

# Briefing on Financial Statements for the First Half of the Year Ending March 2010

November 13, 2009



**TSUGAMI CORPORATION**

(Securities Code: 6101)

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

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# I. Business Conditions and Outlook

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

Billion yen, (%)

	FY 2007			FY 2008			FY 2009				
	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	Full-year
Net sales	13.6	14.9	28.5	15.3	7.4	22.7	4.7	- 10.6	- 0.8	8.3	13.0
Gross profit	3.0	3.4	6.4	3.3	1.4	4.6	0.7	- 2.5	-	-	-
(Gross profit margin)	(22.0)	(22.6)	(22.3)	(21.4)	(18.2)	(20.4)	(15.8)	(- 5.6)	-	-	-
Operating income	1.3	1.5	2.8	1.3	- 0.5	0.8	- 0.8	- 2.1	- 0.3	0.3	- 0.5
Ordinary income	1.3	1.5	2.8	1.3	- 0.7	0.6	- 1.0	- 2.3	- 0.5	0.5	- 0.5
(Ordinary income margin)	(9.3)	(10.0)	(9.7)	(8.7)	(- 9.5)	(2.8)	(- 21.5)	(- 30.2)	-	(6.1)	(- 3.8)
Net income	0.7	0.9	1.6	- 0.2	- 0.7	- 0.9	- 1.1	- 0.9	- 0.6	0.6	- 0.5

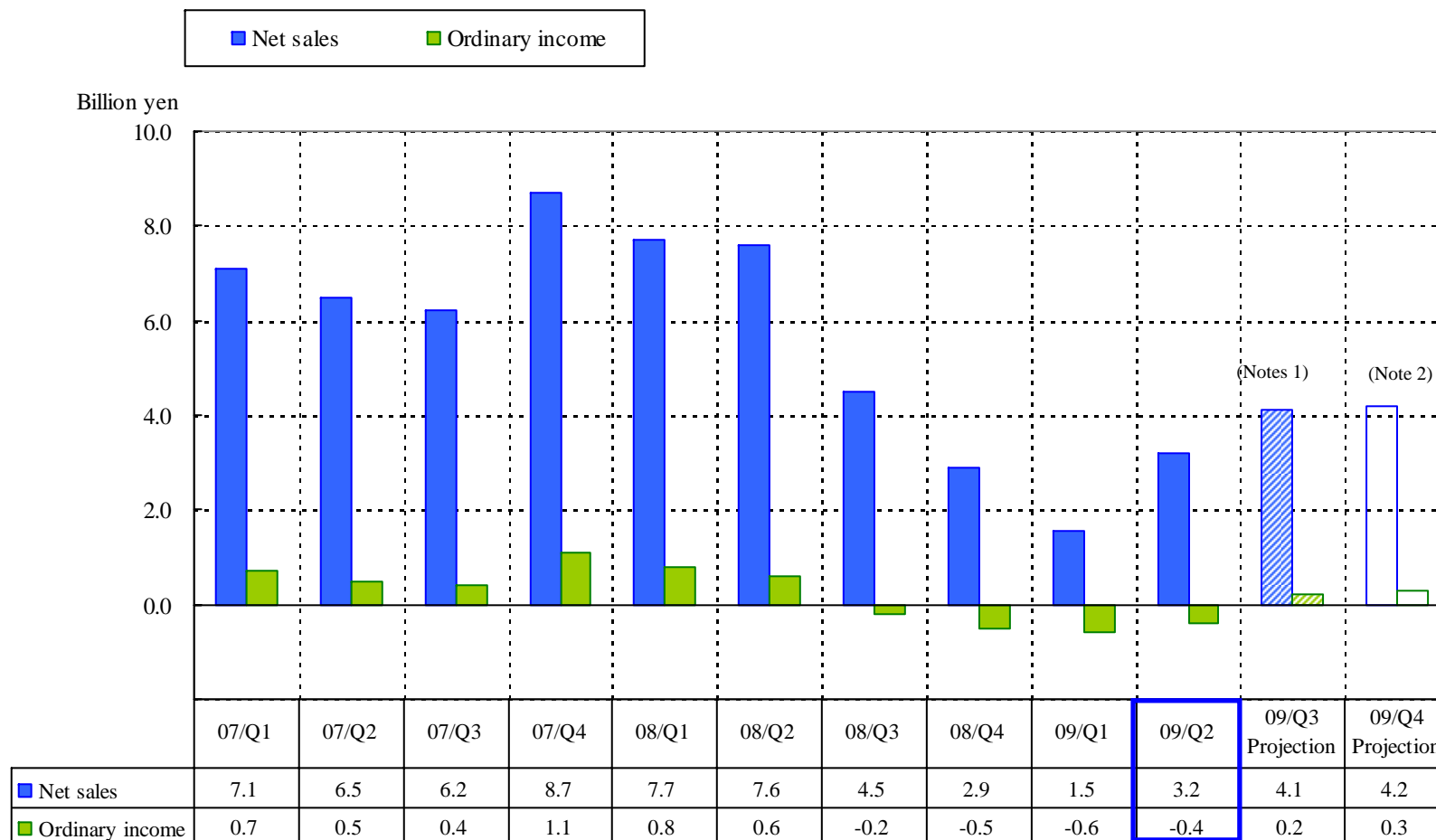
### 1<sup>st</sup> half operating results for FY2009 (Difference from the initial projection)

- (1) Net sales Compared with projection: Down ¥800 million (postponement of deliveries and cancellations, etc.)
- Domestic demand: Remained weak since the end of the previous year
  - Foreign demand: Partial recovery in China and the Southeast Asia from the second quarter
- (2) Ordinary income Compared with projection: Down ¥500 million
- Down ¥250 million due to lower operating ratio, down ¥80 million because of an increase in R&D expenses
  - Down ¥70 million due to exchange loss, down ¥50 million with an increase in allowances
  - Dormant expenses and others
- (3) Net income Compared with projection: Down ¥600 million
- Down ¥500 million in ordinary income •Down ¥80 million in deferred taxes

### Full-year projections for FY2009

- ① Net sales  
Partial recovery in orders in China and Southeast Asia
- ② Operating income  
Completion of inventory adjustment, such as raw materials, an expected recovery in the cost ratio

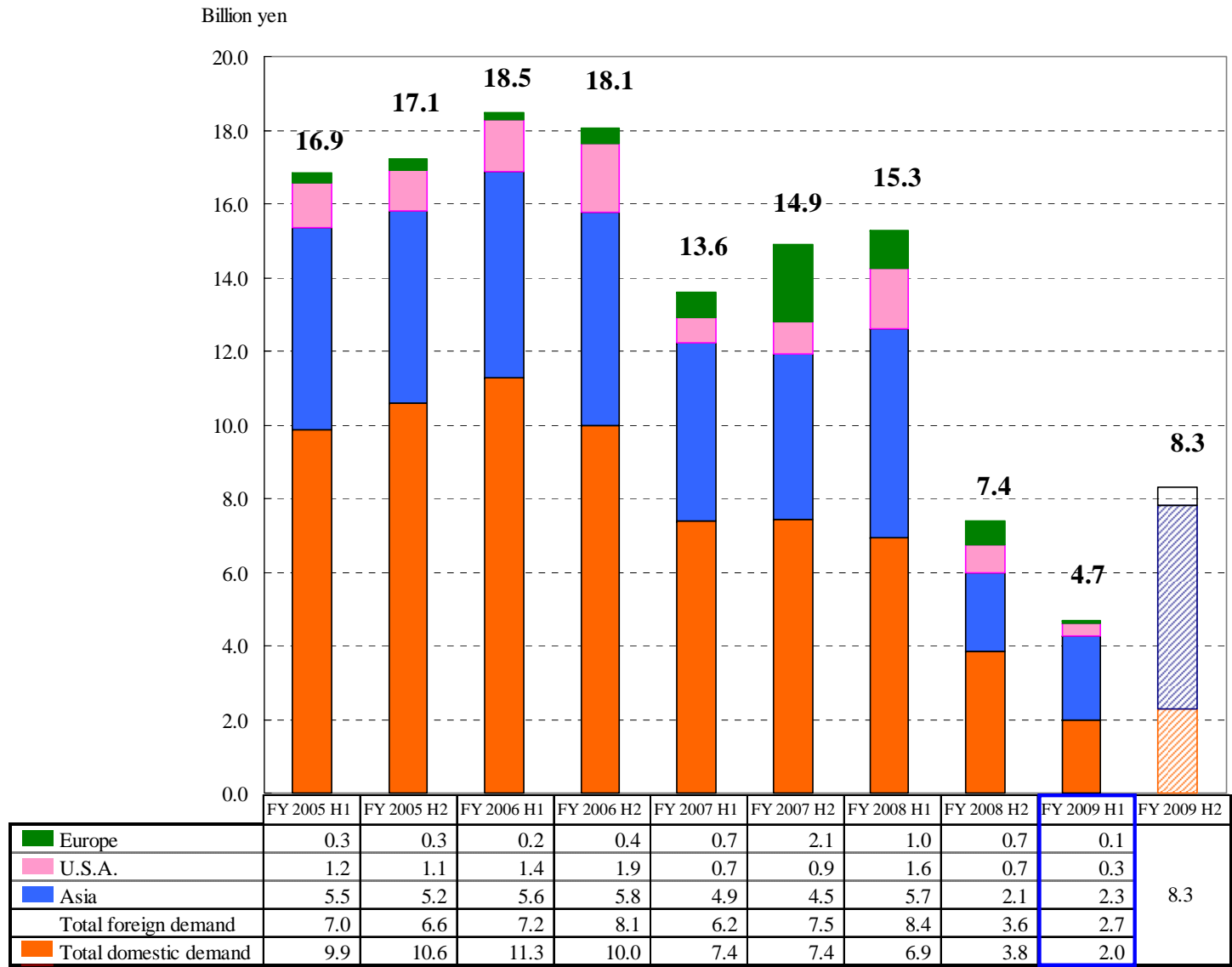
## (2) Changes in Financial Results on a Quarterly Basis



(Note 1) Estimate from the current order backlogs

(Note 2) Based on orders in the third quarter

### (3) Net Sales by Geographic Segment

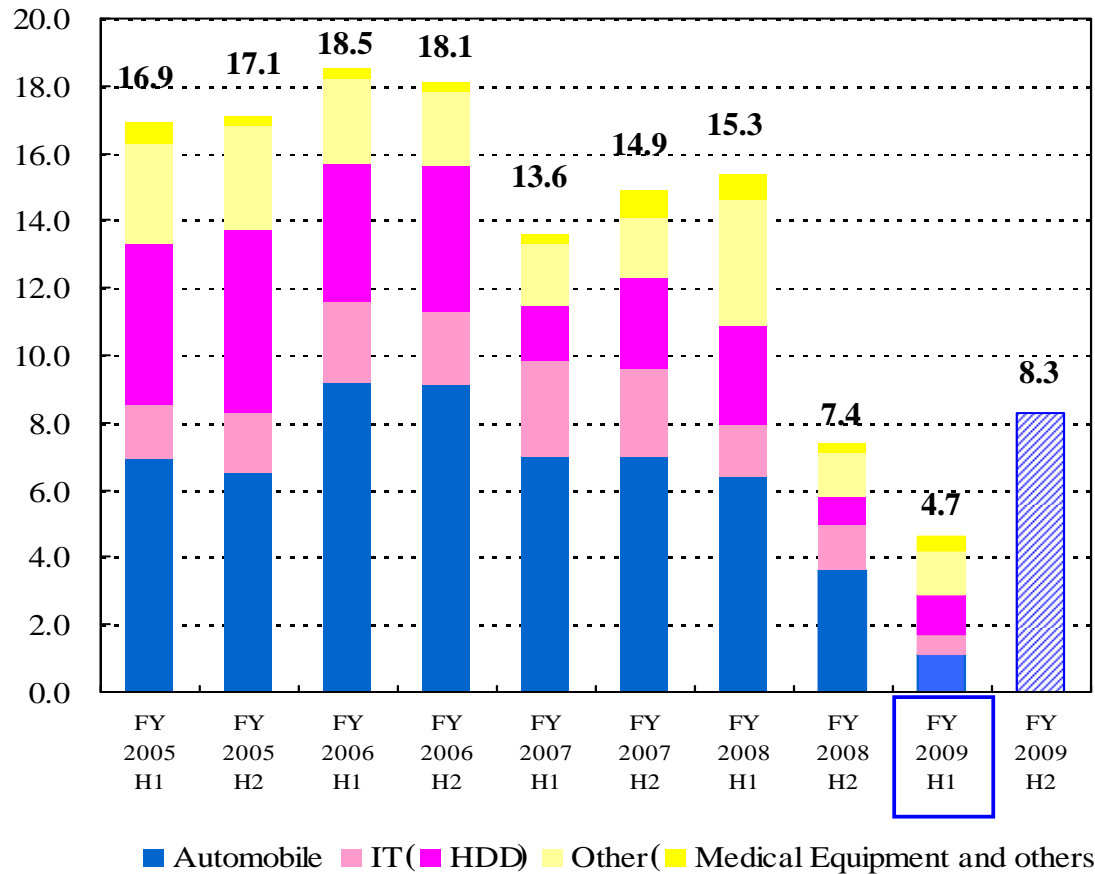


**Recovery from the second half of FY09**  
**(Weak in comparison with earlier levels)**

- Net sales in Asia (excluding Japan) were recovering almost to the year-ago level.
- Net sales in Japan, the United States and Europe remained weak.

# (4) Net Sales by Business Segment

Billion yen

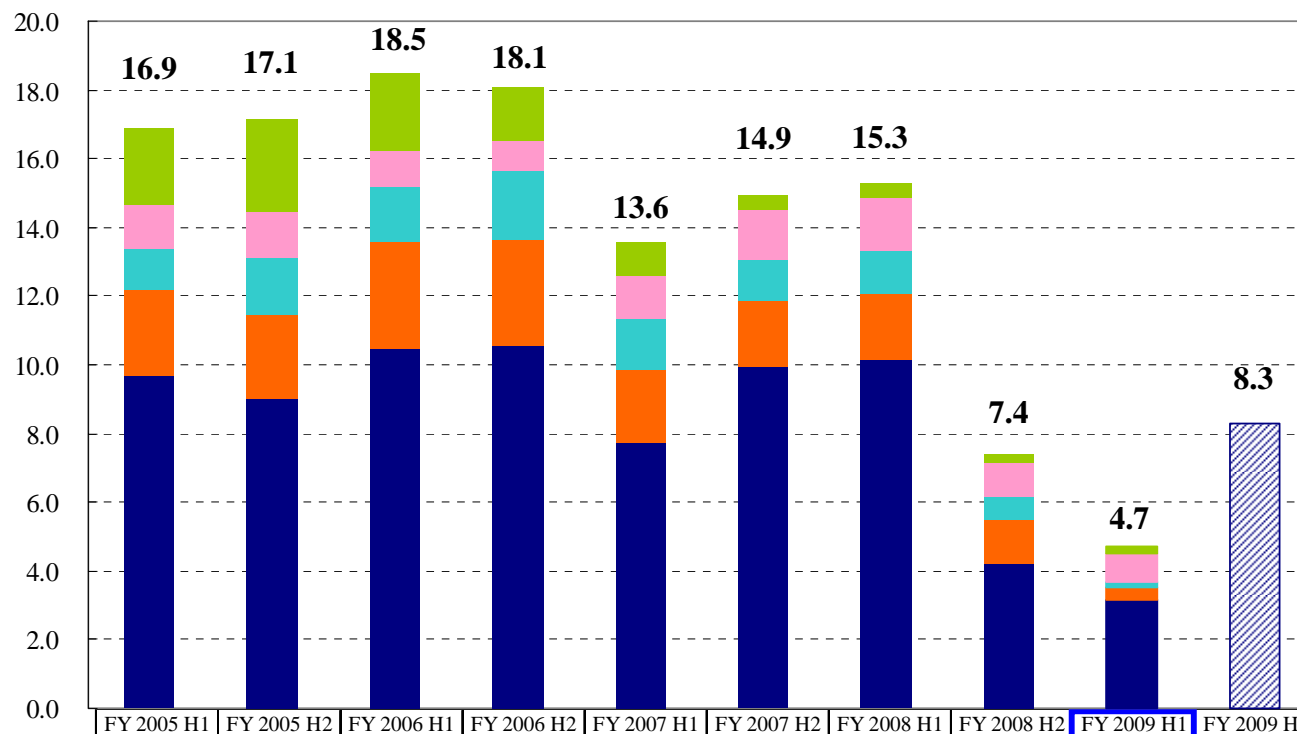


Recovery from the second half of FY09

- HDD-related sales, IT-related sales and sales of hydraulic and pneumatic equipment rose.
- Automobile-related sales were weak, with the exception of China.

## (5) Net Sales by Machinery Category

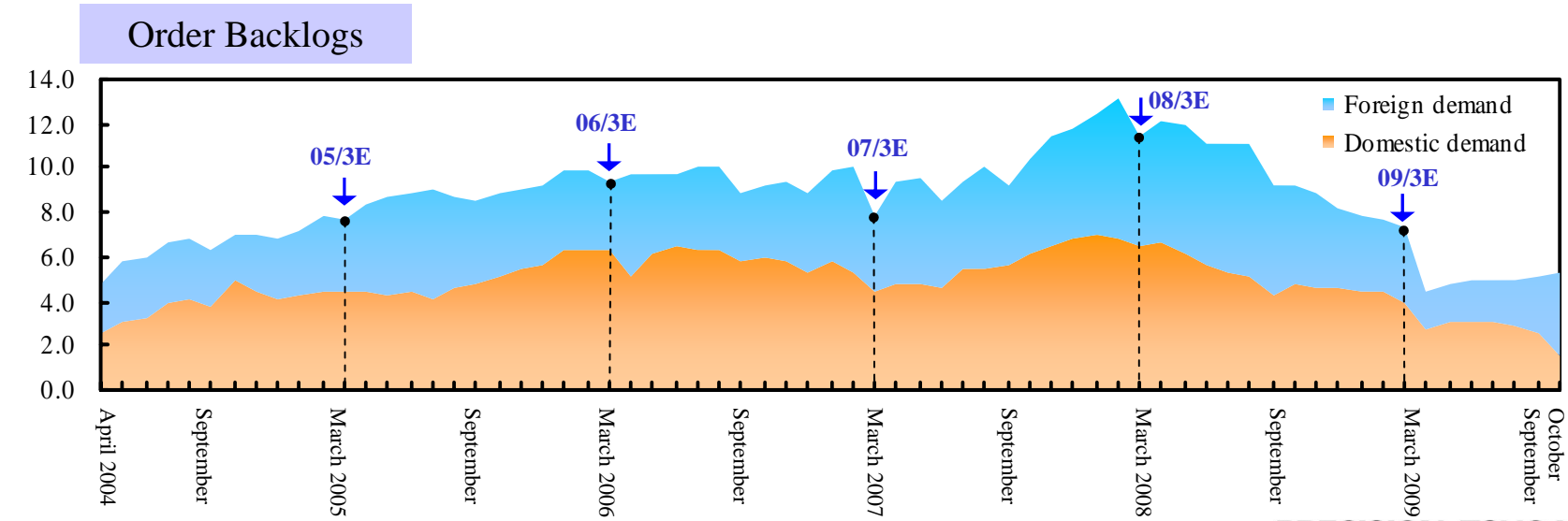
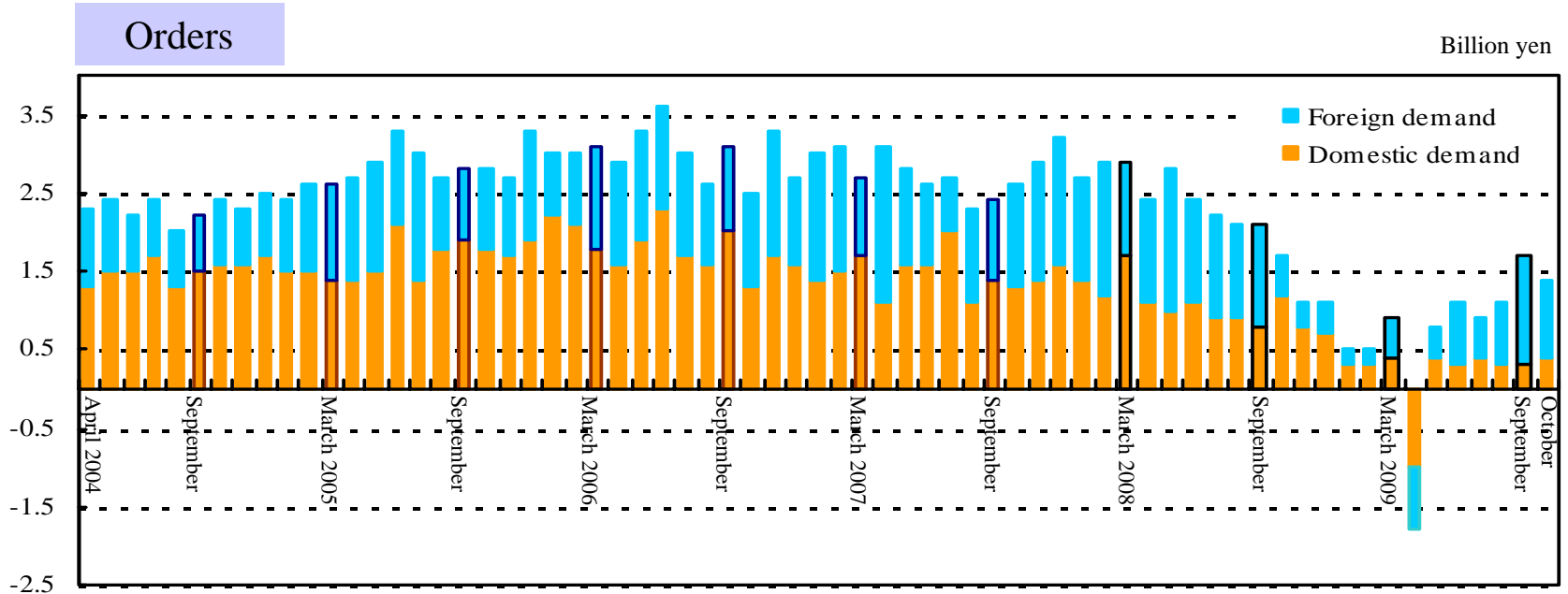
Billion yen



	FY 2005 H1	FY 2005 H2	FY 2006 H1	FY 2006 H2	FY 2007 H1	FY 2007 H2	FY 2008 H1	FY 2008 H2	FY 2009 H1	FY 2009 H2
Automatic lathes	9.7	9.0	10.5	10.6	7.7	9.9	10.2	4.2	3.2	8.3
Grinding machines	2.5	2.4	3.1	3.0	2.1	1.9	1.9	1.3	0.4	
Machining centers	1.2	1.7	1.6	2.0	1.5	1.2	1.2	0.7	0.2	
Rolling machines, etc.	1.3	1.3	1.0	0.9	1.2	1.4	1.6	1.0	0.8	
Other businesses	2.2	2.7	2.3	1.5	1.0	0.4	0.4	0.3	0.2	
Total net sales	16.9	17.1	18.5	18.1	13.6	14.9	15.3	7.4	4.7	

# 2. Orders

## (1) Orders Received and Order Backlogs





# 3. Financial Position and Major Financial Indicators

## (1) Balance Sheets

Billion yen

	08/9	09/3	09/9	Compared with 08/9	Compared with 09/3		08/9	09/3	09/9	Compared with 08/9	Compared with 09/3
<b>Current assets</b>	21.9	16.5	14.0	- 7.9	- 2.5	<b>Current liabilities</b>	9.2	3.9	2.7	- 6.4	- 1.1
Cash and deposits	2.9	3.2	2.4	- 0.6	- 0.9	Trade notes and accounts payable	7.8	2.1	1.4	- 6.4	- 0.7
Trade notes and accounts receivable	8.6	4.7	4.5	- 4.1	- 0.1	Short-term borrowings	-	0.5	0.5	+ 0.5	0.0
Inventories	9.6	8.2	6.9	- 2.7	- 1.3	Corporate bonds due for redemption within one year	-	0.3	0.3	+ 0.3	0.0
Other current assets	0.8	0.4	0.2	- 0.6	- 0.2	Accrued income tax	0.1	0.1	0.1	- 0.1	0.0
<b>Fixed assets</b>	9.7	9.2	9.4	- 0.3	+ 0.2	Other current liabilities	1.3	0.9	0.5	- 0.7	- 0.4
Tangible fixed assets	6.9	6.6	6.3	- 0.7	- 0.3	<b>Long-term liabilities</b>	0.9	2.1	2.0	(Note) + 1.1	- 0.1
Investments and other assets	2.8	2.6	3.1	+ 0.4	+ 0.5	<b>Total liabilities</b>	10.1	6.0	4.7	- 5.3	- 1.3
<b>Deferred assets</b>	-	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	<b>Capital surplus</b>	4.1	4.1	4.1	0.0	0.0
						<b>Retained earnings</b>	6.4	5.4	4.0	- 2.4	- 1.4
						<b>Treasury stock</b>	- 0.0	- 0.1	- 0.2	- 0.2	- 0.1
						<b>Valuation and translation adjustments</b>	0.1	- 0.5	- 0.0	- 0.1	+ 0.5
						<b>Subscription rights to shares</b>	0.3	0.2	0.2	- 0.1	0.0
						<b>Total net assets</b>	21.5	19.7	18.7	- 2.8	- 1.0
<b>Total assets</b>	31.6	25.7	23.4	- 8.2	- 2.3	<b>Total liabilities and net assets</b>	31.6	25.7	23.4	- 8.2	- 2.3

(Note) Corporate bonds of ¥1.5 billion were issued in December 2008.

Corporate bonds of ¥1.35 billion were remaining in September 2009.

Some ¥0.3 billion was recorded as current liabilities, and ¥1.05 billion was posted as long-term liabilities.

## (2) Statements of Cash Flows

Billion yen

	08/9	09/9	Year-over-year increase/decrease
Cash flows from operating activities	0.99	(Note 1) - 0.06	- 1.05
Cash flows from investing activities	- 1.12	(Note 2) - 0.19	0.93
Cash flows from financing activities	- 0.34	(Note 3) - 0.61	- 0.27
Translation differences for cash and cash equivalents	0.00	- 0.03	- 0.03
Cash and cash equivalents at the beginning of the term	3.35	3.19	- 0.16
Cash and cash equivalents at the end of the term	2.88	2.30	- 0.58

### FY2009 (09/9) Notes

#### Cash flows from operating activities (Note 1)

Income before income taxes	- 1.01
Depreciation and amortization expenses	0.37
Other	- 0.08
(Sub total)	( - 0.72 )
Decrease in trade notes and accounts receivable	0.11
Decrease in inventories	1.24
Decrease in trade notes and accounts payable	- 0.66
(Sub total)	( 0.69 )
Taxes paid	- 0.03

#### Cash flows from investing activities (Note 2)

Factory equipment in China	- 0.15
Acquisition of Investment securities and others	- 0.04
(Sub total)	( - 0.19 )

#### Cash flows from financing activities (Note 3)

Dividends paid	- 0.35
Acquisition of treasury stock	- 0.11
Redemption of corporate bonds	- 0.15
(Sub total)	- 0.61

### (3) Major Financial Indicators (on a first half, closing balance basis)

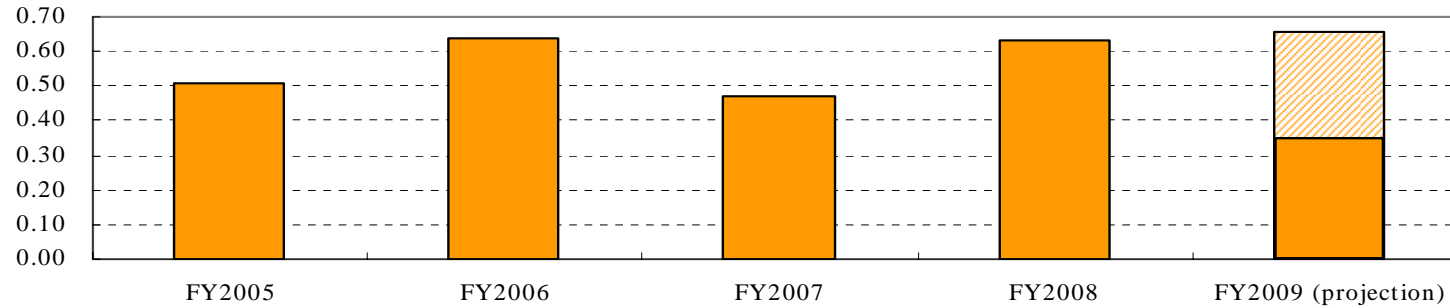
Yen

	07/09	08/9	09/9
Book-value per share (BPS)	293.7	312.2	271.7
Book-value per share (excluding treasury stock)	322.5	312.5	275.9
Earnings per share (EPS)	9.3	- 2.8	- 16.1
Earnings per share (excluding treasury stock)	10.2	- 2.8	- 16.3
Equity ratio	70.5%	67.3%	79.0%
Ratio of ordinary income to total assets (Semiannual basis)	3.9%	4.2%	- 4.3%
Ratio of ordinary income to net sales	9.3%	8.7%	- 21.5%

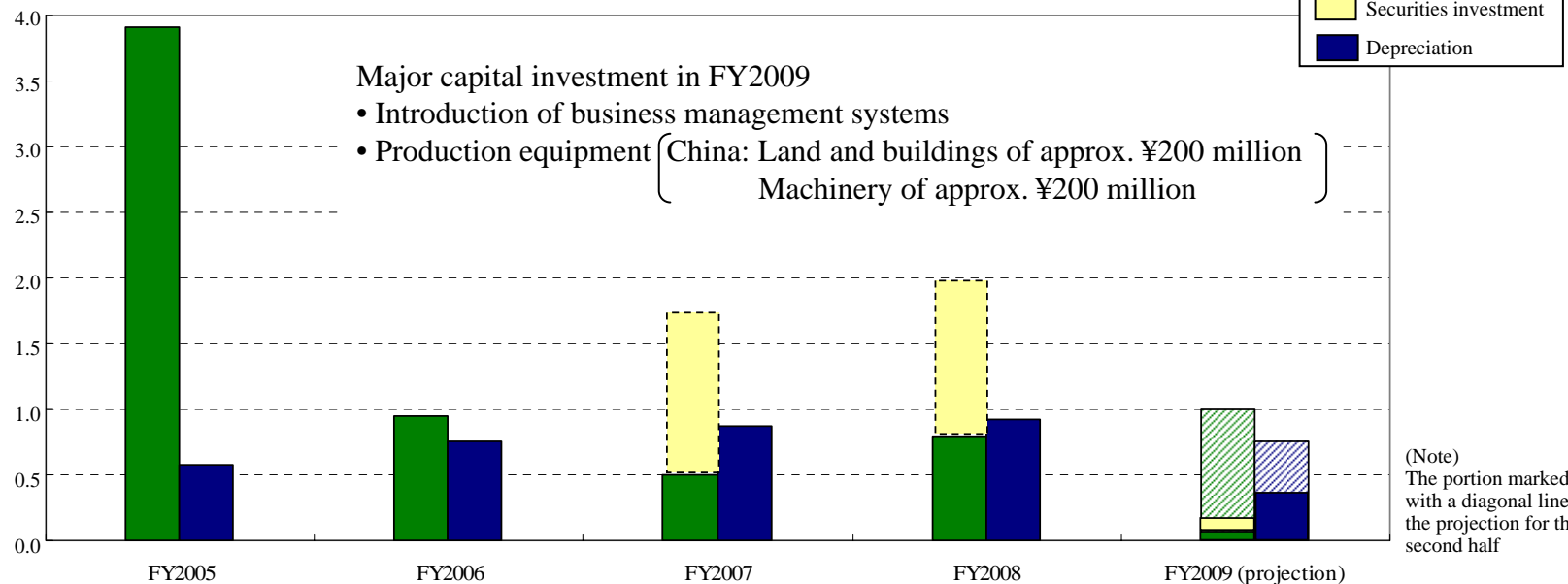
# (4) R&D Expenditures and Capital Investment

## R&D Expenditures

Billion yen



## Capital Investment, Equipment Finance and Depreciation



## 4. Major Issues

### (1) Development of New Products

FY2008:		
Five new models were released.		
	Manufactured in Japan	Manufactured in China
IT	P034H	B0124/204/125 /205
Automobile-related and other industrial machinery	G30-II VA31H VA35H	
FY2009:		
Eight new models are scheduled for release.		
	Manufactured in Japan	
IT	N8H      MB25    C180 VA35H-5AX	S205/206/207
Automobile-related and other industrial machinery	New G Series (3 models)	

# 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.

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