

## Stock Information (as of September 30, 2012)

Authorized shares ..... 320,000,000 shares  
 Issued shares ..... 74,919,379 shares  
 Number of shareholders ..... 13,649

Major shareholders (Top 10)

| Shareholders  | Investment in the Company |                 |
|---|---------------------------|-----------------|
|   | Number of shares held     | Ownership ratio |
|   | Thousands                 | %               |
| Mizuho Trust & Banking Co., Ltd.<br>(Employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) | 4,592                     | 6.12            |
| Mori Seiki Co., Ltd.  | 2,200                     | 2.93            |
| The Dai-ichi Life Insurance Company, Limited  | 2,100                     | 2.80            |
| Nomura International plc A/C Japan Flow   | 1,670                     | 2.22            |
| Sumitomo Mitsui Banking Corporation   | 1,516                     | 2.02            |
| The Hokuetsu Bank, Ltd.   | 1,484                     | 1.98            |
| Japan Trustee Services Bank, Ltd. (Trust account)   | 1,299                     | 1.73            |
| TSUGAMI Customers' Shareholding Association   | 1,202                     | 1.60            |
| The Master Trust Bank of Japan, Ltd. (Trust account)  | 1,164                     | 1.55            |
| Nomura Securities Co., Ltd.   | 1,100                     | 1.46            |

Notes: 1. The figures for ownership ratio are rounded to the second decimal place.  
 2. The 4,592 thousand shares held by Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) are held in a pension trust account for Tokyo Seimitsu, which reserves the right to give instructions on how to exercise voting rights for these shares.  
 3. There are 1,300 thousand shares of treasury stock listed in the shareholders' register other than the shares listed in the table above.

## Corporate Data (as of September 30, 2012)

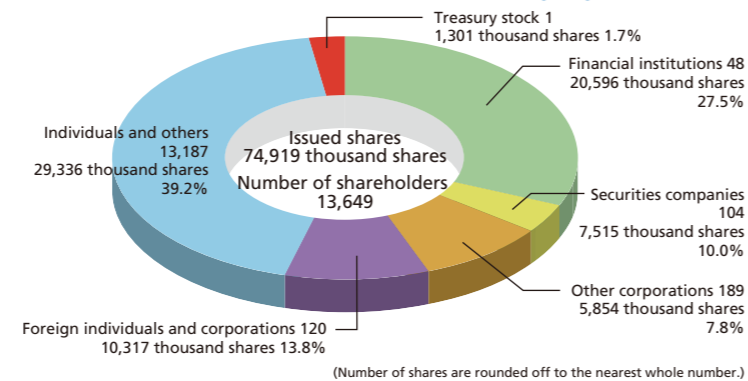
Corporate Name TSUGAMI CORPORATION  
 Established March 15, 1937  
 Head Office 12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo  
 Paid-in Capital 12,345 million yen  
 Number of Employees 466  
 Directors and Auditors (as of October 1, 2012)  
 Representative Director, Chairman and CEO Takao Nishijima  
 Representative Director and COO Kiyoshi Tauchi  
 Representative Director and COO Toshiharu Nijijima  
 Director and COO Yoshihiro Miura  
 Director Byun Jae-Hyun  
 Director Donglei TANG  
 Outside Director Takeo Nakagawa  
 Outside Director Kenji Yamada  
 Outside Director Kunio Shimada  
 Standing Statutory Auditor Toshio Honma  
 Outside Statutory Auditor Yoshifumi Miyata  
 Outside Statutory Auditor Hiroaki Tamai  
 Outside Statutory Auditor Ryuichi Kimura

Head Office and Factory  
 Head Office 12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo  
 Nagaoka Factory 1-1, Higashizao 1-chome, Nagaoka-shi, Niigata  
 Takami Factory 1-2, Higashi-Takami 2-chome, Nagaoka-shi, Niigata  
 Niigata Factory 132, Momoyama-cho 2-chome, Higashi-ku, Niigata-shi, Niigata

Sales Network  
 East Japan Marketing Division (Tokyo)  
 Central Japan Marketing Division (Nagoya)  
 West Japan Marketing Division (Osaka)

Group Companies  
 TSUGAMI MACHINERY CO., LTD.  
 TSUGAMI GENERAL SERVICE CO., LTD.  
 TSUGAMI PRECISION CO., LTD.  
 PRECISION TSUGAMI (CHINA) CORPORATION  
 Shinagawa Precision Machinery (Zhejiang) Co., Ltd.  
 TSUGAMI (THAI) CO., LTD.  
 TSUGAMI GmbH (GERMANY)  
 TSUGAMI KOREA CO., LTD.  
 TSUGAMI PRECISION ENGINEERING INDIA PVT., LTD. (INDIA)  
 TSUGAMII TECH SOLUTIONS INDIA PVT., LTD. (INDIA)  
 TSUGAMI Universal Pte. Ltd. (SINGAPORE)

## Shareholders composition by type



## Shareholders Information

Business Year From April 1 each year to March 31 of the following year  
 Annual Shareholders Meeting June each year  
 Surplus Dividends The record date for the year end dividend shall be March 31 each year. When paying interim dividends, the record date shall be September 30 each year.  
 Administrator of Shareholders' Register Mitsubishi UFJ Trust Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo  
 Business Handling Office Mitsubishi UFJ Trust Banking Corporation Stock Transfer Agency Department  
 Contact Office 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081  
 Mitsubishi UFJ Trust Banking Corporation Stock Transfer Agency Department Telephone: 0120-232-711 (toll free number)  
 Method of Public Notice Public notices of the Company shall be published on its website (<http://www.tsugami.co.jp/>). However, if the Company is unable to publish notices electronically, public notices shall be published in the Kanpo ("official gazette").  
 Listed Stock Exchange Tokyo

## Notice

- In principle, the contact that receives customer requests for changes of addresses and name, purchasing shares constituting less than one unit, and transferring dividends to designated accounts shall be securities companies, etc. in which the customers have opened an account. Mitsubishi UFJ Trust Banking Corporation shall receive inquiries about the shipment and return of mail articles, etc. and dividends overdue and general questions as to administrative work involving shares.
- Mitsubishi UFJ Trust Banking Corporation shall undertake procedures for shares recorded in a special account, not an account at a securities company, etc.
- As shares recorded in a special account may not be sold directly from the special account when selling them on the market, it is necessary to transfer them to an account at a securities company, etc.

# To Our Shareholders

Business Report for the First Half of Fiscal Year 2012  
 (April 1, 2012 to September 30, 2012)

**TSUGAMI CORPORATION**

I am pleased to report our results for the first half of fiscal 2012, ending March 31, 2013.

During the period, there were signs of a moderate recovery in the Japanese economy, aided by reconstruction demand after the Great East Japan Earthquake and eco-car tax breaks. However, uncertainty gradually increased given the aggravated European debt crisis and slowdowns in China and other emerging economies.

The machine tool industry continued to face a challenging situation, reflecting the effects of the prolonged strength of the yen, sluggish growth in domestic demand, and a slowing Chinese economy.

In this environment, net sales and income rose sharply at Tsugami Corporation (the "Company") and its affiliates (the "Group"), attributable to reconstruction demand after the Thai flooding and the full-scale effect of the Group's entry into the smartphone market.

Consolidated net sales for the first half of the fiscal year under review came to 34,409 million yen, increasing 106.5% year on year.

Consolidated operating income increased 303.4% year on year, to 5,636 million yen. Consolidated ordinary income rose 308.0% year on year, to 4,982 million yen, and consolidated net income increased 259.0% year on year, to 3,136 million yen.

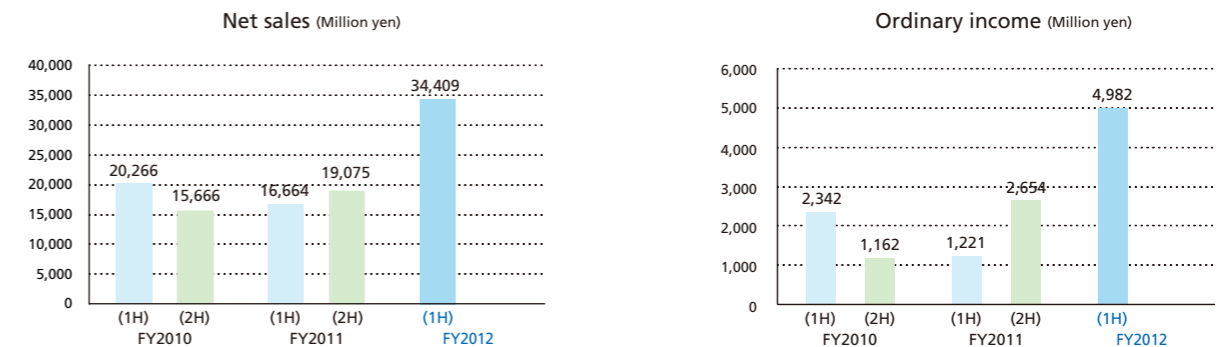
The Company decided to pay an interim dividend of 6 yen per share according to its initial plan and plans to pay a year-end dividend of 6 yen per share (for an annual dividend of 12 yen per share) in the fiscal year ending March 31, 2013.

The Group remains committed to consistently enhancing its performance through higher sales, improved production efficiency and cost cutting, and offering new products that fully meet customer requirements, while enriching the services it provides. Aiming to improve customer satisfaction, we will devote every effort to providing reliable products that our customers need.

We respectfully ask for the continued support and encouragement of our shareholders.

November 2012  
 Takao Nishijima Chairman and CEO

## Business Performance (Consolidated)



## Financial highlights

| Item                          | FY2010     |           | FY2011     |           | FY2012     |
|-------------------------------|------------|-----------|------------|-----------|------------|
|                               | First half | Full year | First half | Full year | First half |
| Net sales (Million yen)       | 20,266     | 35,932    | 16,664     | 35,739    | 34,409     |
| Ordinary income (Million yen) | 2,342      | 3,504     | 1,221      | 3,875     | 4,982      |
| Net income (Million yen)      | 2,039      | 2,837     | 873        | 2,281     | 3,136      |
| Net income per share (Yen)    | 30.58      | 42.72     | 13.22      | 33.88     | 42.62      |
| Total assets (Million yen)    | 37,763     | 35,860    | 38,384     | 50,757    | 46,446     |
| Net assets (Million yen)      | 21,125     | 22,122    | 22,008     | 27,717    | 29,305     |
| Net assets per share (Yen)    | 314.21     | 331.39    | 327.64     | 372.21    | 392.42     |

(Note) All fractions of monetary units have been rounded down.

# Consolidated Financial Statements

## Consolidated balance sheets

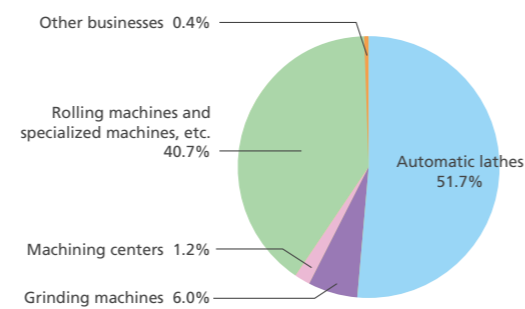
| Item   | (Million yen)                             |                            |
|--|---|----------------------------|
|  | FY2012 First half<br>(September 30, 2012) | FY2011<br>(March 31, 2012) |
| <b>Assets</b>                                      |   |                            |
| Current assets                                     | 33,269                                    | 37,108                     |
| Cash and deposits                                  | 5,020                                     | 5,314                      |
| Trade notes and accounts receivable                | 10,214                                    | 10,536                     |
| Inventories  | 16,892                                    | 18,808                     |
| Other current assets                               | 1,142                                     | 2,449                      |
| Fixed assets                                       | 13,151                                    | 13,616                     |
| Tangible fixed assets                              | 8,648                                     | 7,234                      |
| Buildings, machinery, equipment and vehicles       | 7,746                                     | 5,690                      |
| Land   | 581                                       | 581                        |
| Other tangible fixed assets                        | 320                                       | 962                        |
| Intangible fixed assets                            | 184                                       | 149                        |
| Investments and other assets                       | 4,318                                     | 6,233                      |
| Deferred assets                                    | 25  | 32                         |
| <b>Total assets</b>                                | <b>46,446</b>                             | <b>50,757</b>              |
| <b>Liabilities</b>                                 |   |                            |
| Current liabilities                                | 16,091                                    | 21,476                     |
| Trade notes and accounts payable                   | 12,709                                    | 16,503                     |
| Short-term borrowings                              | —   | 2,107                      |
| Corporate bonds due for redemption within one year | 300                                       | 300                        |
| Accrued income tax                                 | 1,191                                     | 1,413                      |
| Other current liabilities                          | 1,890                                     | 1,151                      |
| Long-term liabilities                              | 1,049                                     | 1,563                      |
| Corporate bonds                                    | 150                                       | 300                        |
| Other long-term liabilities                        | 899                                       | 1,263                      |
| <b>Total liabilities</b>                           | <b>17,141</b>                             | <b>23,040</b>              |
| <b>Net assets</b>                                  |   |                            |
| Shareholders' equity                               | 29,085                                    | 26,264                     |
| Common stock                                       | 12,345                                    | 12,345                     |
| Capital surplus                                    | 5,884                                     | 5,884                      |
| Retained earnings                                  | 11,326                                    | 8,535                      |
| Treasury stock                                     | - 470                                     | - 499                      |
| Accumulated other comprehensive income             | - 195                                     | 1,106                      |
| Unrealized gains on marketable securities          | 84  | 1,114                      |
| Deferred gains (losses) on hedges                  | 0   | 1                          |
| Translation adjustments                            | - 280                                     | - 9                        |
| Subscription rights to shares                      | 415                                       | 345                        |
| <b>Total net assets</b>                            | <b>29,305</b>                             | <b>27,717</b>              |
| <b>Total liabilities and net assets</b>            | <b>46,446</b>                             | <b>50,757</b>              |

## Consolidated statements of income

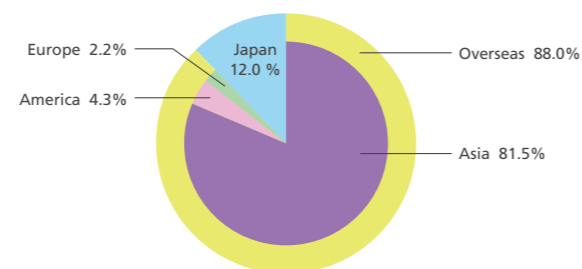
| Item   | (Million yen)   |   |
|--|---|---|
|  | FY2012 First half<br>April 1, 2012 to<br>September 30, 2012 | FY2011 First half<br>April 1, 2011 to<br>September 30, 2011 |
| Net sales                                    | 34,409  | 16,664  |
| Cost of sales                                | 25,723  | 13,157  |
| Gross profit                                 | 8,686   | 3,506   |
| Selling, general and administrative expenses | 3,049   | 2,109   |
| Operating income                             | 5,636   | 1,397   |
| Non-operating income                         | 56  | 73  |
| Non-operating expenses                       | 711   | 249   |
| Ordinary income                              | 4,982   | 1,221   |
| Extraordinary income                         | 0   | 0   |
| Extraordinary expenses                       | 110   | 11  |
| Income before taxes and other adjustments    | 4,872   | 1,210   |
| Corporate, inhabitant and enterprise taxes   | 1,601   | 429   |
| Deferred taxes                               | 133   | - 92  |
| <b>Net income</b>                            | <b>3,136</b>  | <b>873</b>  |

## Sales breakdown (Consolidated)

Sales breakdown by product (FY2012 First half)



Sales breakdown by region (FY2012 First half)



# Releasing New Products to the Market

## CNC Precision Automatic Lathe B020M

CNC Precision Automatic Lathes B020M, a perfect integration of the Vertical Machining Center and Automatic Lathe, was launched. It completes products from bar stock into complex shaped components.

- Automatic Lathe equipping ATC (automatic tool changer)  
Processing from multiple directions are possible, and it performs complex machining more effectively than the Vertical Machining Center.
- The front and back overlapped machining and the variety of machining patterns improve productivity.
- 24 tool magazines and B-axis tool spindle enable various complex-machining.



## CNC Precision Automatic Lathes SS267/SS327

CNC Precision Automatic Lathes SS267/SS327 were launched as a large-sized Swissturn with B-axis tool post.

- Sliding head stock type Automatic Lathe with continuous B-axis tool post, the ultimate Swissturn for complex-machining.
- Simultaneous multispindle machining is enabled with CAD/CAM
- Thanks to the Y-axis of the back tool post, even the milling process on the back side can be overlapped with front side.



## CNC Precision Automatic Lathe BH38-II

CNC Precision Automatic Lathe BH38-II was launched, further improving complex-machining capability with the B-axis swiveling tool spindle.

- Thanks to the B-axis live tools on the turret, the B-axis continues processing such as angular drilling by specifying the NC program and inclining the tool.
- Y-axis controls feature a turret, front tool post, and back tool post.
- Diverse overlapping under 3-path control can greatly shorten the machining cycle.



## CNC Precision Automatic Lathes B0126-II/B0206-II

CNC Precision Automatic Lathes B0126-II/B0206-II were launched in the small-sized B012-II/B020-II series.

- Thanks to the Y-axis of the back tool post, even the milling process on the back side can be overlapped with the front side.
- This low-priced series can handle a range of complex machining tasks.
- An automatic programming system comes as standard.



## High-Speed Vertical Machining Center VA1-II

Optimized for high-speed, high-efficiency processing of small works, the High-Speed Vertical Machining Center VA1-II was introduced.

- Traverse speed of the X, Y, and Z axes is extremely rapid at 40 m/min.
- Tool change time (Chip to Chip) is 1.3 second.
- Compact machine of 1040 mm wide. Productivity improvement per space.
- Integral structure of the spindle, ATC and tool magazines
- Thanks to the fully-covered splash guard, cutting oil does not splash.



# Participated Exhibitions

We actively developed new business partners. We held the TSUGAMI Technical Fair 2012 at the TSUGAMI Nagaoka Factory for two days from July 12, 2012. We set up booth at the International Manufacturing Technology Show 2012 in Chicago, USA for six days from September 10, 2012. Many users and dealers from Japan and overseas visited the fairs, and we were able to hold productive discussions.



TSUGAMI Technical Fair 2012