

Stock Information (as of September 30, 2010)

Authorized shares 320,000,000 shares
 Issued shares 68,019,379 shares
 Number of shareholders 13,410

Major shareholders (Top 10)

Shareholders	Investment in the Company	
	Number of shares held	Ownership ratio
	Thousands	%
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
Japan Trustee Services Bank, Ltd. (Trust account)	2,228	3.27
The Dai-ichi Life Insurance Company, Limited	2,100	3.08
Mori Seiki Co., Ltd.	2,000	2.94
The Master Trust Bank of Japan, Ltd. (Trust account)	1,566	2.30
Sumitomo Mitsui Banking Corporation	1,516	2.22
The Hokuetsu Bank, Ltd.	1,484	2.18
Tsugami Customers' Shareholding Association	1,230	1.80
SIX SIS Ltd.	1,000	1.47
The Daishi Bank, Ltd.	700	1.02

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 1,550 thousand shares of treasury stock listed in the shareholders' register other than the shares listed in the table above.

Corporate Data (as of September 30, 2010)

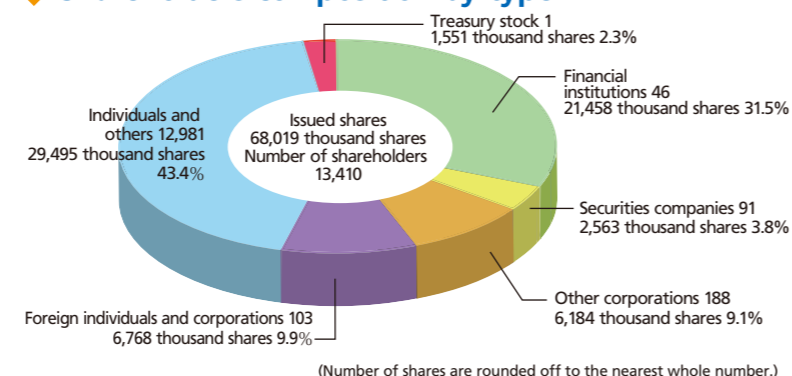
Corporate Name Tsugami Corporation
 Established March 15, 1937
 Head Office 9-10, Horidome-cho 1-chome, Nihonbashi, Chuo-ku, Tokyo
 Paid-in Capital 10,599 million yen
 Number of Employees 524
 Directors and Auditors (as of October 1, 2010)
 Director, Chairman and CEO Takao Nishijima
 Director and Management Advisor Yoshiharu Kikuchi
 Director and Senior Executive Officer Toshiharu Niijima
 Director and Managing Executive Officer Toshio Honma
 Director and Managing Executive Officer Donglei TANG
 Outside Director Takeo Nakagawa
 Outside Director Mitsuhiro Masumi
 Standing Statutory Auditor Ikuo Oomiya
 Outside Statutory Auditor Kunimasa Ohta
 Outside Statutory Auditor Yoshifumi Miyata
 Outside Statutory Auditor Hiroaki Tamai

Head Office and Factory
 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)
 Nagaoka Marketing Division (Nagaoka)
 Suwa Marketing Division (Suwa)
 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.

Shareholders composition by type



Shareholders 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 the First Half of Fiscal Year 2010
 (April 1, 2010 to September 30, 2010)

TSUGAMI CORPORATION

I am pleased to report our results for the first half of fiscal 2010, ended September 30, 2010.

During the first half of the fiscal year under review, the Japanese economy achieved a moderate recovery, supported by exports primarily to China and other Asian emerging economies. However, given the recent sharp appreciation of the yen, fears of a possible economic downturn are growing. In the machine tool industry, conditions also recovered steadily in markets centering on China and other emerging countries in Asia. In Japan, Europe, and the United States, the market outlook became increasingly uncertain, with conditions in Japan influenced by the rapid strengthening of the yen. In this environment, Tsugami Corporation (the "Company") and its affiliates (the "Group") sought to step up their production in China, and actively supplied precision machine tools to markets to effectively meet the advancing needs of customers in IT and related industries, as well as demand in emerging countries, such as China. As a result of these initiatives, on a consolidated basis, net sales for the first half of the fiscal year under review came to 20,266 million yen, rising 331.9% from the first half of the previous fiscal year. Operating income for the first half amounted to 2,495 million yen (compared with an operating loss of 787 million yen in the same period of the previous year). Ordinary income for the period totaled 2,342 million yen (an ordinary loss of 1,010 million yen). Net income for the period was 2,039 million yen (a net loss of 1,094 million yen).

Based on the results described above, the Company decided to pay interim dividends of 5 yen per share. We also plan to pay year-end dividends of 5 yen per share (annual dividends of 10 yen per share).

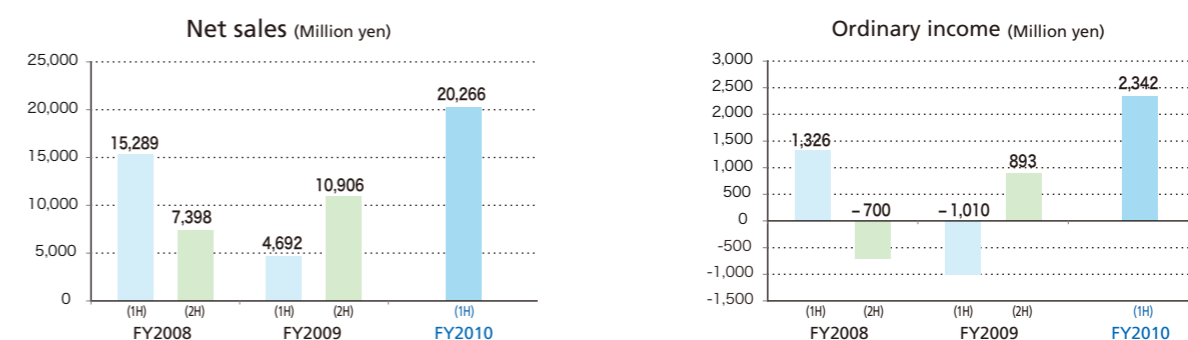
The Company considers the return of profits to shareholders as one of the highest priority management tasks. We return profits based on consolidated business performance, with a focus on the maintenance of steady dividend payment as well as the acquisition of treasury stocks.

The Group remains committed to 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 the reliable products that our customers need.

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

November 2010
 Takao Nishijima Chairman and CEO

Business Performance (Consolidated)



Financial Highlights

Item	FY 2008		FY 2009		FY 2010
	First half	Full year	First half	Full year	First half
Net sales (Million yen)	15,289	22,687	4,692	15,598	20,266
Ordinary income (Million yen)	1,326	626	-1,010	-117	2,342
Net income (Million yen)	-187	-873	-1,094	-244	2,039
Net income per share (Yen)	-2.76	-12.88	-16.31	-3.65	30.58
Total assets (Million yen)	31,553	25,703	23,398	31,147	37,763
Net assets (Million yen)	21,492	19,718	18,669	19,882	21,125
Net assets per share (Yen)	312.50	289.07	275.93	294.29	314.21

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

Consolidated financial statements

Consolidated balance sheets

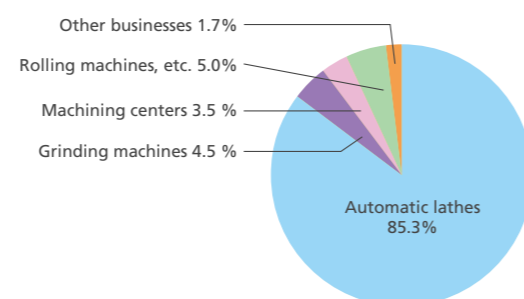
Item	(Million yen)	
	FY2010 First half (September 30, 2010)	FY2009 (March 31, 2010)
Assets		
Current assets	27,512	20,191
Cash and deposits	5,599	3,892
Trade notes and accounts receivable	9,789	7,541
Inventories	10,988	8,202
Other current assets	1,134	552
Fixed assets	10,228	10,930
Tangible fixed assets	6,087	6,208
Buildings, machinery, equipment and vehicles	5,223	5,420
Land	591	591
Other tangible fixed assets	272	195
Intangible fixed assets	137	53
Investments and other assets	4,004	4,667
Deferred assets	21	25
Total assets	37,763	31,147
Liabilities		
Current liabilities	14,972	9,296
Trade notes and accounts payable	13,390	6,946
Short-term borrowings	-	1,008
Corporate bonds due for redemption within one year	300	300
Accrued income tax	236	67
Other current liabilities	1,045	972
Long-term liabilities	1,665	1,968
Corporate bonds	750	900
Other long-term liabilities	915	1,067
Total liabilities	16,637	11,264
Net assets		
Shareholders' equity	20,821	19,334
Common stock	10,599	10,599
Capital surplus	4,154	4,151
Retained earnings	6,496	4,791
Treasury stock	- 429	- 207
Valuation and translation adjustments	63	343
Unrealized gains on marketable securities	169	463
Deferred gains (losses) on hedges	31	- 99
Translation adjustments	- 137	- 20
Subscription rights to shares	240	204
Total net assets	21,125	19,882
Total liabilities and net assets	37,763	31,147

Consolidated statements of income

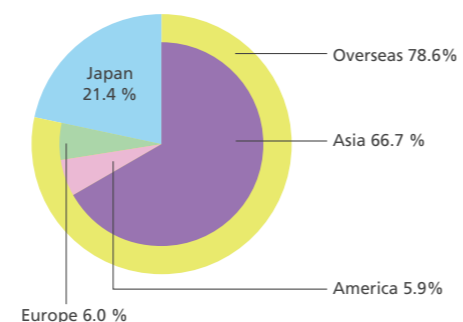
Item	(Million yen)	
	FY2010 First half April 1, 2010 to September 30, 2010	FY2009 April 1, 2009 to September 30, 2009
Net sales	20,266	4,692
Cost of sales	15,916	3,951
Gross profit	4,349	740
Selling, general and administrative expenses	1,853	1,527
Operating income (loss)	2,495	- 787
Non-operating income	91	211
Non-operating expenses	244	435
Ordinary income (loss)	2,342	- 1,010
Extraordinary income	5	-
Extraordinary expenses	158	1
Income(loss) before taxes and other adjustments	2,189	- 1,012
Corporate, inhabitant and enterprise taxes	227	19
Income taxes for prior periods	-	17
Deferred taxes	- 77	45
Net income (loss)	2,039	- 1,094

Sales breakdown (Consolidated)

Sales breakdown by product (FY2010 First half)



Sales breakdown by region (FY2010 First half)



Releasing New Products to the Market

CNC Precision Automatic Lathe SS207

A new model Sliding Headstock Automatic Lathe SS207 was launched this year. This Ultimate swissturn with the continuous B-axis swiveling tool post has enabled for machining complex parts.

- B-axis swiveling tool spindle can be programmed to machine virtually any angle.
- Simultaneous 4-axis machining with CAD/CAM.
- Thanks to the Y-axis of the back tool post, complex machining on back side can be overlapped with front side.
- Automatic programming software is standard.



CNC High Precision Automatic Lathe CH154

A new model Gang-Type Automatic Lathe CH154 was launched this year. Enables for a complete machining, producing a high-precision and complicated parts from bar stocks.

- High Productivity achieved from pre-finished machining from bar stock and finishing all completed by one machine.
- High Efficiency by drastically shortening cycle time thanks to the overlapping of the L & R spindles and tool posts.
- Enhance Production from the high-speed spindle: 15,000min⁻¹



Participated Exhibitions

We actively developed new business partners.

- We set up booth at the Seoul International Machine Tool Show (SIMTOS 2010) in Korea for 6 days from April 13, 2010.
- We held the Tsugami Technical Fair 2010 at the Tsugami Nagaoka Factory for 2 days from July 8th, 2010.
- We set up booth at the International Machine Tool Show (IMTS 2010) in the US for 6 days from September 13, 2010.

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

