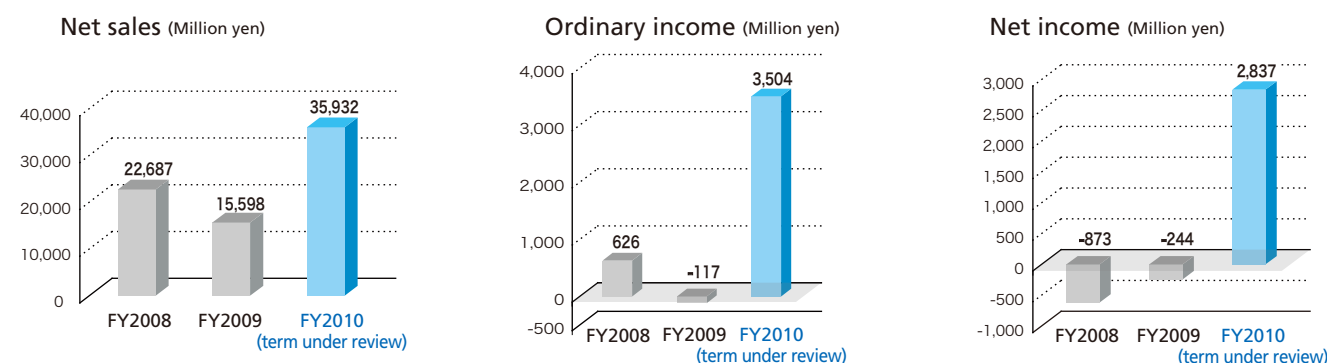
The Company will continue to pay stable dividends based on its policy of returning profits to shareholders in light of its operating performance, while strengthening its business structure.

The Group remains committed to consistently enhancing its business performance through higher sales, improved production efficiency and cost cutting, and offering new products that fully meet customer requirements, while enriching the services it provides. Aiming to enhance customer satisfaction, we will devote all of our efforts to management, so that we can provide reliable products that our customers need.

We respectfully ask for the continued support and encouragement of our shareholders.

June 2011
 Takao Nishijima Chairman and CEO

Business Performance (Consolidated)



Financial Highlights

| Item | FY2008 | | FY2009 | | FY2010 | |
|-------------------------------|--------------|------------------|--------------|------------------|--------------|------------------|
| | Consolidated | Non-consolidated | Consolidated | Non-consolidated | Consolidated | Non-consolidated |
| Net sales (Million yen) | 22,687 | 22,043 | 15,598 | 14,818 | 35,932 | 35,146 |
| Ordinary income (Million yen) | 626 | 625 | - 117 | - 393 | 3,504 | 2,867 |
| Net income (Million yen) | - 873 | - 540 | - 244 | - 408 | 2,837 | 2,426 |
| Net income per share (Yen) | - 12.88 | - 7.98 | - 3.65 | - 6.09 | 42.72 | 36.53 |
| Total assets (Million yen) | 25,703 | 25,425 | 31,147 | 29,771 | 35,860 | 34,091 |
| Net assets (Million yen) | 19,718 | 19,277 | 19,882 | 19,319 | 22,122 | 21,241 |
| Net assets per share (Yen) | 289.07 | 282.55 | 294.29 | 285.88 | 331.39 | 318.02 |

(Note) All fractions of monetary units have been rounded down.

Consolidated financial statements

Consolidated balance sheets

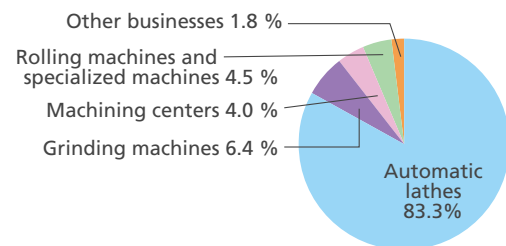
| Item | (Million yen) | |
|--|--------------------------|--------------------------|
| | FY2010 March 31, 2011 | FY2009 March 31, 2010 |
| Assets | | |
| Current assets | 23,578 | 20,191 |
| Cash and deposits | 4,111 | 3,892 |
| Trade notes and accounts receivable | 7,729 | 7,541 |
| Inventories | 10,718 | 8,203 |
| Other current assets | 1,019 | 552 |
| Fixed assets | 12,263 | 10,930 |
| Tangible fixed assets | 6,433 | 6,208 |
| Buildings, machinery, equipment and vehicles | 5,562 | 5,421 |
| Land | 591 | 591 |
| Other tangible fixed assets | 279 | 195 |
| Intangible fixed assets | 139 | 53 |
| Investments and other assets | 5,689 | 4,667 |
| Deferred assets | 18 | 25 |
| Total assets | 35,860 | 31,147 |
| Liabilities | | |
| Current liabilities | 11,771 | 9,296 |
| Trade notes and accounts payable | 8,011 | 6,946 |
| Short-term borrowings | 2,089 | 1,008 |
| Corporate bonds due for redemption within one year | 300 | 300 |
| Accrued income tax | 374 | 67 |
| Other current liabilities | 996 | 973 |
| Long-term liabilities | 1,966 | 1,968 |
| Corporate bonds | 600 | 900 |
| Other long-term liabilities | 1,366 | 1,068 |
| Total liabilities | 13,738 | 11,264 |
| Net assets | | |
| Shareholders' equity | 20,947 | 19,334 |
| Common stock | 10,599 | 10,599 |
| Capital surplus | 4,157 | 4,151 |
| Retained earnings | 6,962 | 4,791 |
| Treasury stock | -771 | -207 |
| Accumulated other comprehensive income | 884 | 343 |
| Unrealized gains on marketable securities | 993 | 463 |
| Deferred gains (losses) on hedges | 5 | -99 |
| Translation adjustments | -114 | -20 |
| Subscription rights to shares | 290 | 204 |
| Total net assets | 22,122 | 19,882 |
| Total liabilities and net assets | 35,860 | 31,147 |

Consolidated statements of income

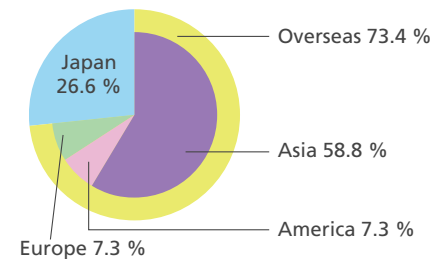
| Item | (Million yen) | |
|--|--|--|
| | FY2010 Year ended March 31, 2011 | FY2009 Year ended March 31, 2010 |
| Net sales | 35,932 | 15,598 |
| Cost of sales | 28,569 | 12,538 |
| Gross profit | 7,363 | 3,059 |
| Selling, general and administrative expenses | 3,631 | 2,974 |
| Operating income | 3,732 | 84 |
| Non-operating income | 172 | 295 |
| Non-operating expenses | 399 | 497 |
| Ordinary income (loss) | 3,504 | -117 |
| Extraordinary income | 6 | - |
| Extraordinary expenses | 266 | 1 |
| Income (loss) before taxes and other adjustments | 3,244 | -119 |
| Corporate, inhabitant and enterprise taxes | 478 | 72 |
| Income taxes for prior periods | - | 17 |
| Deferred taxes | -72 | 35 |
| Net income (loss) | 2,837 | -244 |

Sales breakdown (Consolidated)

Sales breakdown by product (FY2010)



Sales breakdown by region (FY2010)



Consolidated statements of changes in net assets (FY2010 Year ended March 31, 2011)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | Subscription rights to shares | Total net assets |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|---|-----------------------------------|-------------------------|--|-------------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total Shareholders' equity | Unrealized gains on marketable securities | Deferred gains (losses) on hedges | Translation adjustments | Total accumulated other comprehensive income | | |
| Balance as of March 31, 2010 | 10,599 | 4,151 | 4,791 | -207 | 19,334 | 463 | -99 | -20 | 343 | 204 | 19,882 |
| Changes during the period | | | | | | | | | | | |
| Dividends from surplus | | | -666 | | -666 | | | | | | -666 |
| Net income (loss) | | | 2,837 | | 2,837 | | | | | | 2,837 |
| Acquisition of treasury stock | | | | -591 | -591 | | | | | | -591 |
| Disposal of treasury stock | | 6 | | 27 | 33 | | | | | | 33 |
| Net changes in items other of treasury stock | | | | | | 529 | 104 | -93 | 540 | 86 | 626 |
| Total changes during the period | — | 6 | 2,171 | -564 | 1,613 | 529 | 104 | -93 | 540 | 86 | 2,239 |
| Balance as of March 31, 2011 | 10,599 | 4,157 | 6,962 | -771 | 20,947 | 993 | 5 | -114 | 884 | 290 | 22,122 |

Releasing New Products to the Market

New model Sliding Headstock Automatic Lathe B0385 and B0385L were launched this year. Ideal for heavy duty machining of large barstock with 'φ38mm'. Available in two models to meet workpiece requirements.



- Larger machining capability up to φ38
- Overlap machining delivers high production.
- Improved simultaneous machining with Y axis live tools
- Automatic programming system prepared as a standard accessory

❖ CNC Precision Automatic Lathe B0385 (Guide Bushing Configuration)

- TSUGAMI unique "Double Spindles" enables heavy duty machining and shortens the remnant length.
- Double spindles increase production by allowing deep cuts.
- Use of water soluble coolant eliminates the possibility of fire and generates less oily smoke even during heavy duty machining.

❖ CNC Precision Automatic Lathe B0385L (Guide Bushless Configuration)

- Use of pull collect chucks ensures stable chucking force suitable for short workpieces.
- Ground bar stock is not required (use of drawn materials reduces the cost).
- Shorter remnant length can reduce material cost.

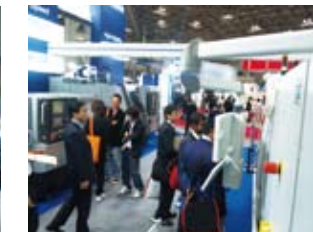
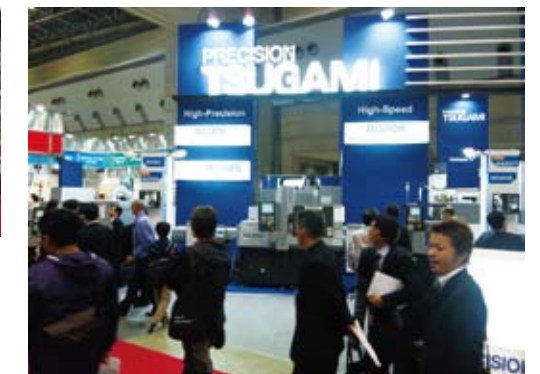
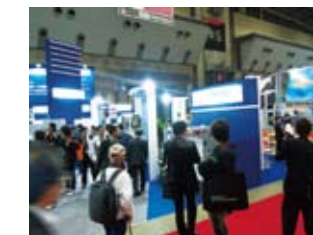


Participated Exhibitions

We actively developed new business partners.

We set up booth at the 25th Japan International Machine Tool Fair (JIMTOF2010) held at Tokyo Big Sight for 6 days from October 28, 2010.

Many users and dealers both from Japan and overseas visited the fair, and we were able to engage in productive discussions.



JIMTOF2010