

Summary of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2014

January 31, 2014

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled date of commencement of dividend payments: --

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: None

1. Consolidated business performance for the first nine months of the fiscal year ending March 31, 2014 (From April 1, 2013 to December 31, 2013)

(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	%
First nine months of the fiscal year ending March 31, 2014	23,653	-46.7	834	-88.7	2,036	-69.2	1,311	-67.5
First nine months of the fiscal year ended March 31, 2013	44,373	83.9	7,360	246.0	6,602	238.3	4,031	221.1

(Note): Comprehensive income: First nine months of the fiscal year ending March 31, 2014: 2,644 million yen (-30.1%)

First nine months of the fiscal year ended March 31, 2013: 3,784 million yen (484.8%)

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
First nine months of the fiscal year ending March 31, 2014	17.94	17.71
First nine months of the fiscal year ended March 31, 2013	54.77	53.98

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
First nine months of the fiscal year ending March 31, 2014	49,350	33,213	66.1	451.44
Fiscal year ended March 31, 2013	45,919	31,998	68.6	427.86

(Reference): Shareholders' equity: First nine months of the fiscal year ending March 31, 2014: 32,644 million

Fiscal year ended March 2013: 31,498 million

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, 2013	--	6.00	--	6.00	12.00
Fiscal year ending March 31, 2014	--	6.00	--		
Fiscal year ending March 31, 2014 (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, 2014 (From April 1, 2013 to March 31, 2014)

(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	38,000	-28.0	3,600	-57.4	4,100	-39.7	1,850	-56.0	25.37

(Note) Revision of consolidated business performance forecasts for the quarter under review: none

*Notes

(1) Important changes in subsidiaries during the first nine months 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: none
(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):

3Q of FY2013	74,919,379 shares	FY2012	74,919,379 shares
3Q of FY2013	2,606,264 shares	FY2012	1,300,070 shares
3Q of FY2013	73,072,433 shares	3Q of FY2012	73,598,999 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 "Qualitative Information Relating to Consolidated Business Performance Forecasts" on page 2 of the accompanying documents of this summary of financial results for the first nine months.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Results, Etc.

(1) Information Relating to Consolidated Operating Results

During the first nine months of the fiscal year under review, the Japanese economy continued to recover moderately, backed by the continued weak yen and the effects of the fiscal policies of the government and the monetary policies of the Bank of Japan.

There were some hopeful signs in the machine tool industry, chiefly reflecting the robust North American market, the recovering European market, and an improvement in orders in Japan, despite the sluggish Chinese economy.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") launched new models and developed its customer base. Despite these efforts, however, both net sales and income declined year on year, primarily because of the tardiness of the recovery in China and a decline in demand for products for smartphones.

Net sales, operating income, and ordinary income for the first nine months were 22,653 million yen (decreased 46.7% year on year), 834 million yen (decreased 88.7% year on year), and 2,036 million yen (decreased 69.2% year on year), respectively. Net income was 1,311 million yen (decreased 67.5% year on year).

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 49,350 million yen at the end of the first nine months under review, increasing 3,431 million yen from the end of the previous fiscal year. The increase resulted primarily from a 514 million yen increase in cash and deposit, 954 million yen in inventories, 176 million yen in consumption taxes receivable and 1,613 million yen increase in tangible fixed assets.

Liabilities came to 16,136 million yen, increasing 2,215 million yen from the end of the previous fiscal year. The result was mainly attributable to a 1,446 million yen increase in trade notes and accounts payable and a 1,336 million yen in short-term borrowings which offset a 300 million yen decrease in corporate bonds and 635 million yen decrease in accrued income tax.

Net assets stood at 33,213 million yen at the end of the first nine months under review, increasing 1,215 million yen from the end of the previous fiscal year. The growth mainly reflected increases of 1,311 million yen in net income, 657 million yen in unrealized gains on marketable securities and 675 million yen in translation adjustments, which offset a decreases of 876 million yen in dividends paid and 626 million yen in treasury stock.

As a result of the changes stated above, the capital adequacy ratio came to 66.1%, declining 2.5 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 5,763 million yen at the end of the first nine months under review, increasing 467 million yen from the end of the previous fiscal year. A description of each cash flow during the first nine months was as follows:

(Cash flows from operating activities)

Cash generated through operating activities was 1,197 million yen (increased 2,667 million yen at previous year).

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 1,865 million yen, depreciation and amortization expenses of 814 million yen and 465 million yen increase in trade notes and accounts payable, which offset decreases in cash, a foreign exchange gains of 818 million yen and 1,136 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 477 million yen (decreased 1,822 million yen at previous year).

The cash outflow was primarily attributable to proceeds from sales of investment securities of 614 million yen, offsetting decrease in cash that resulted from a 1,176 million yen outlay for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

Cash used for financing activities was 765 million yen (decreased 1,256 million yen at previous year).

The cash outflow resulted mainly from decreases in cash, including redemptions of corporate bonds of 300 million yen, expenditure for purchase of treasury stock of 696 million yen and dividends paid of 876 million yen, which offset 1,101 million yen increase in short-term borrowings.

(3) Information Relating to Consolidated Business Performance Forecasts

The consolidated business performance forecasts for the fiscal year ending March 31, 2014 are described in the Notice of Revisions to Business Performance Forecasts published on October 15, 2013.

We plan to pay annual dividends of 12 yen per share according to our initial plan, including interim dividends of 6 yen per share and year-end dividends of 6 yen per share, for the fiscal year ending March 31, 2014.

2. Consolidated financial statements

(1) Consolidated Balance Sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2013)	Figures at the end of the consolidated first nine months under review (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	5,467	5,981
Trade notes and accounts receivable	5,303	5,353
Products and other commodities	7,320	7,468
Goods in process	3,471	3,855
Raw materials and supplies	7,572	7,994
Consumption taxes receivable	568	745
Deferred tax assets	588	496
Other	333	508
Allowance for doubtful accounts	-77	-89
Total current assets	30,547	32,315
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	4,917	5,330
Machinery, equipment and vehicles (net)	3,517	4,182
Land	568	564
Leased assets (net)	8	21
Construction in progress	5	494
Other (net)	306	342
Total tangible fixed assets	9,322	10,936
Intangible fixed assets	320	345
Investments and other assets		
Investment securities	4,787	4,805
Investments in affiliates	755	757
Long-term loans receivable	8	9
Deferred tax assets	1	2
Other	158	170
Total investments and other assets	5,710	5,744
Total fixed assets	15,353	17,026
Deferred assets	18	7
Total assets	45,919	49,350

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2013)	Figures at the end of the consolidated first nine months under review (As of December 31, 2013)
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,759	8,205
Short-term borrowings	3,619	4,956
Corporate bonds due for redemption within one year	300	--
Accrued income tax	829	193
Reserve for bonus payment	220	156
Reserve for product warranties	292	269
Other	786	936
Total current liabilities	12,808	14,719
Long-term liabilities		
Deferred tax liabilities	316	598
Reserve for retirement benefits	737	749
Reserve for directors' retirement benefits	16	13
Other	41	55
Total long-term liabilities	1,112	1,416
Total liabilities	13,920	16,136
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,884	5,884
Retained earnings	11,956	12,396
Treasury stock	-471	-1,097
Total shareholders' equity	29,714	29,527
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,092	1,749
Deferred gains (losses) on hedges	--	0
Translation adjustments	691	1,367
Total accumulated other comprehensive income	1,783	1,367
Subscription rights to shares	500	568
Total net assets	31,998	33,213
Total liabilities and net assets	45,919	49,350

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

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2012 to December 31, 2012)	Consolidated first nine months under review (From April 1, 2013 to December 31, 2013)
Net sales	44,373	23,653
Cost of sales	32,310	18,268
Gross profit	12,063	5,384
Selling, general and administrative expenses		
Salaries and allowances	882	999
Provision for allowance for doubtful accounts	7	0
Provision for reserve for bonus payments	68	42
Retirement benefit expenses	57	63
Provision for reserve for directors' retirement benefits	3	3
Research and development expenses	1,101	1,170
Insurance premiums	111	101
Provision for reserve for product warranties	176	222
Other	2,294	1,947
Total selling, general and administrative expenses	4,702	4,550
Operating income	7,360	834
Non-operating income		
Interest received	13	10
Dividends received	54	55
Foreign exchange gains	--	1,293
Insurance benefits received	37	35
Other	22	81
Total non-operating income	128	1,476
Non-operating expenses		
Interest paid	63	100
Foreign exchange losses	610	--
Loss on sale of notes	50	81
Other	162	91
Total non-operating expenses	886	274
Ordinary income	6,602	2,036
Extraordinary income		
Gain on sales of fixed assets	0	122
Total extraordinary income	0	122
Extraordinary expenses		
Loss on retirement of fixed assets	44	8
Loss on sales of fixed assets	--	14
Impairment loss	63	--
Loss on devaluation of investment securities	34	--
Loss on sales of investment securities	--	271
Total extraordinary expenses	142	293
Income before taxes and other adjustments	6,461	1,865
Corporate, inhabitant and enterprise taxes	1,935	405
Deferred taxes	494	148
Total corporate and other taxes	2,430	553
Income before minority interests	4,031	1,311
Minority interests in income	--	--
Net income	4,031	1,311

(Consolidated Statements of Comprehensive Income)

	Million yen)	
	Consolidated first nine months previous year (From April 1, 2012 to December 31, 2012)	Consolidated first nine months under review (From April 1, 2013 to December 31, 2013)
Income before minority interests	4,031	1,311
Other comprehensive income		
Unrealized gains on marketable securities	-564	657
Deferred gains (losses) on hedges	0	0
Translation adjustments	317	675
Total other comprehensive income	-246	1,333
Comprehensive Income	3,784	2,644
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	3,784	2,644
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated Statements of Cash Flows

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2012 to December 31, 2012)	Consolidated first nine months under review (From April 1, 2013 to December 31, 2013)
Cash flows from operating activities		
Net income before taxes and other adjustments	6,461	1,865
Depreciation and amortization expenses	678	814
Loss (gain) on devaluation of investment securities	34	--
Impairment loss	63	--
Increase (decrease) in allowance for doubtful accounts	19	11
Increase (decrease) in reserve for retirement benefits	-18	12
Increase (decrease) in reserve for product warranties	78	-23
Interest and dividends received	-67	-66
Interest paid	63	100
Loss (gain) on sales of investment securities	--	271
Loss (gain) on sales of tangible fixed assets	-0	-108
Loss on retirement of fixed assets	44	8
Foreign exchange losses (gains)	-146	-818
Decrease (increase) in trade notes and accounts receivable	5,179	283
Decrease (increase) in inventories	1,680	-39
Decrease (increase) in advance payments	471	-41
Increase (decrease) in trade notes and accounts payable	-9,773	465
Decrease (increase) in consumption taxes refund receivable	742	-151
Other	40	-214
Sub total	5,551	2,369
Interest and dividends received	67	62
Interest paid	-61	-98
Corporate and other taxes paid	-2,890	-1,136
Cash flows from operating activities	2,667	1,197
Cash flows from investing activities		
Payments into time deposits	-280	-172
Refund of time deposits	271	147
Expenditure for acquisition of tangible fixed assets	-1,645	-1,176
Proceeds from sales of tangible fixed assets	4	131
Expenditure for acquisition of intangible fixed assets	-130	-13
Expenditure for acquisition of investment securities	-1	-1
Proceeds from sales of investment securities	--	614
Proceeds from transfer of business	63	5
Payment for investment in affiliates	-75	--
Other	-29	-11
Cash flows from investing activities	-1,822	-477
Cash flows from financing activities		
Short-term borrowings	7,997	5,956
Repayment of short-term borrowings	-8,144	-4,854
Redemption of corporate bonds	-300	-300
Proceeds from sales of treasury stock	10	14
Purchase of treasury stock	-2	-696
Dividends paid	-809	-876
Repayments of lease obligations	-7	-8
Cash flows from financing activities	-1,256	-765
Translation differences for cash and cash equivalents	68	512
Net increase (decrease) in cash and cash equivalents	-343	467
Cash and cash equivalents at the beginning of the term	5,264	5,296
Increase in cash and cash equivalents from newly consolidated subsidiary	27	--
Cash and cash equivalents at the end of the term	4,948	5,763

(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 nine months previous year (From April 1, 2012 to December 31, 2012)

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	19,587	24,067	718	44,373
Intersegment net sales or transfer to other accounts	10,446	3,215	31	13,693
Total	30,034	27,282	749	58,067
Segment income	3,334	3,939	111	7,385

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

(Million yen)

Income	Amount
Total income for reportable segments	7,385
Elimination of unrealized income and others	-25
Operating income in Consolidated Statements of Income	7,360

3. Information relating to impairment loss on fixed assets or goodwill, etc.

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	63	--	--	--	63

II. Consolidated first nine months under review (from April 1, 2013 to December 31, 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	13,704	9,016	932	23,653
Intersegment net sales or transfer to other accounts	6,973	5,125	35	12,134
Total	20,677	14,142	967	35,787
Segment income (loss)	-284	563	154	433

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

(Million yen)

Income	Amount
Total income for reportable segments	433
Elimination of unrealized income and others	400
Operating income in Consolidated Statements of Income	834

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

Important post-balance sheet events

(A contribution in kind of investments in a subsidiary to other subsidiaries)

A meeting of the Company's Board of Directors held on June 21, 2013 decided that the Company would establish overseas subsidiaries and would make a contribution in kind with its investment in PRECISION TSUGAMI (CHINA) CORPORATION ("PTC"), a wholly owned consolidated subsidiary of the Company, in preparation for PTC's listing.

Under the resolution, the contribution in kind was approved by the Chinese authorities on January 7, 2014, and the Company made the contribution in kind to the overseas subsidiaries. Because the contribution in kind was a non-consolidated contribution in kind for tax purposes, the Company will post income taxes in the fiscal year ending March 31, 2014.

The Company expects that the income taxes will exceed the amount assumed in the Notice of Revisions to Business Performance Forecasts published on October 15, 2013, due to an exchange rate effect, but does not revise the revised forecasts because the effect on the forecasts will be minor.

For an outline of the new overseas subsidiaries, please refer to "Important Post-Balance Sheet Events" in the Annual Securities Report submitted on June 24, 2013.

3. Supplementary Information

(1) Overseas net sales

Consolidated first nine months under review (From April 1, 2013 to December 31, 2013)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	13,772	2,184	3,027	18,984
II Consolidated net sales				23,653
III Ratio of overseas net sales to consolidated net sales (%)	58.3	9.2	12.8	80.3

(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 nine months previous year (From April 1, 2012 to December 31, 2012)		Consolidated first nine months under review (From April 1, 2013 to December 31, 2013)		Year-on-year change	
		%		%		%
Automatic lathes	27,695	62.4	19,379	82.0	-8,315	-30.0
Grinding machines	3,162	7.1	2,159	9.1	-1,003	-31.7
Machining centers	609	1.4	1,085	4.6	475	78.1
Rolling machines and specialized machines	12,658	28.5	788	3.3	-11,869	-93.8
Other	247	0.6	240	1.0	-7	-3.0
Total	44,373	100.0	23,653	100.0	-20,720	-46.7
(Overseas net sales)	(38,614)	(87.0)	(18,984)	(80.3)	(-19,630)	(-50.8)