

## Stock Information (as of March 31, 2009)

Authorized shares ..... 320,000,000 shares  
 Issued shares ..... 68,019,379 shares  
 Number of shareholders ..... 13,944  
 Major shareholders (Top 10)

Shareholders	Investment in the Company		Investment in shareholders	
	Number of shares held	Ownership ratio	Number of shares held	Ownership ratio
	Thousands	%	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 4G)	2,604	3.82		
The Dai-ichi Mutual Life Insurance Company	2,100	3.08		
Mori Seiki Co., Ltd.	2,000	2.94	100	0.10
Sumitomo Mitsui Banking Corporation	1,516	2.22		
The Hokuetsu Bank, Ltd.	1,484	2.18	477	0.18
Japan Trustee Services Bank, Ltd. (Trust account)	1,484	2.18		
The Master Trust Bank of Japan, Ltd. (Trust account)	1,298	1.90		
Tsugami Customers' Shareholding Association	1,277	1.87		
State Street Bank and Trust Company 505012	1,121	1.64		

Notes: 1. The figures for ownership ratio are rounded to the second decimal place.

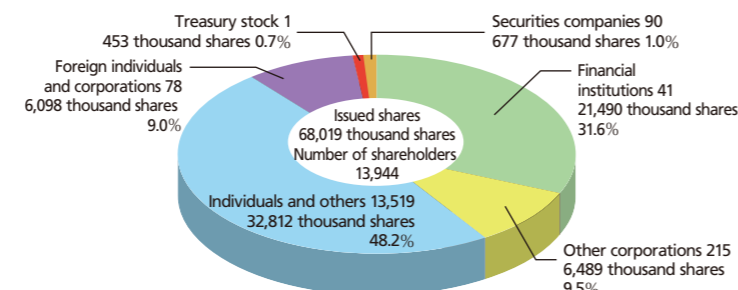
2. The 4,592 thousand shares held by Mizuho Trust & Banking Co., Ltd. (Employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) are held in a pension trust account for Tokyo Seimitsu, which reserves the right to give instructions on how to exercise voting rights for these shares. The Company holds 65 thousand shares (0.16%) in Tokyo Seimitsu.

## Corporate Data

(as of March 31, 2009)

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	523	
Directors and Auditors	(as of June 19, 2009)	
	Chairman and CEO	Takao Nishijima
	Directors	Yoshiharu Kikuchi
	Directors	Nobuyuki Moriuchi
	Directors	Toshiharu Niijima
	Directors	Toshio Honma
	Outside Directors	Takeo Nakagawa
	Outside Directors	Mitsuhiro Masumi
	Standing Statutory Auditor	Ikuo Oomiya
	Outside Statutory Auditor	Kyouji Umeoka
	Outside Statutory Auditor	Kouichiro Watanabe
	Outside Statutory Auditor	Kunimasa Ohta
Head Office and Plants	Head Office 9-10, Horidome-cho 1-chome, Nihonbashi, Chuo-ku, Tokyo Nagaoka Plant 1-1, Higashizao 1-chome, Nagaoka-shi, Niigata Shinshu Plant 3600 Nakagomi, Saku-shi, Nagano Takami Plant 1-2, Higashi-Takami 2-chome, Nagaoka-shi, Niigata Niigata Plant 132, Momoyama-cho 2-chome, Higashi-ku, Niigata-shi, Niigata	
Sales Network	East Japan Marketing Division (Tokyo) North Kanto Marketing Division (Omiya) Suwa Marketing Division (Suwa) Central Japan Marketing Division (Nagoya) West Japan Marketing Division (Osaka) Soul Office in South Korea	
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	

## 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 ( <a href="http://www.tsugami.co.jp/">http://www.tsugami.co.jp/</a> ). However, if the Company is unable to publish notices electronically, public notices shall be published in the Kanpo ("official gazette").
Listed stock exchange	Tokyo, Osaka

## 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 Baking 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 2008 (April 1, 2008 to March 31, 2009)



I am pleased to report our results for fiscal 2008, from April 1, 2008 to March 31, 2009.

During this fiscal year, the Japanese economy faced an exceptionally severe economic crisis, which has been described as a once-in-a-century phenomenon. Looking at orders in the machine tool industry, overseas markets offset weaker domestic demand in the first half. However, external demand subsequently fell sharply in all regions, with the rapid economic deceleration starting October 2008. The operating environment remains tough in all sectors, including hard disk drives, a key target market for Tsugami Corporation (the "Company"), other IT fields, and automobiles.

In this environment, the Company and its affiliates (the "Group") continued to supply precision processing machinery that meet demands for ecological and energy-saving measures in automotive and related industries, greater precision in IT and related industries, and requirements in other industries. At the same time, the Group brought a number of new products to market. Moreover, the Group sought to minimize the effects of weaker orders on its business by restructuring and streamlining production bases and cutting expenses across the Group.

As a result, consolidated net sales for the fiscal year under review came to 22,687 million yen (down 20.4% year on year). Consolidated operating income was 810 million yen (down 70.9% year on year), and consolidated ordinary income was 626 million yen (down 77.3% year on year). The consolidated net loss was 873 million yen, resulting from factors that included a 1,163 million yen loss on the devaluation of shares and an impairment loss of 99 million yen.

With respect to dividends, the Company has decided to pay a year-end dividend of 5 yen per share, according to its initial plan. The annual dividend will be 10 yen per share, including an interim dividend of 5 yen per share. 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.

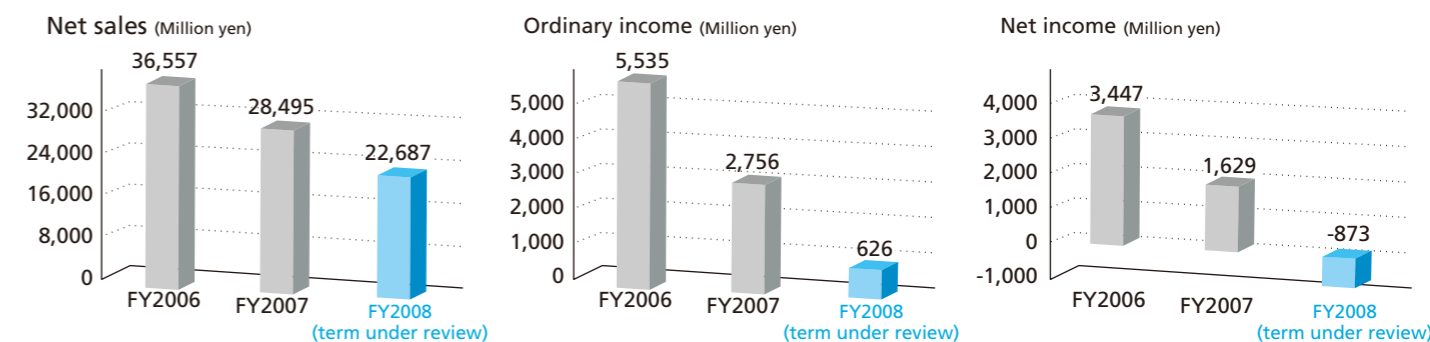
The Group remains committed to offering new products that fully meet customer requirements, while enriching the services it provides. Aiming to enhance customer satisfaction, we will devote all of our efforts to management, so that we can provide reliable products that our customers need.

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

June 2009

Takao Nishijima Chairman and CEO

## Business Performance (Consolidated)



## Financial Highlights

Item	FY 2006		FY 2007		FY 2008 (term under review)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Net sales (Million yen)	36,557	35,255	28,495	27,962	22,687	22,043
Ordinary income (Million yen)	5,535	5,110	2,756	2,564	626	625
Net income (Million yen)	3,447	3,257	1,629	1,544	-873	-540
Net income per share (Yen)	46.36	43.80	23.03	21.82	-12.88	-7.98
Total assets (Million yen)	35,943	35,186	32,732	32,031	25,703	25,425
Net assets (Million yen)	23,450	22,723	21,916	21,137	19,718	19,277
Net assets per share (Yen)	322.67	312.66	319.50	308.02	289.07	282.55

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

## Consolidated financial statements

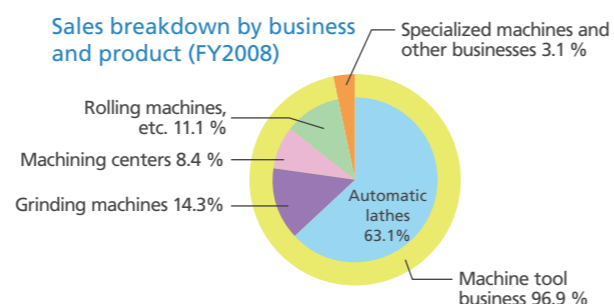
### Consolidated balance sheets

Item	(Million yen)	
	FY2008 March 31, 2009	FY2007 March 31, 2008
<b>Assets</b>		
Current assets	16,486	22,735
Cash and deposits	3,238	3,402
Trade notes and accounts receivable	4,677	9,662
Inventories	8,180	9,046
Other current assets	389	624
Fixed assets	9,184	9,997
Tangible fixed assets	6,633	7,035
Buildings, machinery, equipment and vehicles	5,806	6,170
Land	591	598
Other tangible fixed assets	235	266
Intangible fixed assets	43	43
Investments and other assets	2,508	2,918
Deferred assets	32	—
Total assets	25,703	32,732
<b>Liabilities</b>		
Current liabilities	3,855	9,913
Trade notes and accounts payable	2,129	8,220
Short-term borrowings	500	—
Accrued income tax	46	691
Other current liabilities	1,179	1,000
Long-term liabilities	2,129	903
Corporate bonds	1,200	—
Other long-term liabilities	929	903
Total liabilities	5,984	10,816
<b>Net assets</b>		
Shareholders' equity	20,019	21,623
Common stock	10,599	10,599
Capital surplus	4,138	4,138
Retained earnings	5,373	6,936
Treasury stock	-92	-50
Valuation and translation adjustments	-487	66
Unrealized gains on marketable securities	-508	40
Translation adjustments	20	26
Stock acquisition rights	187	226
Total net assets	19,718	21,916
Total liabilities and net assets	25,703	32,732

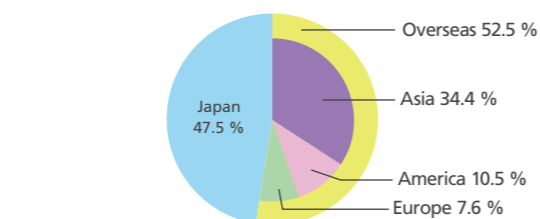
### Consolidated statements of income

Item	(Million yen)	
	FY2008 Year ended March 31, 2009	FY2007 Year ended March 31, 2008
Net sales	22,687	28,495
Cost of sales	18,068	22,142
Gross profit	4,618	6,352
Selling, general and administrative expenses	3,808	3,568
Operating income	810	2,784
Non-operating income	149	136
Non-operating expenses	332	164
Ordinary income	626	2,756
Extraordinary income	106	47
Extraordinary expenses	1,488	126
Income/loss before taxes and other adjustments	-754	2,677
Corporate, inhabitant and enterprise taxes	60	1,037
Deferred taxes	58	11
Net income/loss	-873	1,629

### Sales breakdown (Consolidated)



### Sales breakdown by region (FY2008)



### Consolidated statements of changes in net assets (FY2008 Year ended March 31, 2009)

	Shareholders' equity					Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on marketable securities	Translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2008	10,599	4,138	6,936	-50	21,623	40	26	66	226	21,916
Changes during the period										
Dividends from surplus			-679		-679					-679
Net income (loss)			-873		-873					-873
Purchase of treasury stock				-84	-84					-84
Disposal of treasury stock				42	32					32
Net changes in items other than shareholders' equity						-548	-5	-554	-39	-593
Total changes during the period	—	—	-1,562	-41	-1,604	-548	-5	-554	-39	-2,197
Balance as of March 31, 2009	10,599	4,138	5,373	-92	20,019	-508	20	-487	187	19,718

## Releasing New Products to the Market

### CNC Precision Automatic Lathe SS32L

We launched the CNC Precision Automatic Lathe SS32L, a machine dedicated to guide-bushing-less processing, as part of the SS32 Series. In guide-bushing-less processing, expensive ground bars are unnecessary. High efficiency and high precision processing can be achieved using inexpensive cold-drawn bars. This machine uses a modular tooling method. The positions of back gang and the back tool post can be arranged freely according to the task at hand by combining rotary tools, boring holders and turning holders. It also has a wide tooling zone that allows easier tooling setups and chip disposal, improving operability.

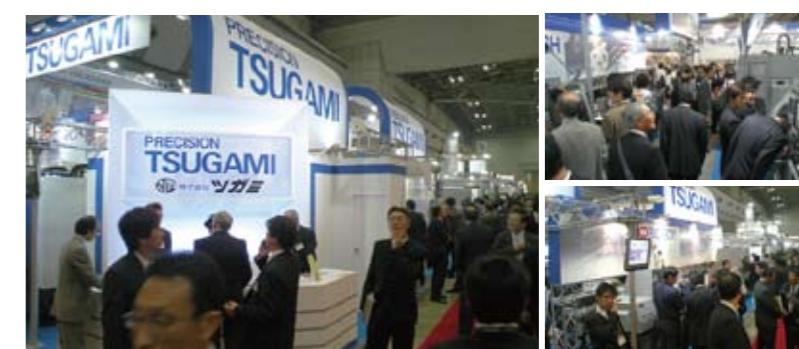


### Setting up a Booth at Exhibitions

We actively developed business partners in Japan and overseas.

We set up a booth at the 24th Japan International Machine Tool Fair (JIMTOF2008) in Tokyo Big Sight for six days from October 30, 2008.

A great number of users and dealers both from Japan and overseas visited our booth, and we were able to hold some productive discussions.



## Main Products



### CNC Precision Automatic Lathe

The special arrangement of tools minimizes the heat effect and the cast iron base suppresses vibrations during high-speed operation. Hence, it enables stable and accurate processing for a long time.

This model is best suited to high-precision, mass production of automobile parts, hard disk drive components, office automation equipment, medical and dental equipment, digital cameras, cellular phones and other small parts in a wide range of fields, including optical communications.

### CNC Precision Turning Center



This is a process-intensive, complex machine that enables both turning and milling processes. Combining a lathe and a machining center, this machine can handle a wide range of machining demands without changing the settings.

### CNC Precision Cylindrical Grinding Machine

This machine enables cylindrical grinding processing of small and medium components in the fields ranging from unhardened material to highly rigid parts made of hardened steel and ceramics.

The device can handle diverse items, ranging from single components, such as mold pins, to a fully automatic processing system equipped with an autoloader automatic checker for processed products such as automobile engines, transmissions and oil hydraulic parts, IT components, and medical and dental equipment. With these capabilities, the machine can meet all of our customers' manufacturing needs.



### Precision Machining Center

We operate a range of machining centers that are equipped for a diverse array of processing, on components including small aluminum parts for IT products such as household electronics and office automation equipment, and steel parts for automobiles and industrial machinery. We propose the optimal system for all our models—both the vertical and horizontal types—which have a space-saving design that makes plant layout easy.

