

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

July 30, 2013

TSUGAMI CORPORATION

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Scheduled quarterly report submission date: August 9, 2013

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 quarter of the fiscal year ending March 31, 2014

(From April 1, 2013 to June 30, 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	%
Q1 of the fiscal year ending March 31, 2014	6,992	-64.3	415	-87.5	1,119	-60.6	834	-54.2
Q1 of the fiscal year ended March 31, 2013	19,582	133.7	3,310	421.6	2,839	402.3	1,824	296.3

(Note): Comprehensive income: Q1 of the fiscal year ending March 31, 2014: 1,212 million yen (13.2%)

Q1 of the fiscal year ended March 31, 2013: 1,071 million yen (96.3%)

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
Q1 of the fiscal year ending March 31, 2014	11.33	11.16
Q1 of the fiscal year ended March 31, 2013	24.80	24.43

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Q1 of the fiscal year ending March 31, 2014	46,669	32,812	69.3	438.24
Fiscal year ended March 31, 2013	45,919	31,998	68.6	427.86

(Reference): Shareholders' equity: Q1 of the fiscal year ending March 31 2014: 32,324 million yen

Fiscal year ended March 2013: 31,498 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, 2013	--	6.00	--	6.00	12.00
Fiscal year ending March 31, 2014	--				
Fiscal year ending March 31, 2014 (forecast)		6.00	--	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
Interim	15,500	-55.0	1,000	-82.3	1,700	-65.9	400	-87.2	5.43
Full-year	43,000	-18.6	5,200	-38.4	4,900	-27.9	3,200	-23.9	43.43

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

Details of the changes are outlined in the "Notice of Revisions to Business Performance Forecasts" issued on July 30, 2013.

*Notes

(1) Important changes in subsidiaries during the quarter 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):

Q1 of FY2013	74,919,379 shares	FY2012	74,919,379 shares
Q1 of FY2013	1,160,163 shares	FY2012	1,300,070 shares
Q1 of FY2013	73,683,735 shares	Q1 of FY2012	73,572,587 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 quarter.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Quarterly Results, Etc.

(1) Information Relating to Consolidated Operating Results

During the first quarter under review, the Japanese economy recovered moderately, backed by a recovery in exports associated with a weaker yen, continued reconstruction demand after the Great East Japan Earthquake, and an improvement in consumer sentiment on expectations of economic policy measures.

The machine tool industry remained out of sorts, dragged down by a downturn in the Chinese economy and weak domestic demand, despite a correction to the strong yen, the robust North American market, and signs of a recovery in the European market.

In this environment, TSUGAMI Corporation (the “Company”) and its affiliates (the “Group”) took an aggressive approach to operations. Despite these efforts, however, both net sales and income declined year on year, primarily because of the tardiness of the recovery in China, weak domestic demand, the end of reconstruction demand after the Thai flooding, and a decline in demand for products for smartphones.

Net sales, operating income, and ordinary income for the quarter were 6,992 million yen (decreased 64.3% year on year), 415 million yen (decreased 87.5% year on year), and 1,119 million yen (decreased 60.6% year on year), respectively. Net income was 834 million yen (decreased 54.2% year on year).

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 46,669 million yen at the end of the first quarter under review, rising 749 million yen from the end of the previous fiscal year. The increase resulted primarily from an increase of 475 million yen in trade notes and accounts receivable and 823 million yen increase in tangible fixed assets, which offset a 568 million yen decline in consumption taxes receivable and 222 million yen in investment securities.

Liabilities came to 13,856 million yen, down 63 million yen from the end of the previous fiscal year. The result was mainly attributable to an increase of 531 million yen in short-term borrowings and 146 million yen increase in reserve for bonus payment which offset a 213 million yen decrease in trade notes and accounts payable and a 615 million yen decrease in accrued income tax.

Net assets stood at 32,812 million yen at the end of the first quarter under review, increasing 813 million yen from the end of the previous fiscal year. The growth mainly reflected increases of 834 million yen in net income, 113 million yen in unrealized gains on marketable securities and 264 million yen in translation adjustments which offset 441 million yen in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 69.3%, rising 0.7 percentage points from the end of the previous fiscal year.

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

Cash and cash equivalents amounted to 5,245 million yen at the end of the first quarter under review, decreasing 50 million yen from the end of the previous fiscal year. A description of each cash flow during the first quarter was as follows:

(Cash flows from operating activities)

Cash generated through operating activities was 429 million yen (increased 3,049 million yen previous year).

The result principally reflected increases in cash, including a quarterly net income before taxes and other adjustments of 997 million yen, 667 million yen decrease in inventories, depreciation and amortization expenses of 252 million yen, and 456 million yen decrease in consumption taxes refund receivable, which offset decrease in cash, such as a 350 million yen rise in trade notes and accounts receivable, 582 million yen fall in trade notes and accounts payable and 658 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 559 million yen (decreased 659 million yen previous year).

The cash outflow was primarily attributable to decrease in cash that resulted from a 831 million yen outlay for the acquisition of tangible fixed assets which offset increase in cash, increasing proceeds from sales of investment securities of 323 million yen.

(Cash flows from financing activities)

Cash used for financing activities was 156 million yen (decreased 1,582 million yen previous year).

The cash outflow resulted mainly from decreases in cash, including redemptions of corporate bonds of 150 million yen and dividends paid of 441 million yen, which offset 436 million yen increase in short-term borrowings

(3) Information Relating to Consolidated Business Performance Forecasts

We have revised our business performance forecasts for the first half of the fiscal year ending March 31, 2014, which were announced on May 10, 2013, taking into account the slow recovery in the overall market.

The full-year forecasts remain unchanged from the initial forecasts announced on May 10, 2013. However, if a revision becomes necessary, taking into account the present business performance, etc., we will announce it when we publish financial results for the first half of the fiscal year ending March 31, 2014.

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

2. Quarterly Consolidated Financial Statements

(1) Quarterly 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 quarter under review (As of June 30, 2013)
Assets		
Current assets		
Cash and deposits	5,467	5,470
Trade notes and accounts receivable	5,303	5,779
Products and other commodities	7,320	6,961
Goods in process	3,471	3,824
Raw materials and supplies	7,572	7,492
Consumption taxes receivable	568	--
Deferred tax assets	588	592
Other	333	648
Allowance for doubtful accounts	-77	-79
Total current assets	30,547	30,689
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	4,917	4,984
Machinery, equipment and vehicles (net)	3,517	4,004
Land	568	568
Leased assets (net)	8	7
Construction in progress	5	244
Other (net)	306	338
Total tangible fixed assets	9,322	10,146
Intangible fixed assets	320	329
Investments and other assets		
Investment securities	4,787	4,564
Investments in affiliates	755	756
Long-term loans receivable	8	8
Deferred tax assets	1	1
Other	158	157
Total investments and other assets	5,710	5,488
Total fixed assets	15,353	15,964
Deferred assets	18	14
Total assets	45,919	46,669

	(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 quarter under review (As of June 30, 2013)
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,759	6,545
Short-term borrowings	3,619	4,151
Corporate bonds due for redemption within one year	300	150
Accrued income tax	829	214
Reserve for bonus payment	220	366
Reserve for product warranties	292	263
Other	786	933
Total current liabilities	12,808	12,625
Long-term liabilities		
Deferred tax liabilities	316	444
Reserve for retirement benefits	737	729
Reserve for directors' retirement benefits	16	17
Other	41	39
Total long-term liabilities	1,112	1,230
Total liabilities	13,920	13,856
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,884	5,884
Retained earnings	11,956	12,353
Treasury stock	-471	-420
Total shareholders' equity	29,714	30,162
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,092	1,205
Translation adjustments	691	955
Total accumulated other comprehensive income	1,783	2,161
Subscription rights to shares	500	487
Total net assets	31,998	32,812
Total liabilities and net assets	45,919	46,669

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

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2012 to June 30, 2012)	Consolidated first quarter under review (From April 1, 2013 to June 30, 2013)
Net sales	19,582	6,992
Cost of sales	14,819	5,152
Gross profit	4,762	1,839
Selling, general and administrative expenses		
Salaries and allowances	309	317
Provision for allowance for doubtful accounts	--	0
Provision for reserve for bonus payments	62	66
Retirement benefit expenses	18	17
Provision for reserve for directors' retirement benefits	1	3
Research and development expenses	237	363
Insurance premiums	37	32
Provision for reserve for product warranties	58	43
Other	728	579
Total selling, general and administrative expenses	1,452	1,424
Operating income	3,310	415
Non-operating income		
Interest received	3	5
Dividends received	29	28
Rent received	1	8
Foreign exchange gains	--	708
Insurance benefits received	--	12
Other	20	33
Total non-operating income	54	797
Non-operating expenses		
Interest paid	26	34
Foreign exchange losses	413	--
Loss on sale of notes	11	24
Other	73	33
Total non-operating expenses	525	93
Ordinary income	2,839	1,119
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary expenses		
Loss on retirement of fixed assets	1	0
Loss on sales of fixed assets	--	9
Impairment loss	35	--
Loss on devaluation of investment securities	34	--
Loss on sales of investment securities	--	112
Total extraordinary expenses	70	122
Income before taxes and other adjustments	2,769	997
Corporate, inhabitant and enterprise taxes	888	134
Deferred taxes	56	28
Total corporate and other taxes	945	162
Income before minority interests	1,824	834
Minority interests in income	--	--
Net income	1,824	834

(Quarterly Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2012 to June 30, 2012)	Consolidated first quarter under review (From April 1, 2013 to June 30, 2013)
Income before minority interests	1,824	834
Other comprehensive income		
Unrealized gains on marketable securities	-563	113
Deferred gains (losses) on hedges	0	--
Translation adjustments	-190	264
Total other comprehensive income	-753	377
Comprehensive Income	1,071	1,212
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	1,071	1,212
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated Statements of Cash Flows

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2012 to June 30, 2012)	Consolidated first quarter under review (From April 1, 2013 to June 30, 2013)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	2,769	997
Depreciation and amortization expenses	186	252
Loss (gain) on devaluation of investment securities	34	--
Impairment loss	35	--
Increase (decrease) in allowance for doubtful accounts	-7	1
Increase (decrease) in reserve for retirement benefits	-25	-8
Increase (decrease) in reserve for product warranties	25	-29
Interest and dividends received	-32	-33
Interest paid	26	34
Loss (gain) on sales of investment securities	--	112
Loss (gain) on sales of tangible fixed assets	-0	9
Foreign exchange losses (gains)	87	-276
Decrease (increase) in trade notes and accounts receivable	-2,478	-350
Decrease (increase) in inventories	-420	667
Decrease (increase) in advance payments	299	-39
Increase (decrease) in trade notes and accounts payable	3,213	-582
Decrease (increase) in consumption taxes refund receivable	323	456
Other	445	-126
Sub total	4,483	1,085
Interest and dividends received	32	33
Interest paid	-22	-32
Corporate and other taxes paid	-1,443	-658
Cash flows from operating activities	3,049	429
Cash flows from investing activities		
Payments into time deposits	-144	-108
Refund of time deposits	45	53
Expenditure for acquisition of tangible fixed assets	-531	-831
Proceeds from sales of tangible fixed assets	4	2
Proceeds from sales of investment securities	--	323
Payment for investment in affiliates	-25	--
Other	-7	-0
Cash flows from investing activities	-659	-559
Cash flows from financing activities		
Short-term borrowings	2,015	4,552
Repayment of short-term borrowings	-3,083	-4,115
Redemption of corporate bonds	-150	-150
Proceeds from sales of treasury stock	8	1
Purchase of treasury stock	-1	-0
Dividends paid	-367	-441
Repayments of lease obligations	-2	-2
Cash flows from financing activities	-1,582	-156
Translation differences for cash and cash equivalents	-43	235
Net increase (decrease) in cash and cash equivalents	764	-50
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	6,056	5,245

(4) Notes relating to the Quarterly 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 quarter previous year (From April 1, 2012 to June 30, 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	6,131	13,202	248	19,582
Intersegment net sales or transfer to other accounts	6,977	718	20	7,716
Total	13,109	13,921	268	27,298
Segment income	1,582	1,539	30	3,152

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	3,152
Elimination of unrealized income and others	157
Operating income in quarterly consolidated statements of income	3,310

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

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	35	--	--	--	35

4. Change in reportable segments

Starting the first quarter of the fiscal year ended March 31, 2013, TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co, Ltd., both subsidiaries of the Company, are included in the scope of consolidation. As a result, the reportable segments have changed from two segments—Japan and China—to three segments: Japan, China, and South Korea. The amounts for TSUGAMI KOREA Co., Ltd. and Shinagawa Precision Machinery (Zhejiang) Co., Ltd. are included in the South Korea segment, and the China segment, respectively.

II. Consolidated first quarter under review (from April 1, 2013 to June 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	3,749	2,626	616	6,992
Intersegment net sales or transfer to other accounts	2,277	1,639	--	3,916
Total	6,026	4,266	616	10,909
Segment income	-137	279	103	245

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	245
Elimination of unrealized income and others	169
Operating income in quarterly consolidated statements of income	415

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

3. Supplementary Information

(1) Overseas net sales

Consolidated first quarter under review (From April 1, 2013 to June 30, 2013)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	4,113	761	897	5,772
II Consolidated net sales				6,992
III Ratio of overseas net sales to consolidated net sales (%)	58.9	10.9	12.8	82.6

(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 quarter previous year (From April 1, 2012 to June 30, 2012)		Consolidated first quarter under review (From April 1, 2013 to June 30, 2013)		Year-on-year change	
		%		%		%
Automatic lathes	12,477	63.7	5,788	82.8	-6,688	-53.6
Grinding machines	723	3.7	546	7.8	-176	-24.5
Machining centers	69	0.4	322	4.6	253	367.4
Rolling machines and specialized machines.	6,249	31.9	250	3.6	-5,998	-96.0
Other	63	0.3	84	1.2	20	32.9
Total	19,582	100.0	6,992	100.0	-12,589	-64.3
(Overseas net sales)	(17,455)	(89.1)	(5,772)	(82.6)	(-11,682)	(-66.9)