

# Briefing on Financial Statements for the First Half of the Year Ending March 2012

November 14, 2011



**TSUGAMI CORPORATION**

(Securities Code: 6101)

<http://www.tsugami.co.jp>

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# I. Business Conditions and Outlook

## (1) Changes in Financial Results

Billion yen, (%)

	FY 2009			FY 2010			FY2011				
	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full-year	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full-year	1 <sup>st</sup> half	Year-on-year	Difference from initial projection	2 <sup>nd</sup> half (Projections)	Full-year (Projections)
Net sales	4.7	10.9	15.6	20.3	15.6	35.9	16.7	-3.6	-0.3	19.3	36.0
Gross profit	0.7	2.3	3.1	4.3	3.1	7.4	3.5	-0.8	-	-	-
(Gross profit margin)	(15.8)	(21.3)	(19.6)	(21.5)	(19.2)	(20.5)	(21.0)	(-0.5)	-	-	-
Operating income	-0.8	0.9	0.1	2.5	1.2	3.7	1.4	-1.1	-0.4	2.2	3.6
Ordinary income	-1.0	0.9	-0.1	2.3	1.2	3.5	1.2	-1.1	-0.6	2.3	3.5
(Ordinary income margin)	(-21.5)	(8.2)	(-0.8)	(11.6)	(7.4)	(9.8)	(7.3)	(-4.3)	(-3.3)	(11.9)	(9.7)
Net income	-1.1	0.9	-0.2	2.0	0.8	2.8	0.9	-1.1	-0.2	1.3	2.2

### 1st half operating results for FY2011

**Net sales:** Net sales recovered steadily in Asia, Europe, and the United States, but the underlying trend in domestic demand was weak. The Chinese market, which had been driving external demand, was correcting, because of the effect of monetary tightening in the second quarter.

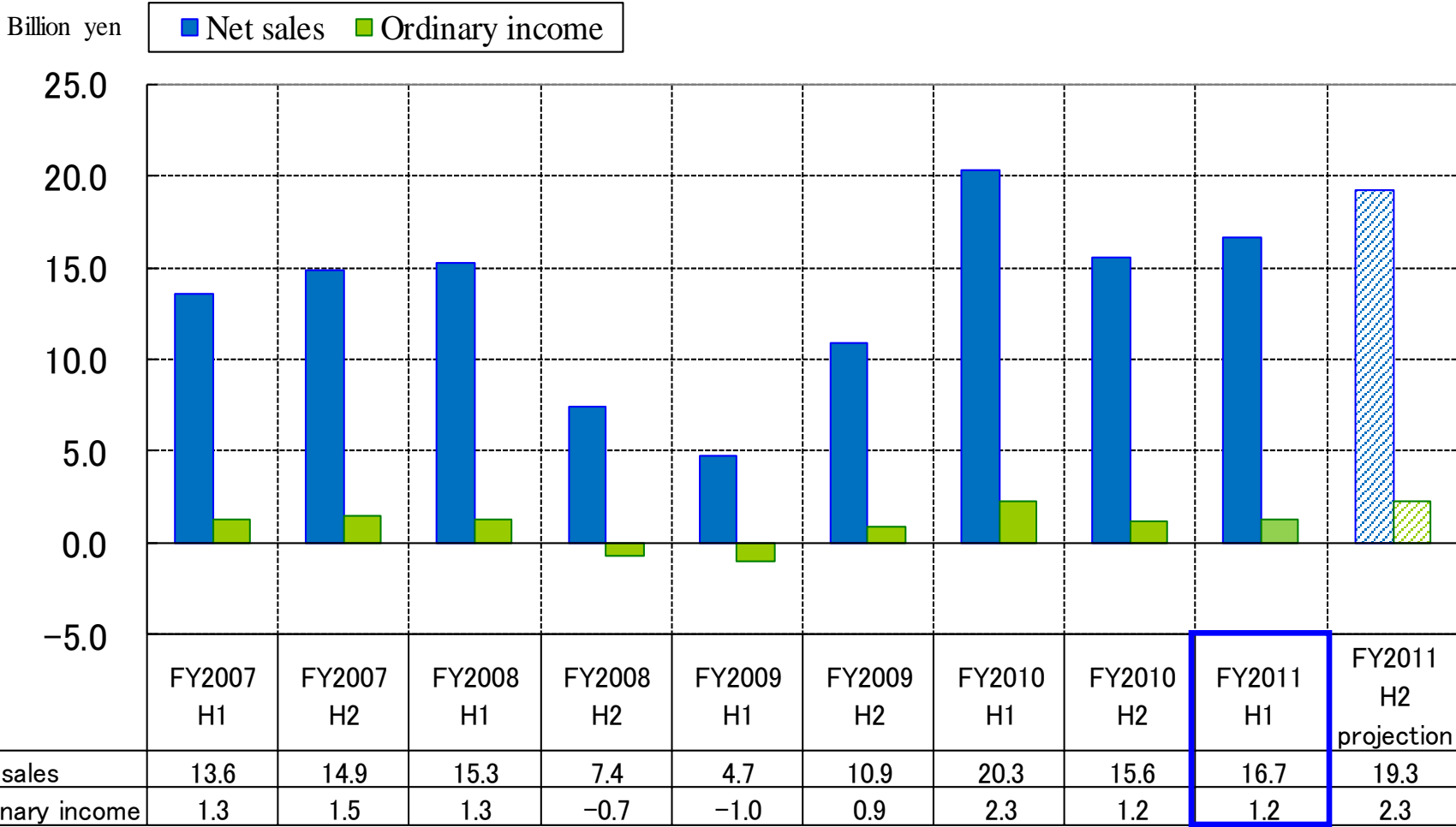
**Income:** Income declined compared to the projection, affected by the rapid appreciation of the yen. Cost-cutting efforts such as raising the local procurement rate was a focus.

### Full-year projections for FY2011

**Net sales:** Market conditions are uncertain, given the effects of the global financial and economic unrest and credit tightening in China. IT business remains buoyant, and there are additional positive factors such as special demand in Thailand.

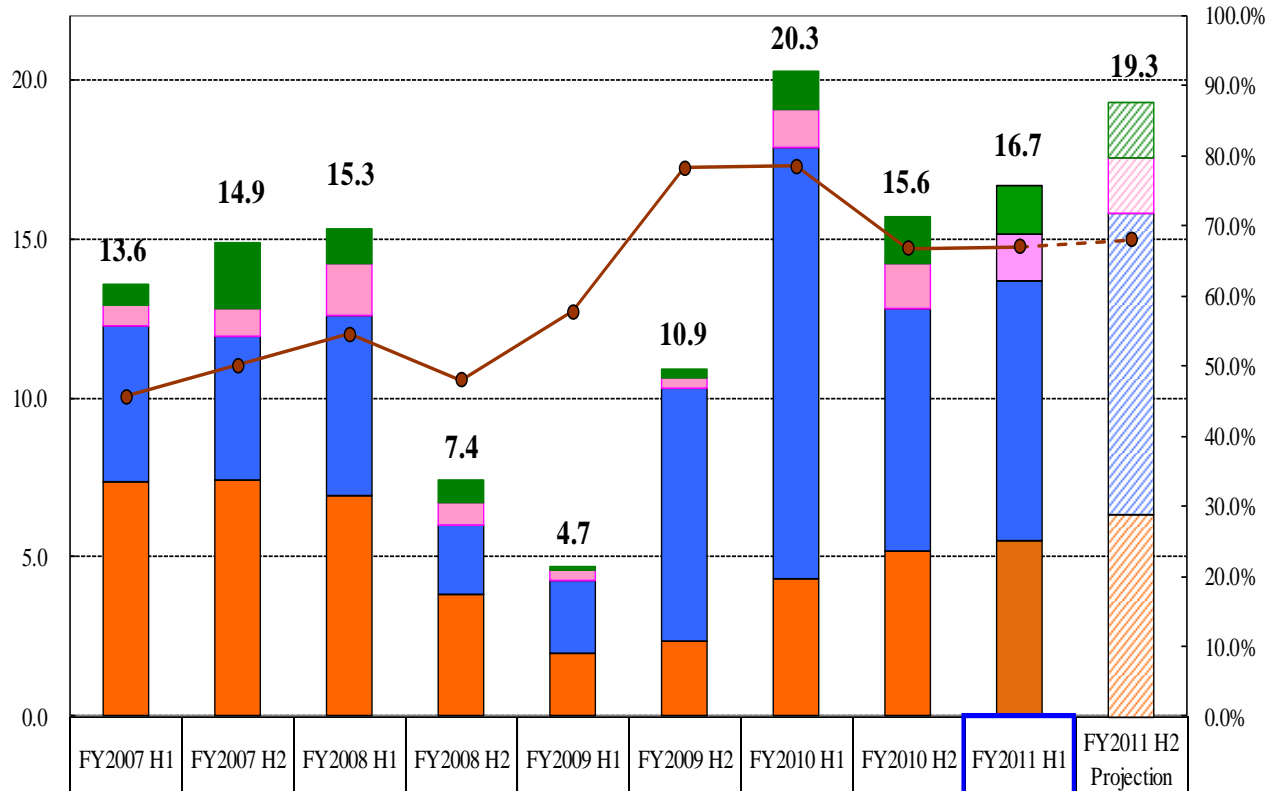
**Income:** Although there are positive effects such as cost cutting, this cannot offset the weaker cost ratio associated with the stronger yen. Special demand will boost sales from the fourth quarter.

# (2) Changes in Financial Results on a Semiannual Basis



# (3) Net Sales by Geographic Segment

Billion yen



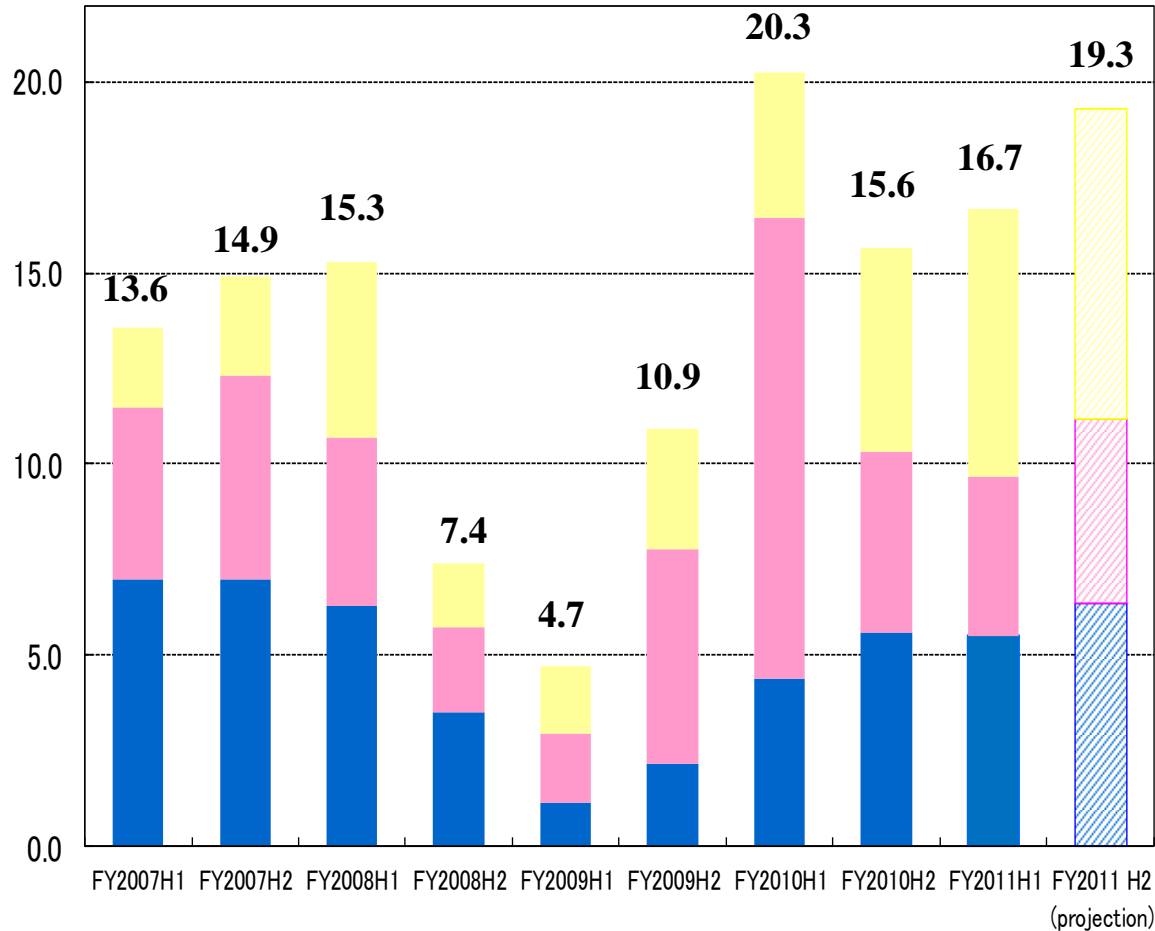
## <Most recent status>

- Weak recovery in the Japanese market
- Uncertainties in the United States and Europe, affected by the rapid appreciation of the yen
- Interest remains robust, despite the Chinese market, which is correcting with monetary tightening

Europe	0.7	2.1	1.0	0.7	0.1	0.3	1.2	1.4	1.5	19.3
U.S.A.	0.7	0.9	1.6	0.7	0.3	0.3	1.2	1.4	1.5	
Asia	4.9	4.5	5.7	2.1	2.3	8.0	13.5	7.6	8.2	
Total foreign demand	6.2	7.5	8.4	3.6	2.7	8.5	15.9	10.5	11.2	
Total domestic demand	7.4	7.4	6.9	3.8	2.0	2.4	4.3	5.2	5.5	
Export ratio	45.7%	50.1%	54.6%	48.1%	57.8%	78.3%	78.6%	66.8%	67.0%	-

# (4) Net Sales by Business Segment

Billion yen



■ Automobile ■ IT ■ Other(hydraulic and pneumatic equipment, medical equipment and others)

## <Most recent status>

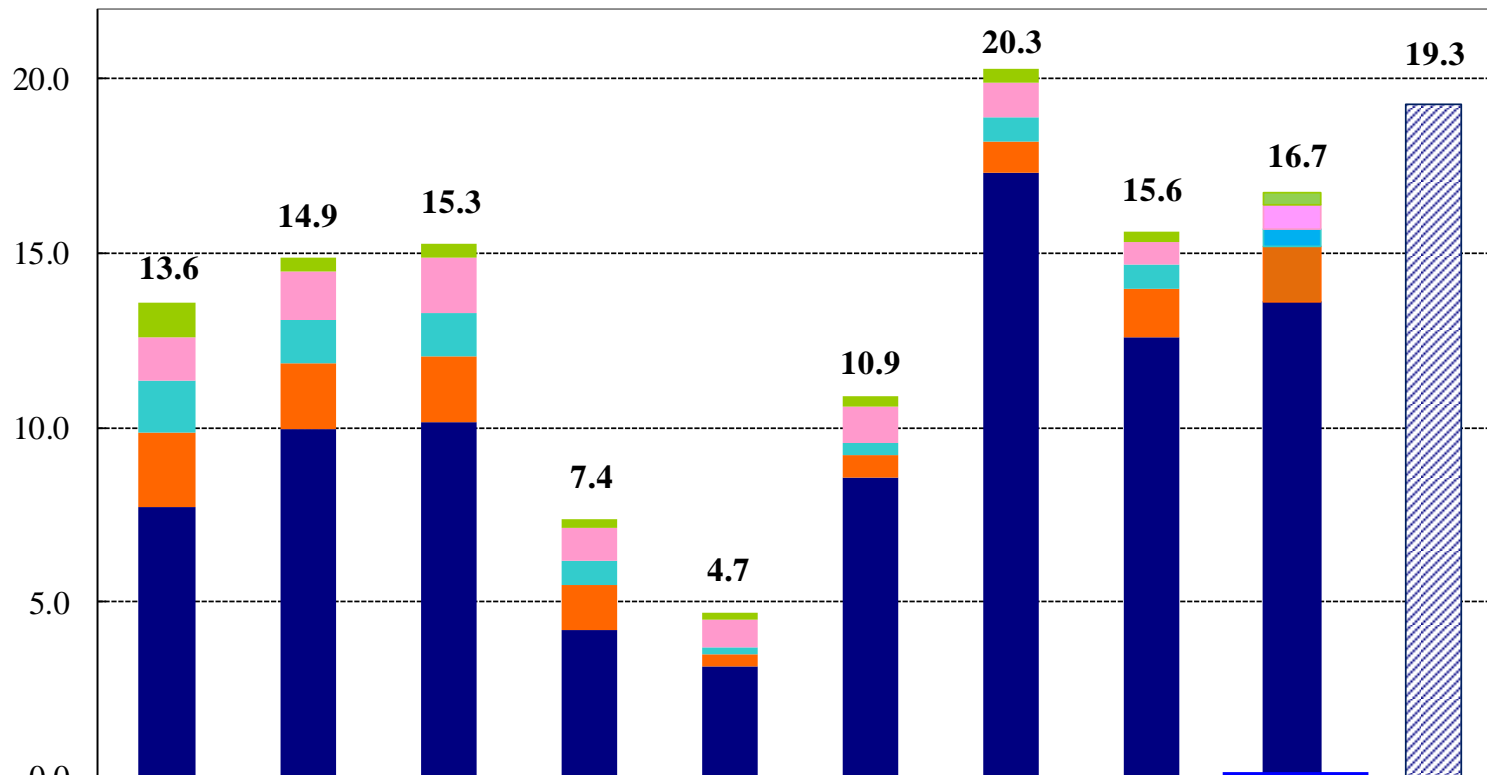
**Automobile:** Performance still flat in China and Korea, but a slight recovery expected in domestic demand

**IT:** Mobile phone components performing well, and the impact of flooding in Thailand watched carefully in HDD

**Other:** Stable growth in construction equipment, hydraulic and pneumatic equipment, and medical equipment

# (5) Net Sales by Machinery Category

Billion yen



	FY2007 H1	FY2007 H2	FY2008 H1	FY2008 H2	FY2009 H1	FY2009 H2	FY2010 H1	FY2010 H2	FY2011 H1	FY2011 H2 Projection
Automatic lathes	7.7	9.9	10.2	4.2	3.2	8.5	17.3	12.6	13.6	19.3
Grinding machines	2.1	1.9	1.9	1.3	0.4	0.6	0.9	1.4	1.6	
Machining centers	1.5	1.2	1.2	0.7	0.2	0.4	0.7	0.7	0.5	
Rolling machines, etc.	1.2	1.4	1.6	1.0	0.8	1.1	1.0	0.6	0.7	
Other businesses	1.0	0.4	0.4	0.3	0.2	0.3	0.4	0.3	0.3	
<b>Total net sales</b>	<b>13.6</b>	<b>14.9</b>	<b>15.3</b>	<b>7.4</b>	<b>4.7</b>	<b>10.9</b>	<b>20.3</b>	<b>15.6</b>	<b>16.7</b>	

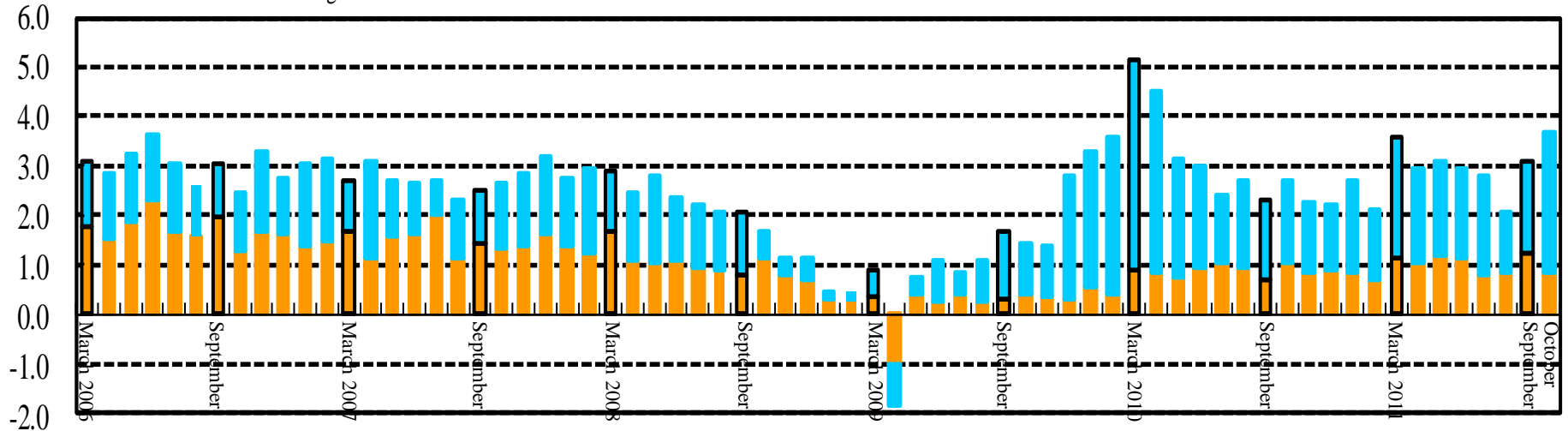
# 2. Orders

## (1) Orders Received and Order Backlogs

### Orders

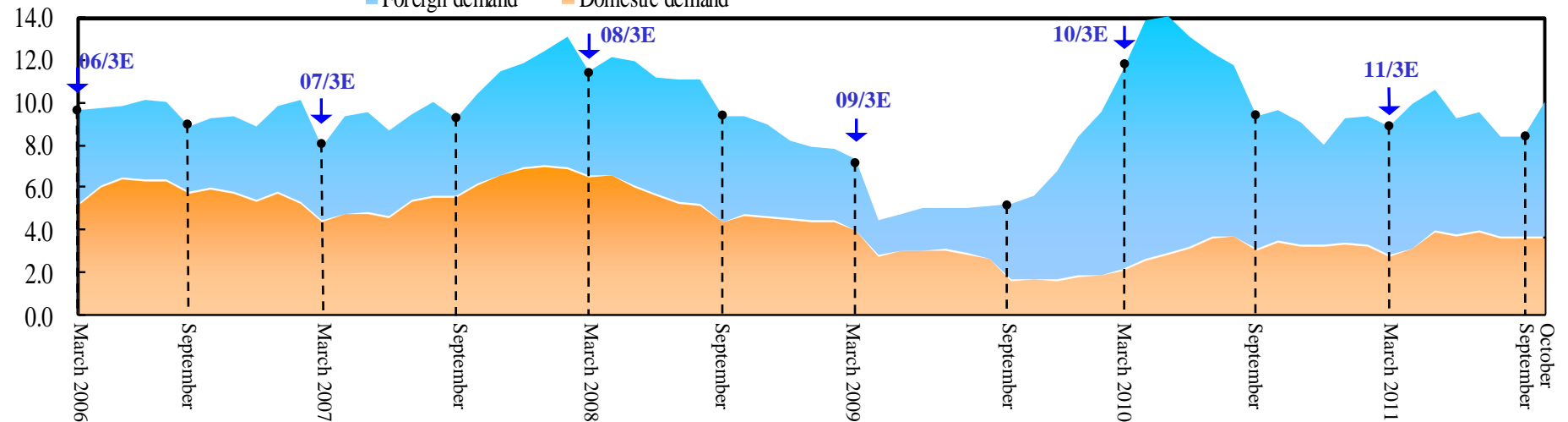
Foreign demand Domestic demand

Billion yen



### Order Backlogs

Foreign demand Domestic demand





# 3. Financial Position and Major Financial Indicators

## (1) Balance Sheets

Billion yen

	10/9	11/3	11/9	Compared with 10/9	Compared with 11/3		10/9	11/3	11/9	Compared with 10/9	Compared with 11/3
<b>Current assets</b>	27.5	23.6	26.6	-0.9	+3.0	<b>Current liabilities</b>	15.0	11.8	15.0	+0.0	+3.2
Cash and deposits	5.6	4.1	5.0	-0.6	+0.9	Trade notes and accounts payable	13.4	8.0	10.2	-3.2	+2.2
Trade notes and accounts receivable	9.8	7.7	8.3	-1.5	+0.6	Short-term borrowings	0.0	2.1	3.1	+3.1	+1.0
Inventories	11.0	10.7	12.3	+1.3	+1.6	Corporate bonds due for redemption within one year	0.3	0.3	0.3	+0.0	+0.0
Other current assets	1.1	1.1	1.0	-0.1	-0.1	Accrued income tax	0.2	0.4	0.4	+0.2	+0.0
<b>Fixed assets</b>	10.3	12.3	11.8	+1.5	-0.5	Other current liabilities	1.1	1.0	1.0	-0.1	-0.0
Tangible fixed assets	6.1	6.4	6.4	+0.3	-0.0	<b>Long-term liabilities</b>	1.7	2.0	1.4	-0.3	-0.6
Investments and other assets	4.2	5.9	5.4	+1.2	-0.5	<b>Total liabilities</b>	16.7	13.8	16.4	-0.3	+2.6
<b>Deferred assets</b>	0.0	0.0	0.0	-0.0	-0.0	<b>Common stock</b>	10.6	10.6	10.6	+0.0	+0.0
Bond issuance expenses	0.0	0.0	0.0	-0.0	-0.0	<b>Capital surplus</b>	4.1	4.1	4.1	+0.0	+0.0
						<b>Retained earnings</b>	6.5	7.0	7.5	+1.0	+0.5
						<b>Treasury stock</b>	-0.4	-0.8	-0.6	-0.2	+0.2
						<b>Valuation and translation adjustments</b>	0.1	0.9	0.1	+0.0	-0.8
						<b>Subscription rights to shares</b>	0.2	0.3	0.3	+0.1	-0.0
						<b>Total net assets</b>	21.1	22.1	22.0	+0.9	-0.1
<b>Total assets</b>	37.8	35.9	38.4	+0.6	+2.5	<b>Total liabilities and net assets</b>	37.8	35.9	38.4	+0.6	+2.5

## (2) Statements of Cash Flows

Billion yen

	FY2010 H1	FY2010 H2	FY2011 H1
Cash flows from operating activities	3.75	-1.46	1.12
Cash flows from investing activities	- 0.37	-1.23	-0.90
Cash flows from financing activities	- 1.63	1.19	0.65
Translation differences for cash and cash equivalents	- 0.04	0.0	-0.02
Net increase (decrease) in cash and cash equivalents	1.71	-1.48	0.85
Cash and cash equivalents at the end of the term	5.55	4.06	4.91

### 【Major breakdown】

<b>CF from Operating Activities</b>	Net income before taxes, other adjustments, depreciation and amortization expenses	2.53	1.45	1.57
	Decrease (increase) in trade notes and accounts receivable	-2.47	2.09	-0.74
	Decrease (increase) in inventories	-2.85	0.28	-1.67
	Increase (decrease) in trade notes and accounts payable	6.65	-5.41	2.33
<b>CF from Investing Activities</b>	Capital Investment in Japanese factories	-0.25	-0.08	-0.03
	Capital Investment in Chinese factories	-0.12	-0.54	-0.35
	Incorporated local subsidiaries	-	(Casting manufacturing company in China) -0.44	(Production and sales company in India) -0.47
<b>CF from Financing Activities</b>	Short-term borrowings and Redemption of corporate bonds	-1.05	1.88	0.94
	Dividends paid	-0.33	-0.32	-0.33
	Acquisition of treasury stock	-0.23	-0.36	0.04

### (3) Major Financial Indicators

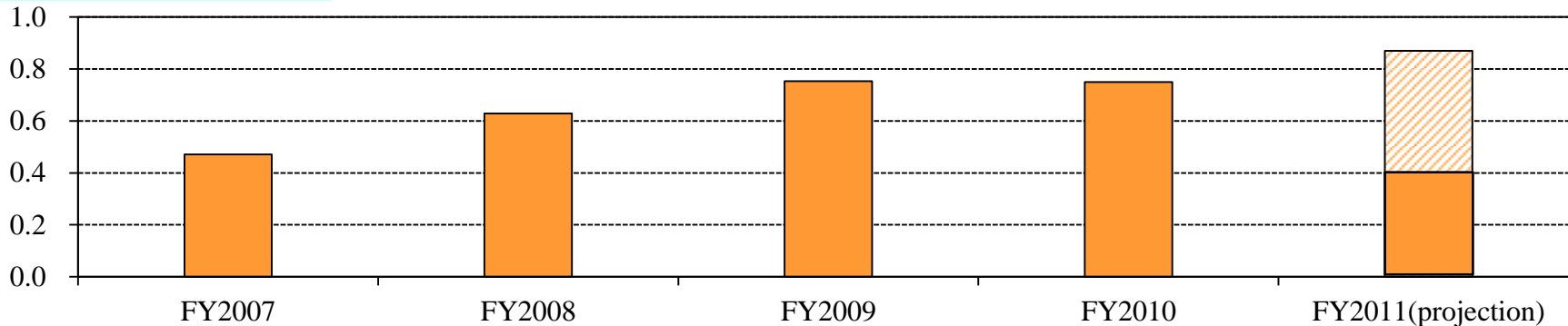
Yen

	FY2010 H1	FY2010 H2	FY2011 H1
Book-value per share (BPS)	307.0	321.0	319.5
Book-value per share (excluding treasury stock)	314.2	331.4	327.6
Earnings per share (EPS)	30.0	11.7	12.8
Earnings per share (excluding treasury stock)	30.6	12.1	13.2
Equity ratio	55.3%	60.9%	56.6%
Ratio of ordinary income to total assets	6.8%	3.2%	3.3%
Ratio of ordinary income to net sales	11.6%	7.4%	7.3%

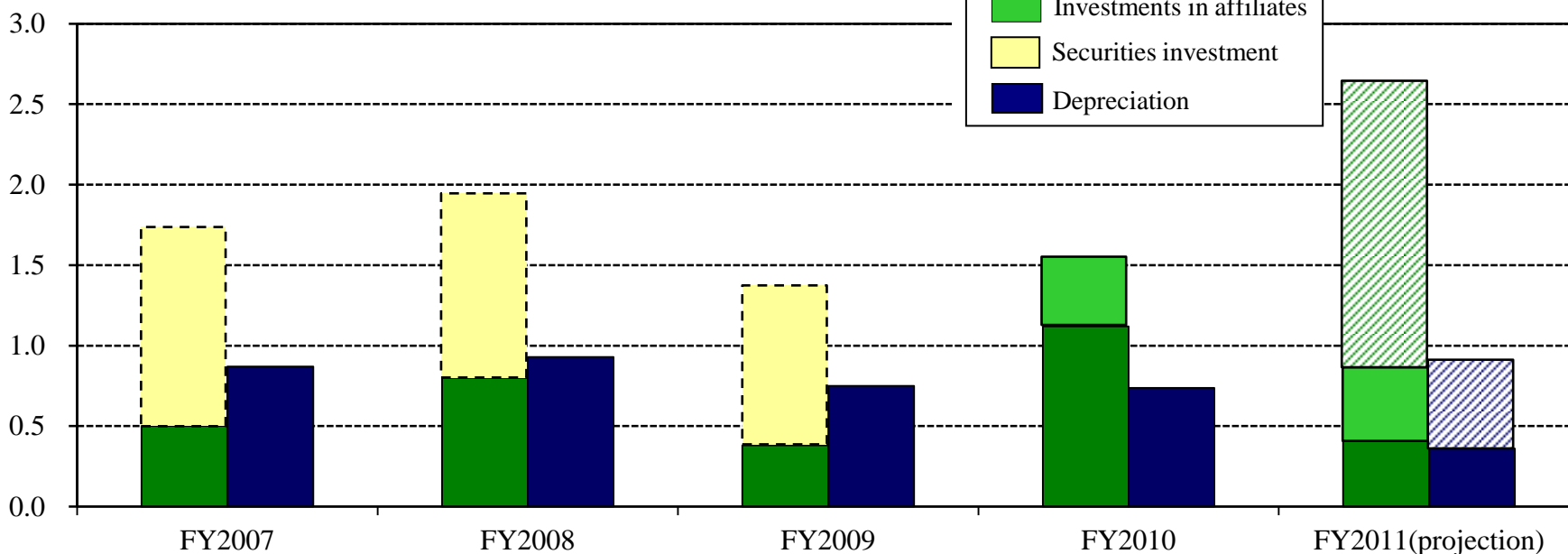
# (4) R&D Expenditures and Capital Investment

## R&D Expenditures

Billion yen



## Capital Investment, Equipment Finance and Depreciation



## 4. Major Issues

### (1) Development of New Products

New products		
	Manufactured in Japan	Manufactured in China
IT	FTG18TL	B012/20- II B0385L
Automobile-related and other industrial machinery	TMA8-IV	
Planned development		
	Manufactured in Japan	Manufactured in China
IT	The development of new automatic lathes.	Start production of low-end models (grinding machines /rolling machines) Start production of small size machining centers.
Automobile-related and other industrial machinery	Upgrade to new version of existing models manufactured in Japan.	

# Notice

**The content in this material is premised on various assumptions and does not ensure or guarantee the realization of the planned figures and/or future policies stated herein.**

 **TSUGAMI CORPORATION**

**PRECISION TSUGAMI**