

Stock Information (as of March 31, 2010)

Authorized shares 320,000,000 shares
 Issued shares 68,019,379 shares
 Number of shareholders 13,279

Major shareholders (Top 10)

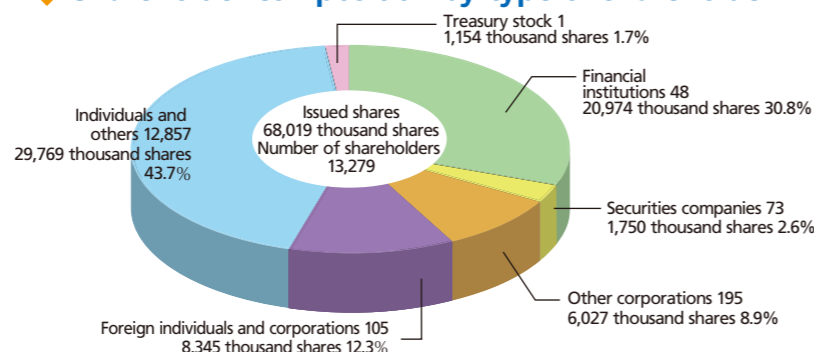
| Shareholders | Investment in the Company | |
|---|---------------------------|-----------------|
| | Number of shares held | Ownership ratio |
| | Thousands | % |
| Mizuho Trust & Banking Co., Ltd. (Employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) | 4,592 | 6.75 |
| The Dai-ichi Mutual Life Insurance Company (now The Dai-ichi Life Insurance Company, Limited) | 2,100 | 3.08 |
| Mori Seiki Co., Ltd. | 2,000 | 2.94 |
| Sumitomo Mitsui Banking Corporation | 1,516 | 2.22 |
| The Hokuetsu Bank, Ltd. | 1,484 | 2.18 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 1,314 | 1.93 |
| Tsugami Customers' Shareholding Association | 1,313 | 1.93 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 1,274 | 1.87 |
| Bank of New York GCM Client Account JPRD ISG (FE-AC) | 1,082 | 1.59 |
| SIX SIS Ltd. | 1,011 | 1.48 |

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 1,154 thousand shares of treasury stock listed in the shareholder register other than the shares listed in the table above.

Corporate Data (as of March 31, 2010)

| | | |
|--|--|-------------------|
| Corporate Name | Tsugami Corporation | |
| Established | March 15, 1937 | |
| Head Office | 9-10, Horidome-cho 1-chome, Nihonbashi, Chuo-ku, Tokyo | |
| Paid-in Capital | 10,599 million yen | |
| Number of Employees | 517 | |
| Directors and Auditors (as of June 18, 2010) | Representative Director, Chairman and CEO | Takao Nishijima |
| | Representative Director and Senior Executive Officer | Yoshiharu Kikuchi |
| | Representative Director and Senior Executive Officer | Toshiharu Niijima |
| | Director and Managing Executive Officer | Toshio Honma |
| | Director and Managing Executive Officer | Donglei TANG |
| Outside Directors | Takeo Nakagawa | |
| Outside Directors | Mitsuhiro Masumi | |
| Standing Statutory Auditor | Ikuo Oomiya | |
| Outside Statutory Auditor | Kunimasa Ohta | |
| Outside Statutory Auditor | Yoshifumi Miyata | |
| Outside Statutory Auditor | Hiroaki Tamai | |
| Head Office and Plants | Head Office 9-10, Horidome-cho 1-chome, Nihonbashi, Chuo-ku, Tokyo Nagaoka Plant 1-1, Higashizao 1-chome, Nagaoka-shi, Niigata Shinshu Plant 3600 Nakagomi, Saku-shi, Nagano Takami Plant 1-2, Higashi-Takami 2-chome, Nagaoka-shi, Niigata Niigata Plant 132, Momoyama-cho 2-chome, Higashi-ku, Niigata-shi, Niigata | |
| Sales Network | East Japan Marketing Division (Tokyo) Nagaoka Marketing Division (Nagaoka) Suwa Marketing Division (Suwa) 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 Tsugami (Thai) Co., Ltd. Tsugami (Germany) GmbH TSUGAMI KOREA Co., Ltd. | |

Shareholder composition by type of shareholder



Shareholder 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 Baking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo |
| Business handling office | Mitsubishi UFJ Trust Baking Corporation Stock Transfer Agency Department |
| Contact office | 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081 Mitsubishi UFJ Trust Baking 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 Baking 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 Fiscal Year 2009
 (April 1, 2009 to March 31, 2010)

TSUGAMI CORPORATION

I am pleased to report our results for fiscal 2009, from April 1, 2009 to March 31, 2010.

During this fiscal year, the Japanese economy continued to confront challenging conditions, compared with levels before a global economic crisis. Nonetheless, signs of a recovery did appear, as certain sectors moved out of the business slump that had followed in the wake of the global financial turmoil.

The machine tool industry showed a modest uptrend, but results did not reach past levels. Demand, nonetheless, picked up in emerging nations in Asia, including China, at the end of 2009, and IT and related industries, including the hard disk drive (HDD) industry, achieved a remarkable recovery.

In this environment, Tsugami Corporation (the "Company") and its affiliates (the "Group") were proactive in seeking to supply precision machine tools to markets based on precision processing knowhow they have accumulated over the years to meet demands in emerging countries, such as China, and advancing needs of customers in IT and related industries. In addition, the Group worked to review and streamline its production systems by taking steps such as building up production at Chinese plants, in an attempt to boost production capacity, deal with the appreciation of the yen and make its products more price competitive. As a result of such initiatives, orders began to increase in the fourth quarter of the consolidated fiscal year under review.

As a consequence, consolidated net sales for the fiscal year under review fell 31.2% year on year, to 15,598 million yen, significantly influenced by a decline through the third quarter, which was only partially offset by a rise in the fourth quarter. Consolidated operating income fell 89.5% year on year, to 84 million yen. The Group posted a consolidated ordinary loss of 117 million yen and a consolidated net loss of 244 million yen for the fiscal year under review.

For the consolidated fiscal year ended March 31, 2010, the Company paid no interim dividend because of a net loss posted for the first six months. However, the Company decided to pay year-end dividends of 5 yen per share, to reflect an improvement in results attributable to order levels, which were robust from the fourth quarter. We aim to achieve stable dividends in the future, by reinforcing our business structure while maintaining a performance-based dividend policy.

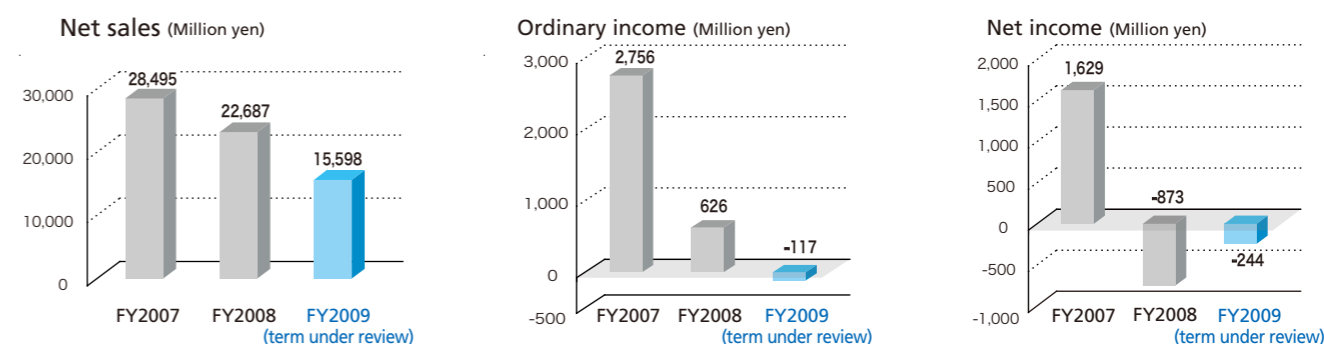
The Group remains committed to consistently enhancing its business performance through higher sales, improved production efficiency and cost cutting, and offering new products that fully meet customer requirements, while enriching the services it provides. Aiming to enhance customer satisfaction, we will devote all of our efforts to management, so that we can provide reliable products that our customers need.

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

June 2010

Takao Nishijima Chairman and CEO

Business Performance (Consolidated)



Financial Highlights

| Item | FY 2007 | | FY 2008 | | FY 2009 (term under review) | |
|-------------------------------|--------------|------------------|--------------|------------------|-----------------------------|------------------|
| | Consolidated | Non-consolidated | Consolidated | Non-consolidated | Consolidated | Non-consolidated |
| Net sales (Million yen) | 28,495 | 27,962 | 22,687 | 22,043 | 15,598 | 14,818 |
| Ordinary income (Million yen) | 2,756 | 2,564 | 626 | 625 | -117 | -393 |
| Net income (Million yen) | 1,629 | 1,544 | -873 | -540 | -244 | -408 |
| Net income per share (Yen) | 23.03 | 21.82 | -12.88 | -7.98 | -3.65 | -6.09 |
| Total assets (Million yen) | 32,732 | 32,031 | 25,703 | 25,425 | 31,147 | 29,771 |
| Net assets (Million yen) | 21,916 | 21,137 | 19,718 | 19,277 | 19,882 | 19,319 |
| Net assets per share (Yen) | 319.50 | 308.02 | 289.07 | 282.55 | 294.29 | 285.88 |

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

Consolidated financial statements

Consolidated balance sheets

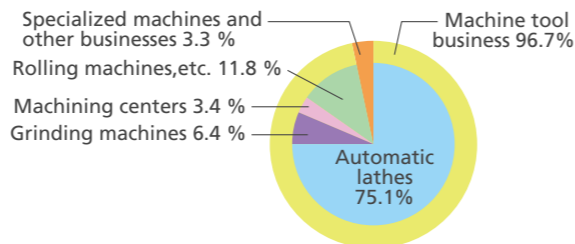
| Item | (Million yen) | |
|--|--------------------------|--------------------------|
| | FY2009 March 31, 2010 | FY2008 March 31, 2009 |
| Assets | | |
| Current assets | 20,191 | 16,486 |
| Cash and deposits | 3,892 | 3,238 |
| Trade notes and accounts receivable | 7,541 | 4,677 |
| Inventories | 8,203 | 8,180 |
| Other current assets | 552 | 389 |
| Fixed assets | 10,930 | 9,184 |
| Tangible fixed assets | 6,208 | 6,633 |
| Buildings, machinery, equipment and vehicles | 5,420 | 5,806 |
| Land | 591 | 591 |
| Other tangible fixed assets | 195 | 235 |
| Intangible fixed assets | 53 | 43 |
| Investments and other assets | 4,667 | 2,508 |
| Deferred assets | 25 | 32 |
| Total assets | 31,147 | 25,703 |
| Liabilities | | |
| Current liabilities | 9,296 | 3,855 |
| Trade notes and accounts payable | 6,946 | 2,129 |
| Short-term borrowings | 1,008 | 500 |
| Corporate bonds due for redemption within one year | 300 | 300 |
| Accrued income tax | 67 | 46 |
| Other current liabilities | 972 | 879 |
| Long-term liabilities | 1,968 | 2,129 |
| Corporate bonds | 900 | 1,200 |
| Other long-term liabilities | 1,067 | 929 |
| Total liabilities | 11,264 | 5,984 |
| Net assets | | |
| Shareholders' equity | 19,334 | 20,019 |
| Common stock | 10,599 | 10,599 |
| Capital surplus | 4,151 | 4,138 |
| Retained earnings | 4,791 | 5,373 |
| Treasury stock | -207 | -92 |
| Valuation and translation adjustments | 343 | -487 |
| Unrealized gains on marketable securities | 463 | -508 |
| Deferred gains (losses) on hedges | -99 | - |
| Translation adjustments | -20 | 20 |
| Subscription rights to shares | 204 | 187 |
| Total net assets | 19,882 | 19,718 |
| Total liabilities and net assets | 31,147 | 25,703 |

Consolidated statements of income

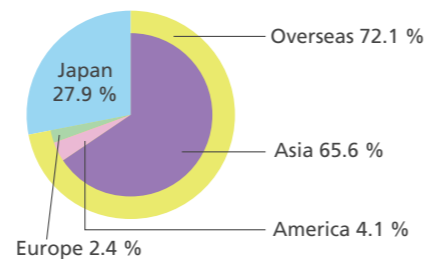
| Item | (Million yen) | |
|--|--|--|
| | FY2009 Year ended March 31, 2010 | FY2008 Year ended March 31, 2009 |
| Net sales | 15,598 | 22,687 |
| Cost of sales | 12,538 | 18,068 |
| Gross profit | 3,059 | 4,618 |
| Selling, general and administrative expenses | 2,974 | 3,808 |
| Operating income | 84 | 810 |
| Non-operating income | 295 | 149 |
| Non-operating expenses | 498 | 332 |
| Ordinary income (loss) | -117 | 626 |
| Extraordinary income | - | 106 |
| Extraordinary expenses | 1 | 1,488 |
| Loss before taxes and other adjustments | -119 | -754 |
| Corporate, inhabitant and enterprise taxes | 72 | 60 |
| Income taxes for prior periods | 17 | - |
| Deferred taxes | 35 | 58 |
| Net loss | -244 | -873 |

Sales breakdown (Consolidated)

Sales breakdown by business and product (FY2009)



Sales breakdown by region (FY2009)



Consolidated statements of changes in net assets (FY2009 Year ended March 31, 2010)

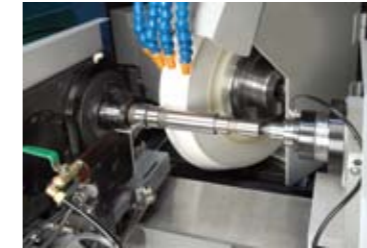
| | Shareholders' equity | | | | | Valuation and translation adjustments | | | | Subscription rights to shares | Total net assets |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|---|-----------------------------------|-------------------------|---|-------------------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total Shareholders' equity | Unrealized gains on marketable securities | Deferred gains (losses) on hedges | Translation adjustments | Total Valuation and translation adjustments | | |
| Balance as of March 31, 2009 | 10,599 | 4,138 | 5,373 | -92 | 20,019 | -508 | — | 20 | -487 | 187 | 19,718 |
| Changes during the period | | | | | | | | | | | |
| Dividends from surplus | | | -337 | | -337 | | | | | | -337 |
| Net income (loss) | | | -244 | | -244 | | | | | | -244 |
| Acquisition of treasury stock | | | | -131 | -131 | | | | | | -131 |
| Disposal of treasury stock | | 12 | | 16 | 29 | | | | | | 29 |
| Net changes in items other of treasury stock | | | | | | 971 | -99 | -41 | 831 | 17 | 849 |
| Total changes during the period | — | 12 | -582 | -115 | -685 | 971 | -99 | -41 | 831 | 17 | 163 |
| Balance as of March 31, 2010 | 10,599 | 4,151 | 4,791 | -207 | 19,334 | 463 | -99 | -20 | 343 | 204 | 19,882 |

Releasing New Products to the Market

G300/G350 CNC Precision Cylindrical Grinding Machine

A new model cylindrical grinding machine launched this year, the G300/G350 CNC Precision Cylindrical Grinding Machine enables high precision heavy grinding and can therefore be used in the automation of anything from mass production of automotive components through to medium-scale production involving various similar tasks.

- Grinding wheel equipped with Tsugami's unique high-rigidity hydrodynamic bearings
- Slide and guiding surfaces arranged in horizontal V structure for stability and precision
- Pattern input for grinding machine processing fitted as standard
- Switchable dead / live headstock
- Usable on a wide range of models thanks to improved standard specification and extensive range of options, with automation supported via a high-speed loader option



C180 CNC High Precision Automatic Lathe

A new model gang-type automatic lathe launched this year, the C180 CNC High Precision Automatic Lathe has been well designed throughout, from the machine itself to the NC loader, to enable high productivity processing with a small footprint. It is ideal for mass processing of precision components with small diameters.

- Symmetrical headstock structure to enable high-precision two-sided primary and secondary processing
- Features Tsugami's unique no-air-tube spindle to enable high-speed processing and high productivity



MB25 CNC Precision Automatic Lathe

A new model automatic turret lathe launched this year, the MB25 CNC Precision Automatic Lathe is ideal for blank processing hub components for 2.5-inch hard disk drives.

- Simultaneous processing by front and rear turrets to significantly reduce cycle times
- Spindle fitted with hydraulic cylinder for increased chuck sensitivity
- Slide fitted with high rigidity wide-angle guide

