

Interim Financial Results Briefing for Year Ending March 2008

(Securities Code: 6101)

 **TSUGAMI CORPORATION**

November 12, 2007

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



**Summary of Interim Financial Results for Year Ending
March 2008 and Prospects for Next Fiscal Term**

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Future Business Development of the TSUGAMI Group

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**Summary of Interim Financial Results for
Year Ending March 2008 and Prospects for
Next Fiscal Term**



*Future Business Development of the
TSUGAMI Group*

Summary of Financial Highlights (on a consolidated basis)

(Billions of yen; %)

	FY2005			FY2006			FY2007 (Projections)		
	1 st half	2 nd half	Full-year	1 st half	2 nd half	Full-year	1 st half	2 nd half	Full-year
Net sales	16.9	17.1	34.0	18.5	18.1	36.6	13.6	16.4	30.0
Gross profit	4.2	4.3	8.5	4.8	4.4	9.2	3.0	-	-
Gross profit margin	(24.8)	(25.2)	(25.0)	(26.0)	(24.4)	(25.3)	(22.0)	-	-
Operating income	2.7	2.6	5.3	2.9	2.5	5.5	1.3	1.8	3.1
Ordinary income	2.7	2.7	5.4	3.0	2.6	5.5	1.3	1.8	3.1
Ordinary income margin	(15.8)	(15.7)	(15.8)	(16.0)	(14.4)	(15.1)	(9.3)	(11.2)	(10.3)
Net income	3.9	1.7	5.5	1.7	1.8	3.4	0.74	1.11	1.85

Operating results for first half of FY 2007

- (1) Net sales is down by ¥4.9 billion compared to same period in the previous financial year.
 - HDD products decreased by ¥2.5 billion
 - Domestic automobile products down by ¥1.2 billion
 - Decrease in discontinued OEM by ¥1.1 billion
- (2) Operating income down by ¥1.6 billion yen compared to same period in previous year.
 - Capacity utilization down by ¥1.5 billion
 - Sales promotion expenses loss of ¥0.1 billion

..... Net sales decrease in part due to delayed delivery date requested by clients.

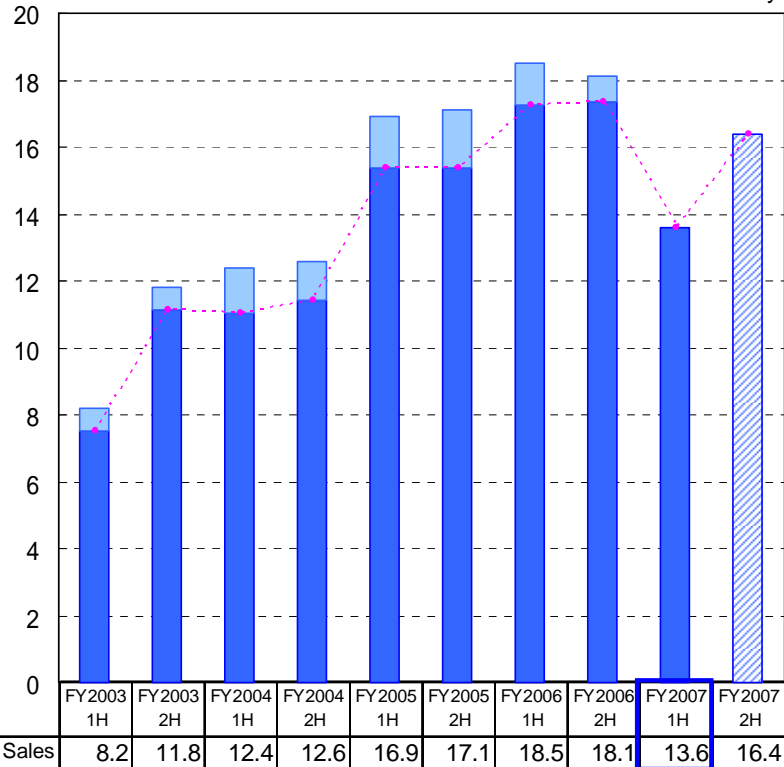
Full-year projections for FY 2007

- (1) Orders are forecast to remain at current levels in the second half of FY 2007.
No market recovery (IT industry) effect is forecast.
- (2) Some effect is forecast from stronger overseas operations in Europe, Korea and elsewhere.
- (3) Growing costs are anticipated due to increasing sales promotion expenses overseas (¥150 million) and depreciation (¥100 million).

Change in Financial Indicators on a Semiannual Basis

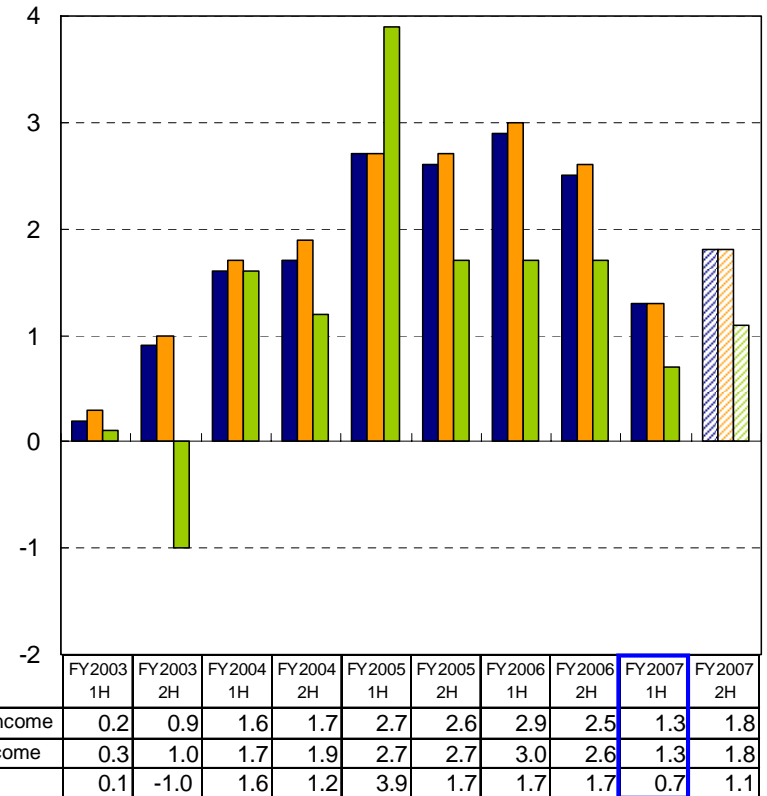
Net Sales

Billions of yen



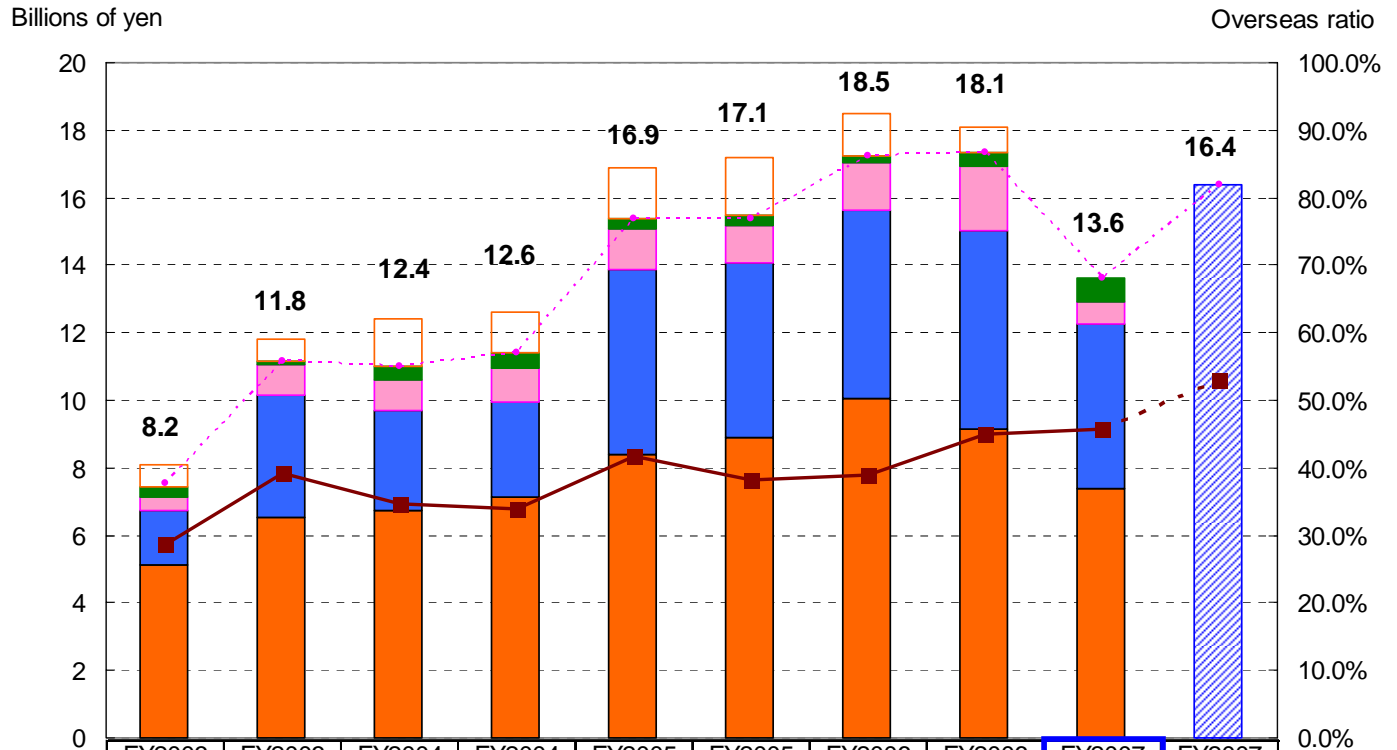
Profit

Billions of yen



(..... excluding OEM)

Net Sales Projections by Geographic Segment

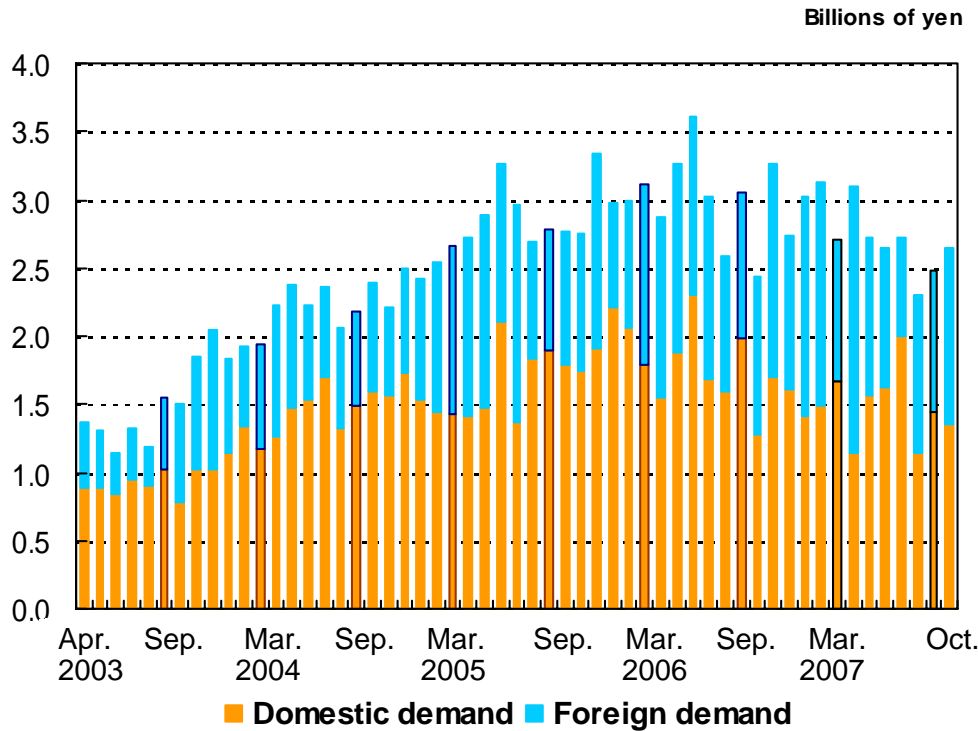


Europe	0.3	0.1	0.4	0.5	3.0	0.3	0.2	0.4	0.7	
U.S.A.	0.4	0.9	0.9	1.0	1.2	1.1	1.4	1.9	0.7	
Asia	1.6	3.6	3.0	2.8	5.5	5.2	5.6	5.8	4.9	16.4
Total foreign demand	2.3	4.6	4.3	4.3	7.0	6.6	7.2	8.1	6.2	
Total domestic demand	5.8	7.2	8.1	8.3	9.9	10.6	11.3	10.0	7.4	
Overseas ratio	28.7%	39.1%	34.7%	34.0%	41.6%	38.1%	39.0%	44.7%	45.7%	-

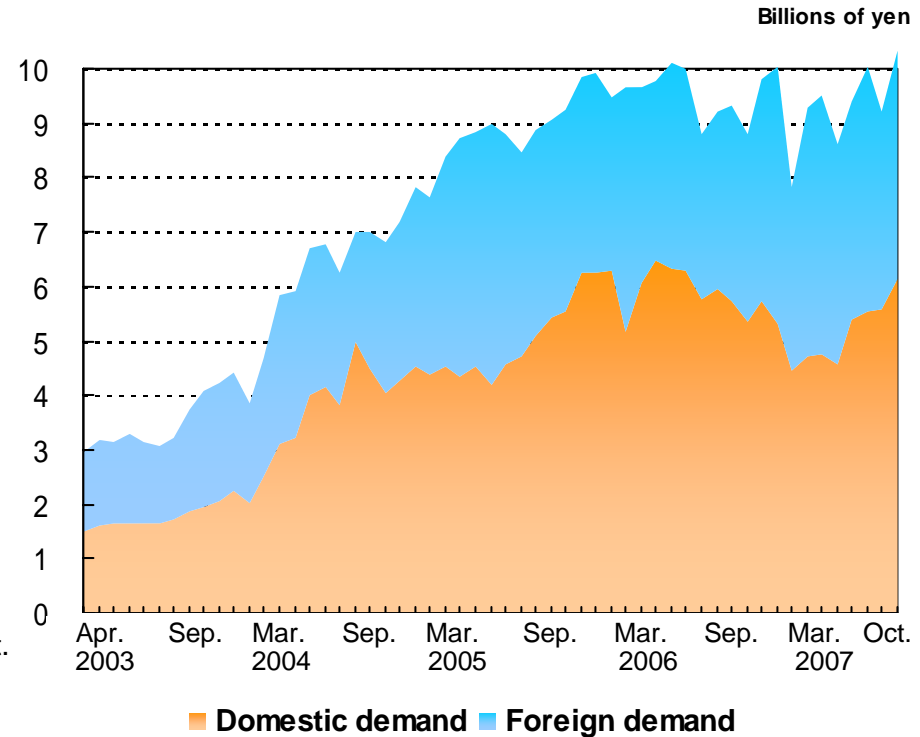
(..... excluding OEM)

Orders

Orders Received



Order Backlogs

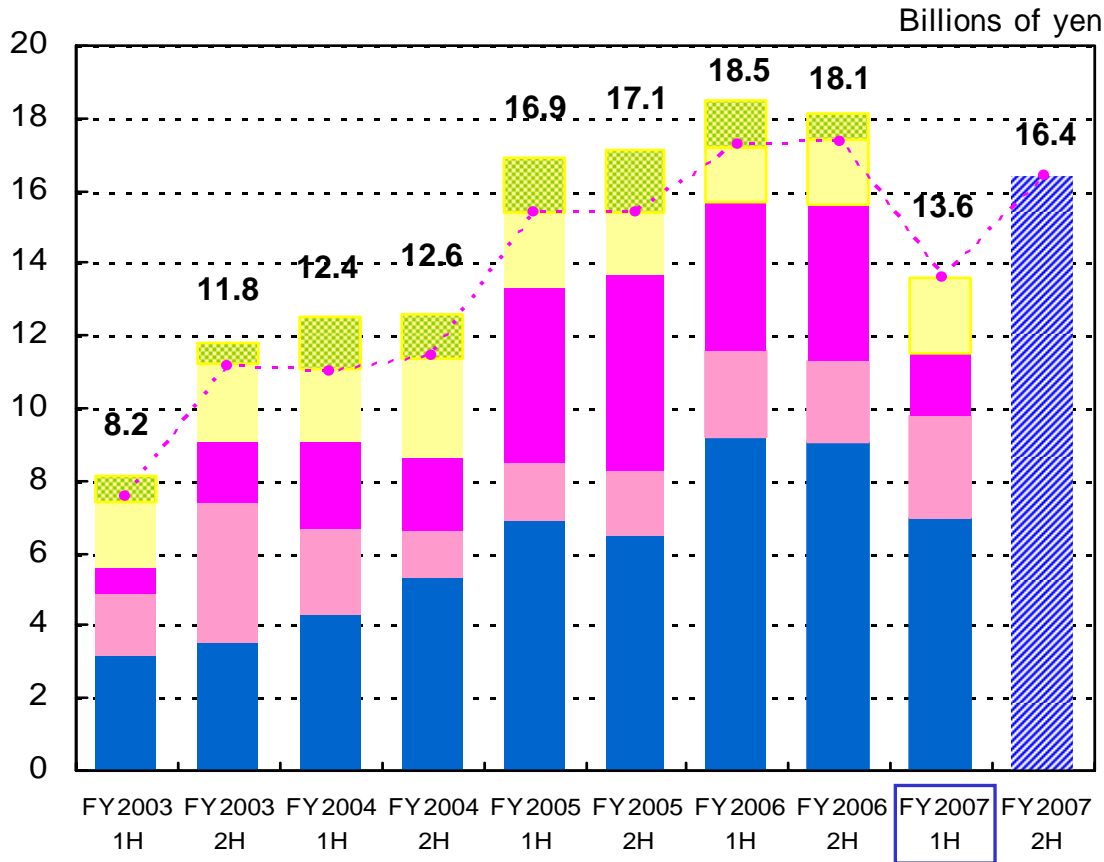


The domestic market is somewhat sluggish

The overseas markets are expanding (Europe, India, China, Korea)

Changes in Net Sales by Business Segment

Net Sales by Business Segment
(on a semiannual basis)

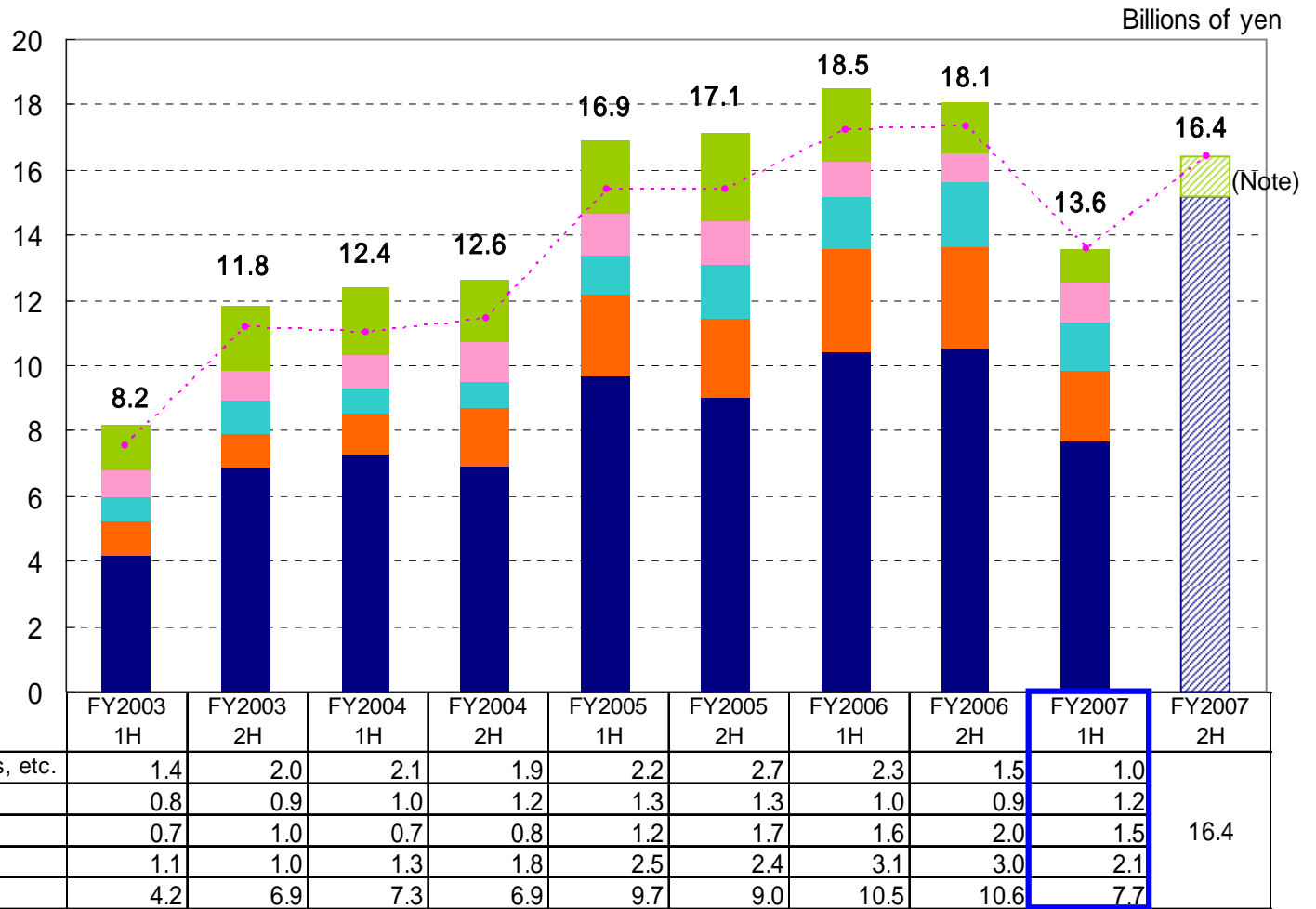


- 1) Domestic market: Moving from a period of adjustment to an upswing
- 2) Overseas: Sales are increasing in both Automobile and IT.
- 3) Recovery expected in the HDD market

■ Automobile
 ■ IT
 ■ HDD
 ■ Others

(..... excluding OEM)

Changes in Net Sales by Machinery Category



(..... excluding OEM)

(Note) indicates consumable supplies (special-purpose machines, etc.)

Consolidated Balance Sheets

Billions of yen

	FY2006 (30-Sep-06)	FY2007 (31-Mar-07)	FY2007 (30-Sep-07)		FY2006 (30-Sep-06)	FY2007 (31-Mar-07)	FY2007 (30-Sep-07)
Current Assets	25.0	25.9	22.7	Current Liabilities	10.7	11.3	8.5
Cash and bank deposits	3.9	3.6	3.1	Trade notes & accounts payable	8.3	9.1	7.2
Trade notes & accounts receivables	13.7	14.3	11.0	Short-term debt	-	-	-
Inventories	7.0	7.7	8.1	Income taxes payable	1.1	1.0	0.4
Other current assets	0.4	0.3	0.5	Other current liabilities	1.3	1.2	0.9
Fixed Assets	10.1	10.0	10.0	Long-term Liabilities	1.2	1.2	1.0
Property, plant and equipment	7.6	7.5	7.3	Total Liabilities	11.9	12.5	9.5
Investments and other assets	2.5	2.5	2.7	Common stock	10.6	10.6	10.6
				Capital surplus	8.0	4.2	4.2
				Retained earnings	9.2	10.6	10.9
				Treasury stocks	- 5.2	- 2.7	- 3.1
				Net unrealized gain on investment securities	0.6	0.6	0.5
				Share warrants	0.0	0.1	0.1
				Total Net Assets	23.2	23.4	23.2
Total Assets	35.1	35.9	32.7	Total Liabilities and Net Assets	35.1	35.9	32.7

Major Turnover period	3/2005	9/2005	3/2006	9/2006	3/2007	9/2007
Trade receivables turnover period	5.0 months	4.7 months	5.0 months	4.4 months	4.8 months	4.9 months
Inventory turnover period	2.8 months	2.6 months	2.8 months	2.3 months	2.5 months	3.6 months
Trade payables turnover period	3.1 months	3.4 months	3.1 months	2.7 months	3.0 months	3.2 months

(Term-end balance method using 6-month average turnover)

The Company's own shares

	Thousands of shares	Billions of yen	
As of Sep. 2006	14,538	5.2	
As of Nov. 2006	15,593	5.9	
Retirement	10,000	(Note) 3.8	(Note)
After retirement	5,593	2.1	B/S account
As of Mar. 2007	6,341	2.7	Capital surplus 4.2
As of Sep. 2007	7,055	3.1	
As of Oct. 2007	8,528	3.7	

Consolidated Statements of Cash Flows

Billions of yen

	FY2006 (30-Sep-06)	FY2007 (30-Sep-07)	Year-over-year increase/decrease
Cash flows from operating activities	2.72	(Note 1) 1.0	- 1.72
Cash flows from investing activities	- 0.19	(Note 2) - 0.67	-0.48
Cash flows from financing activities	- 1.55	(Note 3) - 0.85	0.7
Increase in cash and cash equivalents due to new consolidation	0.1	-	- 0.1
Cash and cash equivalents at beginning of year	2.8	3.5	0.7
Cash and cash equivalents at end of year	3.87	2.98	- 0.89

9/2007 Notes:

Cash flows from operating activities (Note 1)

Income before income taxes	1.20
Depreciation and amortization	0.41
Other	- 0.06
(Subtotal)	(1.55)
Decrease in trade receivables	3.31
Increase in inventories	- 0.66
Decrease in trade payables	- 1.95
(Subtotal)	(0.70)
Taxes paid	- 1.05
Other	- 0.20
(Subtotal)	(- 1.25)

Cash flows from investing activities (Note 2)

Purchase of machinery & equipment	- 0.15
Purchase of investment securities	- 0.45
Other	- 0.07
(Subtotal)	(- 0.67)

Cash flows from financing activities (Note 3)

Cash dividends paid	- 0.44
Purchase of treasury stock	- 0.43
Other	0.02
(Subtotal)	- 0.85

Major Consolidated Financial Indicators (based on closing interim balance)

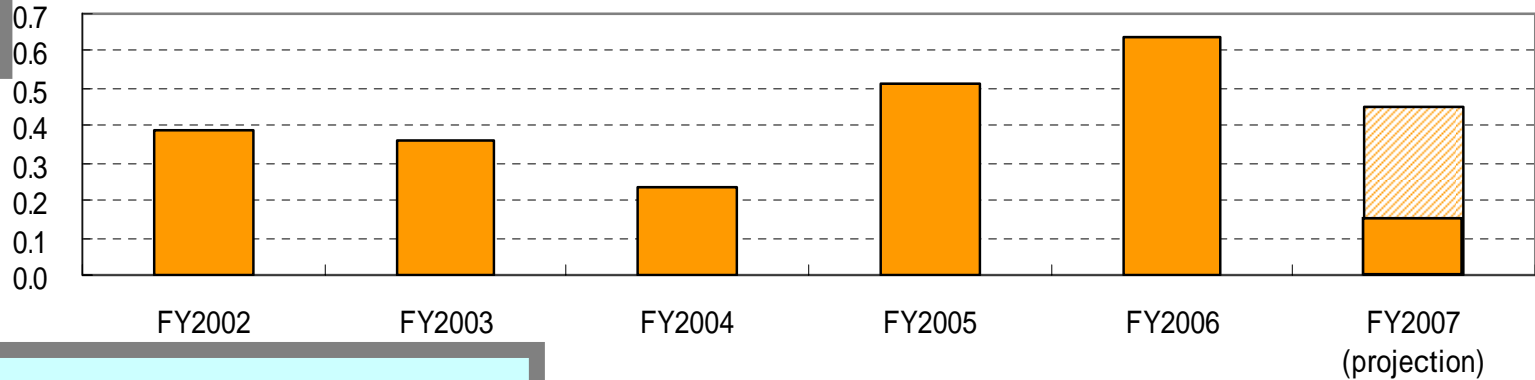
Yen

	FY2005 (30-Sep-05)	FY2006 (30-Sep-06)	FY2007 (30-Sep-07)
Book-value per share (BPS)	249.8	260.8	293.7
Book-value per share (excluding treasury stock)	289.4	311.7	322.5
Earnings per share (EPS)	43.5	19.4	9.3
Earnings per share (excluding treasury stock)	50.4	23.2	10.2
Equity ratio	63.3%	66.0%	70.5%
Ratio of ordinary income to total capital (on mid-term basis)	7.6%	8.4%	3.9%
Ratio of ordinary income to net sales	15.8%	16.0%	9.3%

R&D Expenditures and Capital Investment

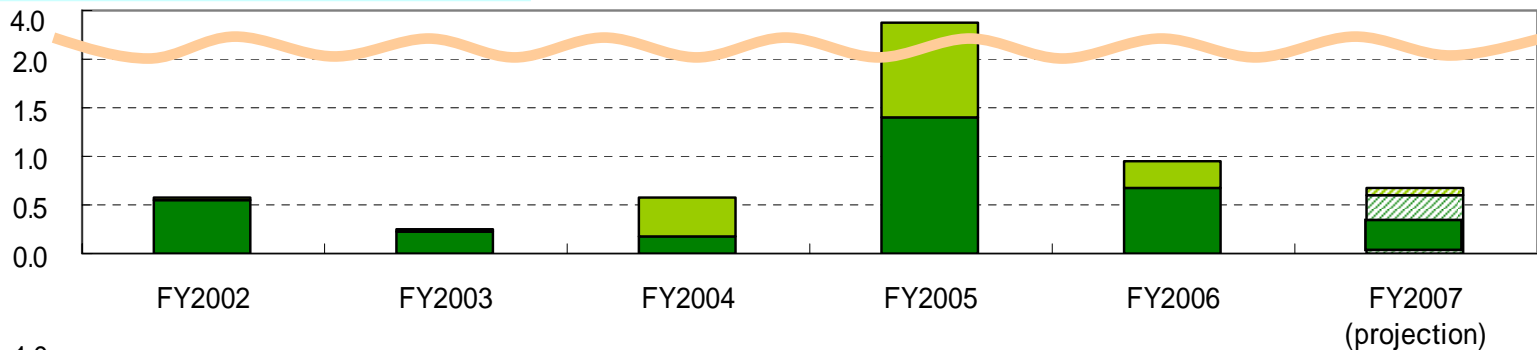
Billions of yen

R&D Expenditures

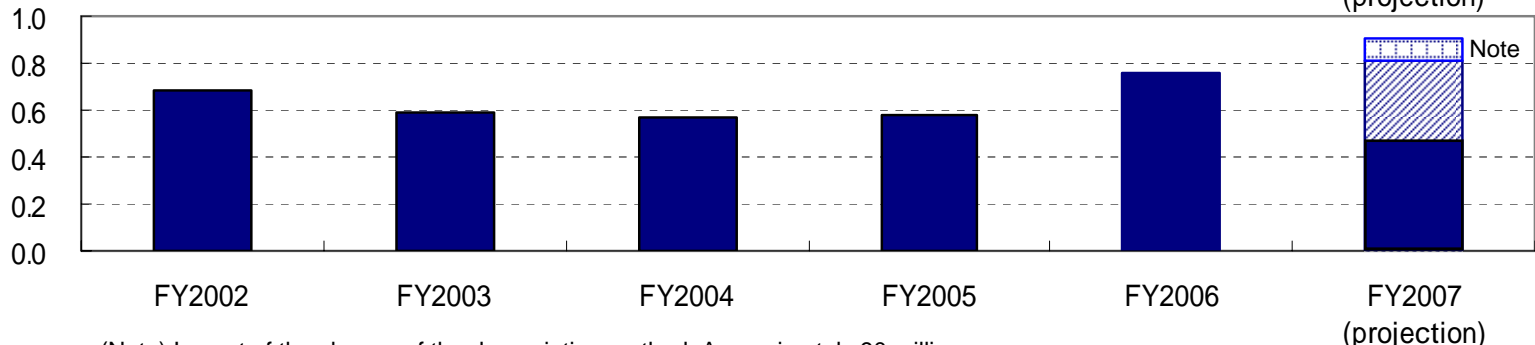


Capital Investment


(including ■ colored portion for equipment to increase production capacity)



Depreciation



(Note) Impact of the change of the depreciation method: Approximately 90 million yen



Summary of Interim Financial Results
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Prospects for Next Fiscal Term



**Future Business Development of the
TSUGAMI Group**

Priority Tasks in the Medium-Term Management Plan

1. Launching new products in selected high-growth fields and boosting their sales
2. Business strategy focusing on high-growth regions
3. Bolstering our business base
(to take customer satisfaction to new levels)

1. Launching new products in selected high-growth fields and boosting their sales

- Ensuring our position as the world leader in super precision processing
- Striving to achieve more efficient processing

<FY2006>
Ten new models launched

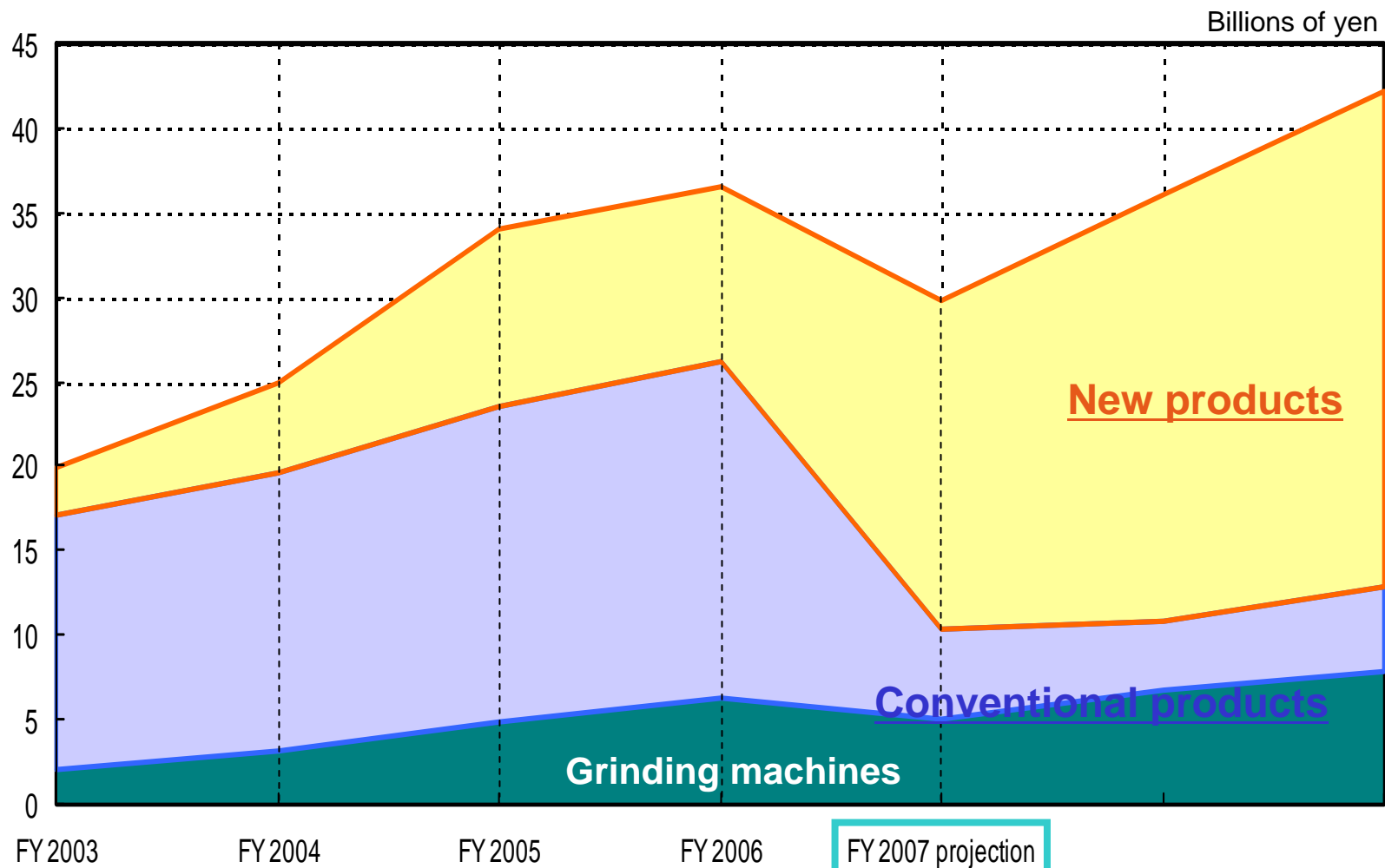
IT field	Four models	C15	B012/20-V	BH20	BS12/20-V
Semiconductor manufacturing equipment and others	One model	P01			
Automobile and other industrial machinery	Five models	BH26/38	M42/50SD	U300	TMB2 B026-V

<FY2007> Seven new models to be launched

IT field	Three models	C15-	C18L	VMCX
Automobile and other industrial machinery	Four models	SS20 (HS20E)	SS32	G18- G30-

Medium-Term Sales Projections for Our Products

Total Sales



3. Bolstering our business base (to take customer satisfaction to new levels)

(1) Step up technical consultation services for customers (Technology Division)

Increase the number of technical staff responsible for customer consultation services

Respond quickly and accurately to the technical needs of customers

(2) Re-established the Quality Assurance Division (March 2007) to further improve quality

Integrated customer consultation services into the Quality Assurance Division (User Support Team) at the Nagaoka Plant (June 2007)

(3) Enhance after-sales services

- Japan

Added 15 more after-sales service personnel from January to May 2007 (45 people in total)

(including after-sales service personnel who cover South Korea)

- Overseas

Thailand

Increased sales service **personnel by 10** in TSUGAMI (THAI) (18 persons in total)

Philippines

Added four people. TSUGAMI MACHINERY concluded an outsourcing agreement with PHITTS in February 2006 for after-sales services in the Philippines

China

Added six people. Bolstered the sales service system in China by establishing the Shanghai Branch of PRECISION TSUGAMI (CHINA) CORPORATION in August 2006

Progress on Internal Control Systems

- 1. Risk management systems and information management systems**
July 2007
 - Established risk management committee
 - Set up committee to promote information systems (Set up information security committee)
 - Instituted and revised regulations
- 2. J-SOX Response**
December 2006~
 - Concluded outsourcing agreement with external specialist firm
 - Companywide roll-out ... Documenting business processes ... Close to completion

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**