

# Summary of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2012

February 9, 2012

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled report submission date: February 9, 2012

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, 2012 (From April 1, 2011 to December 31, 2011)

(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, 2012	24,128	-15.1	2,127	-36.1	1,951	-37.1	1,255	-50.7
First nine months of the fiscal year ended March 31, 2011	28,411	231.4	3,330	--	3,104	--	2,547	--

(Note): Comprehensive income: First nine months of the fiscal year ending March 31, 2012: 647 million yen (-76.9%)

First nine months of the fiscal year ended March 31, 2011: 2,800 million yen (-- %)

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
First nine months of the fiscal year ending March 31, 2012	18.97	18.72
First nine months of the fiscal year ended March 31, 2011	38.27	37.60

### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
First nine months of the fiscal year ending March 31, 2012	36,971	22,293	59.5
Fiscal year ended March 31, 2011	35,860	22,122	60.9

(Reference): Shareholders' equity: First nine months of the fiscal year ending March 31, 2012: ¥21,983 million

Fiscal year ended March 2011: ¥21,831 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, 2011	--	5.00	--	5.00	10.00
Fiscal year ending March 31, 2012	--	5.00	--		
Fiscal year ending March 31, 2012 (forecast)				5.00	10.00

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

## 3. Consolidated business performance forecasts for the fiscal year ending March 31, 2012 (From April 1, 2011 to March 31, 2012)

(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	36,000	0.2	3,600	-3.5	3,500	-0.1	2,200	-22.5	32.75

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

#### 4. Others

(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: applied

(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):

3Q of FY2012	68,019,379 shares	FY2011	68,019,379 shares
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(ii) Numbers of treasury shares at the end of the terms:

3Q of FY2012	1,541,501 shares	FY2011	2,140,680 shares
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(iii) Average numbers of shares outstanding during the  
periods (quarterly consolidated accumulation periods):

3Q of FY2012	66,181,462 shares	3Q of FY2011	66,552,300 shares
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#### \* 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 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 business forecasts presented above are produced on the basis of information accessible on the date of their announcement. Actual performance may differ materially from these forecasts due to underlying uncertainties.

## Accompanying Documents

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

### (1) Qualitative Information Relating to Consolidated Operating Results

During the first nine months of the fiscal year under review, production activities in Japan, which had declined after the Great East Japan Earthquake, were recovering. However, the economy continued to face a challenging situation, reflecting the prolonged record strength of the yen and the effect of economic instability in Europe and the United States.

In the machine tool industry, domestic demand recovered moderately, and demand from emerging countries in Asia, especially China, was strong. However, uncertainty emerged because of the effects of the sharp appreciation of the yen in the second half of the first half and the economic slowdown in China due to monetary tightening.

In this environment, Tsugami Corporation (the "Company") and its affiliates (the "Group") bolstered production in China in preparation for entering the smartphone market. Although the Group signed large orders for products for both smartphones and the reconstruction from floods in Thailand in the third quarter under review, some of their contributions to the business performance will be recorded in the fourth quarter, while most of them will be posted in the next fiscal year.

As a result of these initiatives, however, the Group was not able to avoid the effect of the sharp appreciation of the yen. Net sales for the first nine months of the fiscal year under review came to 24,128 million yen, (decreasing 15.1% from previous year.) Operating income for the first nine months amounted to 2,127 million yen (decreasing 36.1% from previous year). Ordinary income for the period totaled to 1,951 million yen (decreasing 37.1% from previous year). Net income for the period totaled to 1,255 million yen (decreasing 50.7% from previous year).

### (2) Qualitative Information Relating to Consolidated Financial Position

#### (i) State of assets, liabilities and net assets

Assets totaled 36,971 million yen at the end of the first nine months under review, rising 1,110 million yen from the end of the previous fiscal year. The increase resulted primarily from a 2,229 million yen growth in inventories and 562 million yen in construction in progress, which offset 826 million yen decline in trade notes and accounts receivable and 895 million yen in investment securities.

Liabilities grew 939 million yen from the end of the previous fiscal year, and reached 14,677 million yen at the end of the first nine months under review. The result was mainly attributable to 654 million yen increase in trade notes and accounts payable and 1,072 million yen in short-term borrowings, which offset 368 million yen fall in deferred tax liabilities, 300 million yen decrease in corporate bonds and 117 million yen in reserve for bonus payment.

Net assets stood at 22,293 million yen at the end of the first nine months under review, increasing 171 million yen from the end of the previous fiscal year. The growth mainly reflected 1,255 million yen increase in net income which offset 527 million yen decrease in unrealized gains on marketable securities and 661 million yen in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 59.5%, declining 1.4 percentage points from the end of the previous fiscal year.

#### (ii) Cash flows

Cash and cash equivalents amounted to 3,939 million yen at the end of the first nine months under review, decreasing 121 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 1,054 million yen (2,784 million yen generated in the first nine months previous year).

The result principally reflected increases in cash, mainly attributable to net income before taxes of 1,925 million yen, depreciation and amortization expenses of 553 million yen, 767 million yen decrease in trade notes and accounts receivable and 733 million yen increase in trade notes and accounts payable, which offset 2,288 million yen increase in inventories and 595 million yen in corporate and other taxes paid.

##### (Cash flows from investing activities)

Cash used for investing activities was 1,353 million yen (1,138 million yen generated in the first nine months previous year).

The cash outflow was primarily attributable to a decrease in cash that resulted from 868 million yen outlay for the acquisition of tangible fixed assets and 467 million yen investment in affiliates (establishment of local corporation in India)

##### (Cash flows from financing activities)

Cash generated by for financing activities was 195 million yen (1,703 million yen used in the first nine months previous year).

The cash inflow resulted mainly from 1,089 million yen increase in short-term borrowing, which offset cash decreases from factors including redemptions of corporate bonds of 300 million yen and dividends paid of 661 million yen.

(Note) The increase in inventories and the increase in short-term borrowings in "State of assets, liabilities and net assets" and those in "State of cash flows during the half under review" differ because of the effect of foreign exchange conversion.

(3) Qualitative Information Relating to Consolidated Business Performance Forecasts

As most of the contribution of large orders for products for both smartphones and the reconstruction from the floods in Thailand to the business performance will be recorded in the next fiscal year as mentioned above in (1), our business performance forecasts for the fiscal year ending March 31, 2012, which were announced July 29, 2011, remain unchanged without any revisions.

We plan to pay annual dividends of 10 yen per share according to our initial plan, including interim dividends of 5 yen per share and year-end dividends of 5 yen per share, for the fiscal year ending March 31, 2012.

2. Matters relating to Summary Information (Other Information)

Changes in accounting policy and in accounting estimates, and restatements

(Application of accounting standard for earnings per share, etc.)

Starting from the first quarter of the current fiscal year, the Accounting Standard for Earnings Per Share (Accounting Standards Board of Japan (ASBJ) Statement No. 2 issued on June 30, 2010), the Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4 issued on June 30, 2010) and the Practical Solution on Accounting for Earnings Per Share (Practical Issues Task Force (PITF) No. 9 issued on June 30, 2010) are applied.

As a result of the application of these accounting standards, the amount of diluted net income per share is calculated by including the fair valuation amount of stock options related to services to be offered to the Company in the future in the amount of money received if the payment is made by exercising stock options.

For the amount of diluted net income per share for the first nine months of the previous fiscal year, the value after retroactively making an adjustment that reflects the changes in the said accounting policies is stated.

## 3. Consolidated financial statements

## (1) Consolidated balance sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2011)	Figures at the end of the consolidated first nine months under review (As of December 31, 2011)
<b>Assets</b>		
Current assets		
Cash and deposits	4,111	3,990
Trade notes and accounts receivable	7,729	6,902
Products and other commodities	2,925	3,772
Goods in process	5,181	5,227
Raw materials and supplies	2,611	3,947
Deferred tax assets	289	261
Other current assets	786	742
Allowance for doubtful accounts	-56	-53
Total current assets	23,578	24,790
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	3,681	3,562
Machinery, equipment and vehicles (net)	1,881	1,779
Land	591	591
Leased assets (net)	17	17
Construction in progress	18	580
Other tangible fixed assets (net)	243	195
Total tangible fixed assets	6,433	6,727
Intangible fixed assets	139	145
Investments and other assets		
Investment securities	4,927	4,031
Investments in affiliates	670	1,125
Long-term loans receivable	1	1
Deferred tax assets	1	1
Other intangible fixed assets	88	136
Total investments and other assets	5,689	5,295
Total fixed assets	12,263	12,167
Deferred assets	18	13
Total assets	35,860	36,971

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2011)	Figures at the end of the consolidated first nine months under review (As of December 31, 2011)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	8,011	8,665
Short-term borrowings	2,089	3,162
Corporate bonds due for redemption within one year	300	300
Accrued income tax	374	398
Reserve for bonus payment	248	130
Reserve for product warranties	107	101
Other current liabilities	640	651
<b>Total current liabilities</b>	<b>11,771</b>	<b>13,410</b>
<b>Long-term liabilities</b>		
Corporate bonds	600	300
Deferred tax liabilities	480	111
Reserve for retirement benefits	791	784
Reserve for directors' retirement benefits	12	10
Other long-term liabilities	82	59
<b>Total long-term liabilities</b>	<b>1,966</b>	<b>1,267</b>
<b>Total liabilities</b>	<b>13,738</b>	<b>14,677</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	10,599	10,599
Capital surplus	4,157	4,138
Retained earnings	6,962	7,526
Treasury stock	-771	-556
<b>Total shareholders' equity</b>	<b>20,947</b>	<b>21,707</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gains on marketable securities	993	466
Deferred gains (losses) on hedges	5	-0
Translation adjustments	-114	-189
<b>Total accumulated other comprehensive income</b>	<b>884</b>	<b>275</b>
Subscription rights to shares	290	310
<b>Total net assets</b>	<b>22,122</b>	<b>22,293</b>
<b>Total liabilities and net assets</b>	<b>35,860</b>	<b>36,971</b>

(2) Consolidated statements of income and comprehensive income  
 (Consolidated statements of income)  
 (For the first nine months)

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2010 to December 31, 2010)	Consolidated first nine months under review (From April 1, 2011 to December 31, 2011)
Net sales	28,411	24,128
Cost of sales	22,300	18,821
Gross profit	6,110	5,306
Selling, general and administrative expenses		
Salaries and allowances	595	790
Provision for allowance for doubtful accounts	79	--
Provision for reserve for bonus payments	19	54
Retirement benefit expenses	54	56
Provision for reserve for directors' retirement benefits	--	3
Research and development expenses	566	599
Insurance premiums	82	88
Provision for reserve for product warranties	102	64
Other	1,280	1,520
Total selling, general and administrative expenses	2,780	3,179
Operating income	3,330	2,127
Non-operating income		
Interest received	0	1
Dividends received	83	47
Insurance benefits received	37	40
Other non-operating income	35	60
Total non-operating income	156	150
Non-operating expenses		
Interest paid	41	49
Foreign exchange losses	284	151
Loss on sale of notes	29	92
Other non-operating expenses	27	31
Total non-operating expenses	383	325
Ordinary income	3,104	1,951
Extraordinary income		
Reversal of allowance for doubtful accounts	24	--
Gain on sales of fixed asset	0	0
Gain on sales of investment securities	5	--
Total extraordinary income	30	0
Extraordinary expenses		
Loss on retirement of fixed assets	0	7
Loss on sales of fixed assets	4	--
Loss on devaluation of investment securities	179	10
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Loss on disaster	--	8
Settlement package	60	--
Other	--	0
Total extraordinary expenses	256	26
Income before taxes and other adjustments	2,877	1,925
Corporate, inhabitant and enterprise taxes	268	647
Deferred taxes	61	22
Total corporate and other taxes	330	670
Income before minority interests	2,547	1,255
Minority interests in income	--	--
Net income	2,547	1,255



(Consolidated Statements of Comprehensive Income)  
(For the first nine months)

(Million yen)

	Consolidated first nine months previous year (From April 1, 2010 to December 31, 2010)	Consolidated first nine months under review (From April 1, 2011 to December 31, 2011)
Income before minority interests	2,547	1,255
Other comprehensive income		
Unrealized gains on marketable securities	281	-527
Deferred gains (losses) on hedges	120	-5
Translation adjustments	-148	-75
Total other comprehensive income	253	-608
Comprehensive Income	2,800	647
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	2,800	647
Comprehensive income attributable to minority shareholders	--	--

## (3) Consolidated statements of cash flows

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2010 to December 31, 2010)	Consolidated first nine months under review (From April 1, 2011 to December 31, 2011)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	2,877	1,925
Depreciation and amortization expenses	535	553
Loss (gain) on devaluation of investment securities	179	10
Increase (decrease) in allowance for doubtful accounts	7	-3
Increase (decrease) in reserve for retirement benefits	-28	-6
Interest and dividends received	-83	-48
Interest paid	41	49
Loss (gain) on sales of investment securities	-5	--
Loss (gain) on sales of tangible fixed assets	4	-0
Loss on retirement of fixed assets	0	7
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Decrease (increase) in trade notes and accounts receivable	-1,095	767
Decrease (increase) in inventories	-3,219	-2,288
Increase (decrease) in trade notes and accounts payable	3,831	733
Other cash flows	-108	-43
Sub total	2,947	1,656
Interest and dividends received	29	48
Interest paid	-41	-55
Corporate and other taxes paid	-150	-595
Cash flows from operating activities	2,784	1,054
Cash flows from investing activities		
Payments into time deposits	-30	-30
Refund of time deposits	30	30
Expenditure for acquisition of tangible fixed assets	-702	-868
Income from disposal of tangible fixed assets	5	34
Expenditure for acquisition of investment securities	-1	-1
Income from disposal of investment securities	33	--
Payment for investment in affiliates	-430	-467
Income from recovery of loans receivable	0	11
Other cash flows	-43	-62
Cash flows from investing activities	-1,138	-1,353
Cash flows from financing activities		
Short-term borrowings	1,573	2,361
Repayment of short-term borrowings	-1,897	-1,272
Redemption of corporate bonds	-300	-300
Income from disposal of treasury stock	0	77
Expenditure for acquisition of treasury stock	-405	-2
Dividends paid	-666	-661
Repayments of lease obligations	-6	-8
Cash flows from financing activities	-1,703	195
Translation differences for cash and cash equivalents	-56	-17
Net increase (decrease) in cash and cash equivalents	-113	-121
Cash and cash equivalents at the beginning of the term	3,842	4,061
Cash and cash equivalents at the end of the term	3,729	3,939

- (4) Notes relating to assumptions for the going concern  
No corresponding item exists.

- (5) Segment information  
[Information by business segment]

I. Consolidated first nine months previous year (From April 1, 2010 to December 31, 2010)

1. Information relating to net sales, income or loss by reportable segment.

(Million yen)

	Reportable segment		
	Japan	China	Total
Net sales			
Net sales to external customers	22,571	5,840	28,411
Intersegment net sales or transfer to other accounts	5,985	2,136	8,121
Total	28,556	7,977	36,533
Segment income	2,562	780	3,343

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	3,343
Elimination of unrealized income and others	-12
Operating income in consolidated statements of income	3,300

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

II. Consolidated first nine months under review (from April 1, 2011 to December 31, 2011)

1. Information relating to net sales, income or loss by reportable segment

(Million yen)

	Reportable segment		
	Japan	China	Total
Net sales			
Net sales to external customers	17,933	6,195	24,128
Intersegment net sales or transfer to other accounts	5,704	2,023	7,727
Total	23,637	8,218	31,856
Segment income	1,745	395	2,141

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	2,141
Elimination of unrealized income and others	-14
Operating income in consolidated statements of income	2,127

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

(6) Notes for cases where shareholders' equity underwent a major change in value

No corresponding item existed.

(7) Major Subsequent Events

Consolidated Third Quarter Under Review (From October 1, 2011 to December 31, 2011)	
(Issuance of New Shares and Secondary Offering of Shares)	
I. The Company resolved to issue new shares at a meeting of its Board of Directors held on January 16, 2012 and issued new shares by way of offering (public offering) with February 1, 2012 as the payment date. Details are as follows:	
1. Purpose of capital increase	To make capital investments in the Company's Nagaoka Factory and Shinshu Factory and strengthen the production capacity of PRECISION TSUGAMI (China) CORPORATION, the Company's subsidiary in China.
2. Class and number of shares to be issued	
Common stock	6,000,000 shares
3. Issue price	528 yen per shares
4. Total issue price	3,168 million yen
5. Amount to be paid	506 yen per share
6. Total amount to be paid	3,036 million yen
7. Total amount to be included in capital	1,518 million yen
8. Use of proceeds	Proceeds are used for capital investments in the Company's Nagaoka Factory and Shinshu Factory and the strengthening of the production capacity of PRECISION TSUGAMI (China) CORPORATION, the Company's subsidiary in China.
II. The Company resolved to conduct the secondary offering of shares by way of over-allotment to be sold by Nomura Securities Co., Ltd. at a meeting of its Board of Directors held on January 16, 2012. This is the secondary offering of shares of common stock of the Company that is made in conjunction with the public offering, with Nomura Securities Co., Ltd., the lead manager of the public offering, borrowing 900,000 shares from shareholders of the Company, taking market demand into account with February 2, 2012 as the delivery date. Details are as follows:	
1. Class and number of shares to be sold	
Common stock	900,000 shares
2. Seller	Nomura Securities Co., Ltd.
3. Selling price	528 yen per share
4. Total selling price	475 million yen
III. The Company resolved to issue new shares by third-party allotment in relation to the secondary offering of shares stated in II. above with Nomura Securities Co., Ltd. as the allottee at a meeting of its Board of Directors held on January 16, 2012. Details are as follows:	
1. Purpose of capital increase	The description is omitted as it is the same as that stated in "1. Purpose of capital increase" in I. above.
2. Class and number of shares to be issued	
Common stock	900,000 shares (maximum)
3. Amount to be paid	506 yen per share
4. Total Amount to be paid	455 million yen (maximum)
5. Total amount to be included in capital	1227 million yen (maximum)
6. Allottee	Nomura Securities Co., Ltd.
7. Subscription date	February 21, 2012
8. Payment date	February 22, 2012
9. Use of proceeds	The description is omitted as it is the same as that stated in "8. Use of proceeds" in I. above.
10. Others	Nomura Securities Co. Ltd. plans to accept the allotment under the third-party allotment of an equivalent number of shares of common stock of the Company obtained by deducting (a) the number of shares acquired through stabilization transactions and syndicate cover transactions that are to be applied to return the borrowed shares from (b) the number of shares to be offered in the secondary offering by way of over-allotment (900,000 shares). Accordingly, all or part of the shares to be issued under the third-party allotment may not be subscribed for, which may result in a decrease in the maximum number of shares to be ultimately issued under the third-party allotment, or in the cancellation of the entire issuance due to forfeiture.

#### 4. Supplementary Information

##### (1) Overseas net sales

Consolidated first nine months under review (From April 1, 2011 to December 31, 2011)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	11,219	2,180	2,357	15,757
II Consolidated net sales				24,128
III Ratio of overseas net sales to consolidated net sales (%)	46.5	9.0	9.8	65.3

(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, Vietnam, Taiwan, India and the Philippines

(2) America.... the United States

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

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, 2010 to December 31, 2010)		Consolidated first nine months under review (From April 1, 2011 to December 31, 2011)		Year-on-year change	
		%		%		%
Automatic lathes	24,024	84.6	19,138	79.3	-4,885	-20.3
Grinding machines	1,630	5.7	2,339	9.7	709	43.5
Machining centers	974	3.4	943	3.9	-31	-3.2
Rolling machines and specialized machines.	1,275	4.5	1,176	4.9	-99	-7.8
Other	506	1.8	530	2.2	23	4.7
Total	28,411	100.0	24,128	100.0	-4,283	-15.1
(Overseas net sales )	(21,836)	(76.9)	(15,757)	(65.3)	(-6,078)	(-27.8)