

Summary of Financial Results for the First half of the Fiscal Year Ending March 31, 2015

November 12, 2014

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled date of commencement of dividend payments: November 28, 2014

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: Yes (for institutional investors and analysts)

1. Consolidated business performance for the first half of the fiscal year ending March 31, 2015

(From April 1, 2014 to September 30, 2014)

(Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results (cumulative totals)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
H1 of the fiscal year ending March 31, 2015	29,703	91.0	4,756	500.2	4,877	249.1	3,405	285.3
H1 of the fiscal year ended March 31, 2014	15,551	-54.8	792	-85.9	1,397	-72.0	883	-71.8

(Note): Comprehensive income: H1 of the fiscal year ending March 31, 2015: 4,103 million yen (217.2%)

H1 of the fiscal year ended March 31, 2014: 1,293 million yen (-29.5%)

	Net income per share		Net income per share after residual equity adjustment	
	Yen		Yen	
H1 of the fiscal year ending March 31, 2015	47.21		46.40	
H1 of the fiscal year ended March 31, 2014	12.05		11.90	

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
H1 of the fiscal year ending March 31, 2015	60,942	35,252	56.7	479.56
Fiscal year ended March 31, 2014	52,250	31,587	59.3	428.18

(Reference): Shareholders' equity: H1 of the fiscal year ending March 31, 2015: 34,570 million yen

Fiscal year ended March 31, 2014: 30,981 million yen

2. State of dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2014	--	6.00	--	6.00	12.00
Fiscal year ending March 31, 2015	--	6.00			
Fiscal year ending March 31, 2015 (forecast)			--	6.00	12.00

(Note) Revision of dividend forecasts for the quarter under review: none

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	50,000	55.2	6,700	465.7	6,500	236.3	4,600	--	63.79

(Note) Revision of consolidated business performance forecasts for the quarter under review: yes

*Notes

(1) Important changes in subsidiaries during the first half under review
(changes in specified subsidiaries that caused the scope of consolidation to change): none
Companies added to the scope: -- companies (names)
Companies removed from the scope: -- companies (names)

(2) Application of peculiar accounting treatment for quarterly consolidated financial statements: none

(3) Changes in accounting policy and in accounting estimates, and restatements
(i) Changes in accounting policy due to the revision of accounting standards and the like: yes
(ii) Changes in accounting policy other than those stated in item (i) above: none
(iii) Changes in accounting estimates: none
(iv) Restatements: none

(4) Numbers of outstanding shares (common shares)
(i) Numbers of outstanding shares at the end of the terms
(including treasury shares):
(ii) Numbers of treasury shares at the end of the terms:
(iii) Average numbers of shares outstanding during the
periods (quarterly consolidated accumulation periods):

H1 of FY2014	74,919,379 shares	FY2013	74,919,379 shares
H1 of FY2014	2,831,525 shares	FY2013	2,562,250 shares
H1 of FY2014	72,131,076 shares	H1 of FY2013	73,369,751 shares

* State of quarterly review execution

This quarterly financial summary falls outside the scope of quarterly reviews based on the Financial Instruments and Exchange Act. Reviews of the quarterly financial statements presented herein in compliance with the Financial Instruments and Exchange Act had not been completed at the time this quarterly financial summary was disclosed.

* Explanations for the appropriate use of business forecasts and other items warranting special mention

The forward-looking statements, including business forecasts, included in this document are based on information available on the date of announcement and certain assumptions we consider reasonable. Actual performance may differ materially from the statements due to a range of factors. For assumptions for business forecasts and notes on the use of business forecasts, please refer to "Information Relating to Consolidated Business Performance Forecasts" on page 2 of the accompanying documents of this summary of financial results for the first half.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Results, Etc.

(1) Information Relating to Consolidated Operating Results

During the first half under review, certain sectors of the Japanese economy were adversely affected by the reaction to the spike in demand before the consumption tax hike, but overall the economy continued to recover moderately.

In the machine tool industry, the domestic market showed moderate upward momentum, which continued from the previous fiscal year. The European and U.S. markets remained strong. The Chinese market recovered moderately overall, driven by EMS associated with smartphones, but uncertainty is emerging about the second half of the fiscal year.

In this environment, both net sales and income at TSUGAMI Corporation (the "Company") and its affiliates (the "Group") rose year on year, primarily reflecting sales of products for the IT products industry and the contribution of new products for automobiles.

Net sales, operating income, and ordinary income for the first half were 29,703 million yen (increased 91.0% year on year), 4,756 million yen (increased 500.2% year on year), and 4,877 million yen (increased 249.1% year on year), respectively. Net income was 3,405 million yen (increased 285.3% year on year).

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 60,942 million yen at the end of the first half under review, rising 8,692 million yen from the end of the previous fiscal year. The increase resulted primarily from an increase of 7,689 million yen in trade notes and accounts receivable and 2,527 million yen increase in inventories, which offset a 2,465 million yen decrease in cash and deposit.

Liabilities came to 25,689 million yen, up 5,026 million yen from the end of the previous fiscal year. The result was mainly attributable to an increase of 2,416 million yen in trade notes and accounts payable and a 2,445 million yen increase in short term borrowings.

Net assets stood at 35,252 million yen at the end of the first half under review, increasing 3,665 million yen from the end of the previous fiscal year. The growth mainly reflected an increase of 3,405 million yen in net income and 429 million yen in translation adjusted offsetting 434 million yen decrease in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 56.7%, declining 2.6 percentage points from the end of the previous fiscal year.

(ii) State of cash flows during the half under review

Cash and cash equivalents amounted to 3,626 million yen at the end of the first half under review, decreasing 2,418 million yen from the end of the previous fiscal year. A description of each cash flow during the first half was as follows:

(Cash flows from operating activities)

Cash used for operating activities was 2,837 million yen (increased 1,838 million yen previous year).

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 4,826 million yen, depreciation and amortization expenses of 528 million yen, and 1,909 million yen increase in trade notes and accounts payable, which offset decrease in cash, such as a 7,478 million yen rise in trade notes and accounts receivable, 1,738 million yen increase in inventories and 1,378 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 1,013 million yen (increased 33 million yen previous year).

The cash outflow was primarily attributable to decrease in cash that resulted from a 703 million yen outlay for the acquisition of tangible fixed assets and 382 million yen outlay for the acquisition of intangible fixed assets.

(Cash flows from financing activities)

Cash generated by financing activities was 1,373 million yen (decreased 815 million yen previous year).

The cash inflow resulted mainly from increases in short term borrowings of 2,028 million yen, which offset decrease in expenditure for acquisition of treasury stock of 265 million yen and dividends paid of 434 million yen.

(3) Information Relating to Consolidated Business Performance Forecasts

The consolidated business performance forecasts for the fiscal year ending March 31, 2015 have been revised based on the results in the first half under review. For details, please refer to the Notice of Revisions to Business Performance Forecasts published on November 12, 2014.

We plan to pay annual dividends of 12 yen per share including interim dividends of 6 yen per share and year-end dividends of 6yen per share, for the fiscal year ending March 31, 2015.

2. Summary information (notes)

Changes in accounting policy and in accounting estimates, and restatements

Changes in accounting policy

(Application of Accounting Policies for Retirement Benefits)

We have reviewed the method for calculating retirement benefit obligations and service costs and have changed the method for allocating expected retirement benefits to periods from a fixed-amount method to a projected benefit method and the discount rate from a discount rate based on a number of years approximating to the employees' average remaining service years to a single weighted average discount rate reflecting the estimated periods of benefit payments and amounts for each estimated period by applying the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the "Accounting Standard for Retirement Benefits") and in the text of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012. Hereinafter the "Guidance on Accounting Standard for Retirement Benefits") from the first half under review.

The application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to retained earnings at the beginning of the first half under review.

As a result, the net defined benefit liability declined 168 million yen, and retained earnings rose 108 million yen at the beginning of the first half under review. The effect on earnings in the first half under review is minor.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated first half under review (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	6,227	3,762
Trade notes and accounts receivable	6,686	14,376
Products and other commodities	7,374	8,498
Goods in process	4,631	5,353
Raw materials and supplies	8,953	9,633
Consumption taxes receivable	876	855
Deferred tax assets	577	486
Other	746	415
Allowance for doubtful accounts	-120	-101
Total current assets	35,953	43,280
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	5,142	5,191
Machinery, equipment and vehicles (net)	3,906	3,950
Land	564	564
Leased assets (net)	25	21
Construction in progress	473	1,030
Other (net)	307	332
Total tangible fixed assets	10,420	11,090
Intangible fixed assets	328	717
Investments and other assets		
Investment securities	4,247	4,576
Stocks of affiliates	11	11
Investments in affiliates	1,107	1,108
Long-term loans receivable	6	6
Deferred tax assets	1	1
Other	167	147
Total investments and other assets	5,541	5,851
Total fixed assets	16,290	17,659
Deferred assets	5	2
Total assets	52,250	60,942

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated first half under review (As of September 30, 2014)
Liabilities		
Current liabilities		
Trade notes and accounts payable	10,630	13,046
Short-term borrowings	6,075	8,520
Accrued income tax	1,113	893
Reserve for bonus payment	246	287
Reserve for product warranties	277	259
Other	973	1,302
Total current liabilities	19,316	24,310
Long-term liabilities		
Deferred tax liabilities	327	585
Reserve for directors' retirement benefits	14	16
Net defined benefit liability	946	722
Other	58	54
Total long-term liabilities	1,346	1,379
Total liabilities	20,663	25,689
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,889	5,884
Retained earnings	11,424	14,478
Treasury stock	-1,079	-1,237
Total shareholders' equity	28,579	31,470
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,391	1,615
Translation adjustments	1,134	1,563
Remeasurements of defined benefit plans	-123	-78
Total accumulated other comprehensive income	2,401	3,100
Subscription rights to shares	605	682
Total net assets	31,587	35,252
Total liabilities and net assets	52,250	60,942

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

	(Million yen)	
	Consolidated first half previous year (From April 1, 2013 to September 30, 2013)	Consolidated first half under review (From April 1, 2014 to September 30, 2014)
Net sales	15,551	29,703
Cost of sales	11,831	21,669
Gross profit	3,720	8,034
Selling, general and administrative expenses		
Salaries and allowances	640	764
Provision for allowance for doubtful accounts	8	--
Provision for reserve for bonus payments	69	52
Retirement benefit expenses	42	37
Provision for reserve for directors' retirement benefits	2	2
Research and development expenses	746	570
Insurance premiums	67	86
Provision for reserve for product warranties	158	-26
Other	1,191	1,789
Total selling, general and administrative expenses	2,927	3,278
Operating income	792	4,756
Non-operating income		
Interest received	10	6
Dividends received	28	38
Foreign exchange gains	678	561
Insurance benefits received	12	0
Other	64	46
Total non-operating income	794	653
Non-operating expenses		
Interest paid	69	128
Loss on sale of notes	54	62
Payment fee	--	264
Other	65	77
Total non-operating expenses	190	532
Ordinary income	1,397	4,877
Extraordinary income		
Gain on sales of fixed assets	72	0
Gain on sales of investments securities	--	2
Total extraordinary income	72	2
Extraordinary expenses		
Loss on retirement of fixed assets	7	7
Loss on sales of fixed assets	12	28
Loss on sales of investment securities	271	--
Loss on liquidation of business	--	16
Total extraordinary expenses	292	53
Income before taxes and other adjustments	1,177	4,826
Corporate, inhabitant and enterprise taxes	242	1,257
Deferred taxes	51	162
Total corporate and other taxes	294	1,420
Income before minority interests	883	3,405
Minority interests in income	--	--
Net income	883	3,405

(Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Consolidated first half previous year (From April 1, 2013 to September 30, 2013)	Consolidated first half under review (From April 1, 2014 to September 30, 2014)
Income before minority interests	883	3,405
Other comprehensive income		
Unrealized gains on marketable securities	157	224
Translation adjustments	252	429
Remeasurements of defined benefit plans	--	44
Total other comprehensive income	409	698
Comprehensive Income	1,293	4,103
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	1,293	4,103
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated Statements of Cash Flows

	(Million yen)	
	Consolidated first half previous year (From April 1, 2013 to September 30, 2013)	Consolidated first half under review (From April 1, 2014 to September 30, 2014)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	1,177	4,826
Depreciation and amortization expenses	519	528
Increase (decrease) in allowance for doubtful accounts	12	-19
Increase (decrease) in reserve for bonus payment	25	40
Increase (decrease) in reserve for retirement benefits	-2	--
Increase (decrease) in reserve for product warranties	-29	-26
Increase (decrease) in net defined benefit liability	--	15
Interest and dividends received	-38	-44
Interest paid	69	128
Loss on retirement of fixed assets	7	7
Loss (gain) on sales of fixed assets	-59	28
Loss (gain) on sales of investment securities	271	-2
Loss on liquidation of business	--	16
Foreign exchange losses (gains)	-178	-330
Decrease (increase) in trade notes and accounts receivable	39	-7,478
Decrease (increase) in inventories	1,283	-1,738
Decrease (increase) in advance payments	-3	65
Increase (decrease) in trade notes and accounts payable	-399	1,909
Decrease (increase) in consumption taxes refund receivable	283	62
Other	-268	634
Sub total	2,710	-1,375
Interest and dividends received	38	38
Interest paid	-67	-121
Corporate and other taxes paid	-842	-1,378
Cash flows from operating activities	1,838	-2,837
Cash flows from investing activities		
Payments into time deposits	-168	-30
Refund of time deposits	76	87
Expenditure for acquisition of tangible fixed assets	-561	-703
Proceeds from sales of tangible fixed assets	79	9
Expenditure for acquisition of intangible fixed assets	-11	-382
Proceeds from sales of investment securities	614	2
Other	5	2
Cash flows from investing activities	33	-1,013
Cash flows from financing activities		
Short-term borrowings	5,101	4,638
Repayment of short-term borrowings	-4,707	-2,609
Redemption of corporate bonds	-150	--
Proceeds from sales of treasury stock	2	51
Expenditure for acquisition of treasury stock	-615	-265
Dividends paid	-441	-434
Repayments of lease obligations	-5	-6
Cash flows from financing activities	-815	1,373
Translation differences for cash and cash equivalents	199	59
Net increase (decrease) in cash and cash equivalents	1,256	-2,418
Cash and cash equivalents at the beginning of the term	5,296	6,044
Cash and cash equivalents at the end of the term	6,552	3,626

(4) Notes relating to the Consolidated Financial Statements

Notes relating to the going concern assumption
No corresponding item exists.

Notes for cases where shareholders' equity underwent a major change in value
No corresponding item exists.

Segment information

I. Consolidated first half previous year (From April 1, 2013 to September 30, 2013)

1. Information relating to net sales, income or loss by reportable segment. (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	9,012	5,787	751	15,551
Intersegment net sales or transfer to other accounts	4,048	2,810	27	6,886
Total	13,061	8,598	778	22,438
Segment income	-189	416	140	367

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	367
Elimination of unrealized income and others	424
Operating income in quarterly consolidated statements of income	792

3. Information relating to impairment loss on fixed assets or goodwill, etc.
No corresponding item exists.

II. Consolidated first half under review (from April 1, 2014 to September 30, 2014)

1. Information relating to net sales, income or loss by reportable segment (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	11,451	17,736	515	29,703
Intersegment net sales or transfer to other accounts	8,206	4,963	17	13,187
Total	19,658	22,700	532	42,891
Segment income	775	4,064	20	4,860

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	4,860
Elimination of unrealized income and others	-104
Operating income in quarterly consolidated statements of income	4,756

3. Information relating to impairment loss on fixed assets or goodwill, etc.
No corresponding item exists.

4. Supplementary Information

(1) Overseas net sales

Consolidated first half under review (From April 1, 2014 to September 30, 2014)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	22,300	1,445	1,844	25,590
II Consolidated net sales				29,703
III Ratio of overseas net sales to consolidated net sales (%)	75.1	4.9	6.2	86.2

(Note) 1. National or regional classifications are based on geographic proximity.

2. Major countries or regions in each classification

(1) Asia..... China, Thailand, South Korea, Singapore, the Philippines and India

(2) America.... the United States and Mexico

(3) Europe..... Switzerland, Germany, France and Italy

3. Overseas net sales refer to net sales achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

(2) Net sales by machinery category

(Million yen)

	Consolidated first half previous year (From April 1, 2013 to September 30, 2013)		Consolidated first half under review (From April 1, 2014 to September 30, 2014)		Year-on-year change	
		%		%		%
Automatic lathes	12,782	82.2	26,606	89.6	13,823	108.1
Grinding machines	1,456	9.3	1,433	4.8	-22	-1.5
Machining centers	648	4.2	712	2.4	64	9.9
Rolling machines and specialized machines.	496	3.2	780	2.6	284	57.3
Other	168	1.1	170	0.6	2	1.4
Total	15,551	100.0	29,703	100.0	14,152	91.0
(Overseas net sales)	(12,711)	(81.7)	(25,590)	(86.2)	(12,879)	(101.3)