

Briefing on Financial Statements for the First Half of the Year Ending March 2009

November 10, 2008



TSUGAMI CORPORATION

(Securities Code: 6101)

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

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I. Business Conditions and OutlookP1 - P11

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- Major Consolidated Financial Indicators (based on closing interim balance)
- R&D Expenditures and Capital Investment

Summary of Financial Highlights (on a consolidated basis)

(Billion yen; %)

	FY2006			FY2007			FY2008 (Projections)		
	1 st half	2 nd half	Full-year	1 st half	2 nd half	Full-year	1 st half	2 nd half	Full-year
Net sales	18.5	18.1	36.6	13.6	14.9	28.5	15.3	13.2	28.5
Gross profit	4.8	4.4	9.2	3.0	3.4	6.4	3.3	-	-
(Gross profit margin)	(26.0)	(24.4)	(25.3)	(22.0)	(22.6)	(22.3)	(21.4)	-	-
Operating income	2.9	2.5	5.5	1.3	1.5	2.8	1.3	0.9	2.2
Ordinary income	3.0	2.6	5.5	1.3	1.5	2.8	1.3	0.9	2.2
(Ordinary income margin)	(16.0)	(14.4)	(15.1)	(9.3)	(10.0)	(9.7)	(8.7)	(6.8)	(7.7)
Net income	1.7	1.8	3.4	0.7	0.9	1.6	- 0.2	0.8	0.6

First-half operating results for FY2008

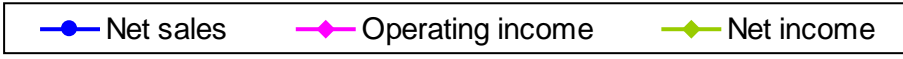
- (1) **Net sales** Up ¥1.7 billion from the first half of FY2007 (domestic sales down ¥0.5 billion, overseas sales up ¥2.2 billion)
Down ¥1.2 billion from the projection (because of sluggish domestic demand)
- Domestic demand: The environment for orders worsened from July (results fell below the net sales projection for the period).
- Overseas demand: Net sales remained firm in Europe, the United States and Asia, but are expected to weaken in the second half.
- (2) **Operating income** Up ¥30 million from the first half of FY2007
Down ¥0.7 billion from the projection
- Down ¥250 million because of lower operating capacity
- Down ¥450 million as a result of a decline in the cost rate
- (3) **Net income** Net loss of ¥200 million as a result of ¥1,163 million recorded as loss on valuation of shares

Full-year projections for FY2008:

- (1) **Net sales**
The order backlog is at a high level, but the current conditions for orders show signs of decline.
- Domestic demand: Recovery may be possible in the next or subsequent years.
- Overseas demand: Asia: Expected to weaken given the added effects of a worsening financial environment
Europe and the U.S.: Demand in Europe will enter a period of adjustment, while demand in the United States will fall on a relatively small scale.
- (2) **Operating income**
Operating income will be smaller than that in the first half, owing to lower operation capacity, but rising raw material prices will stabilize.

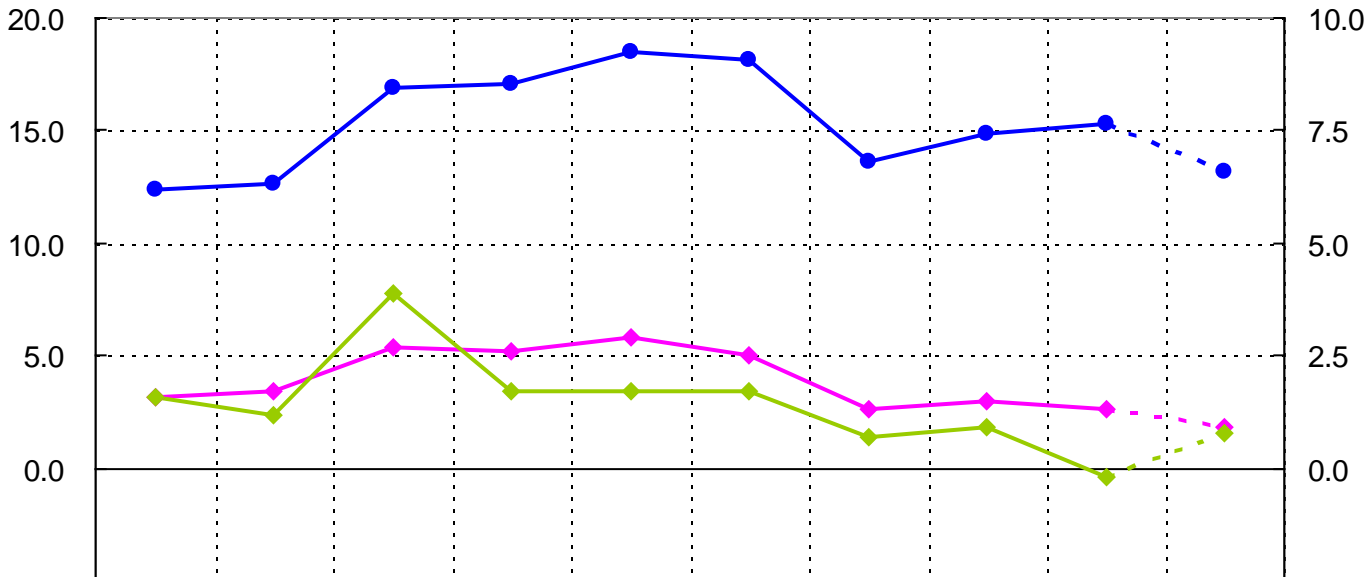
Change in Financial Indicators on a Semiannual Basis

Net sales / Income



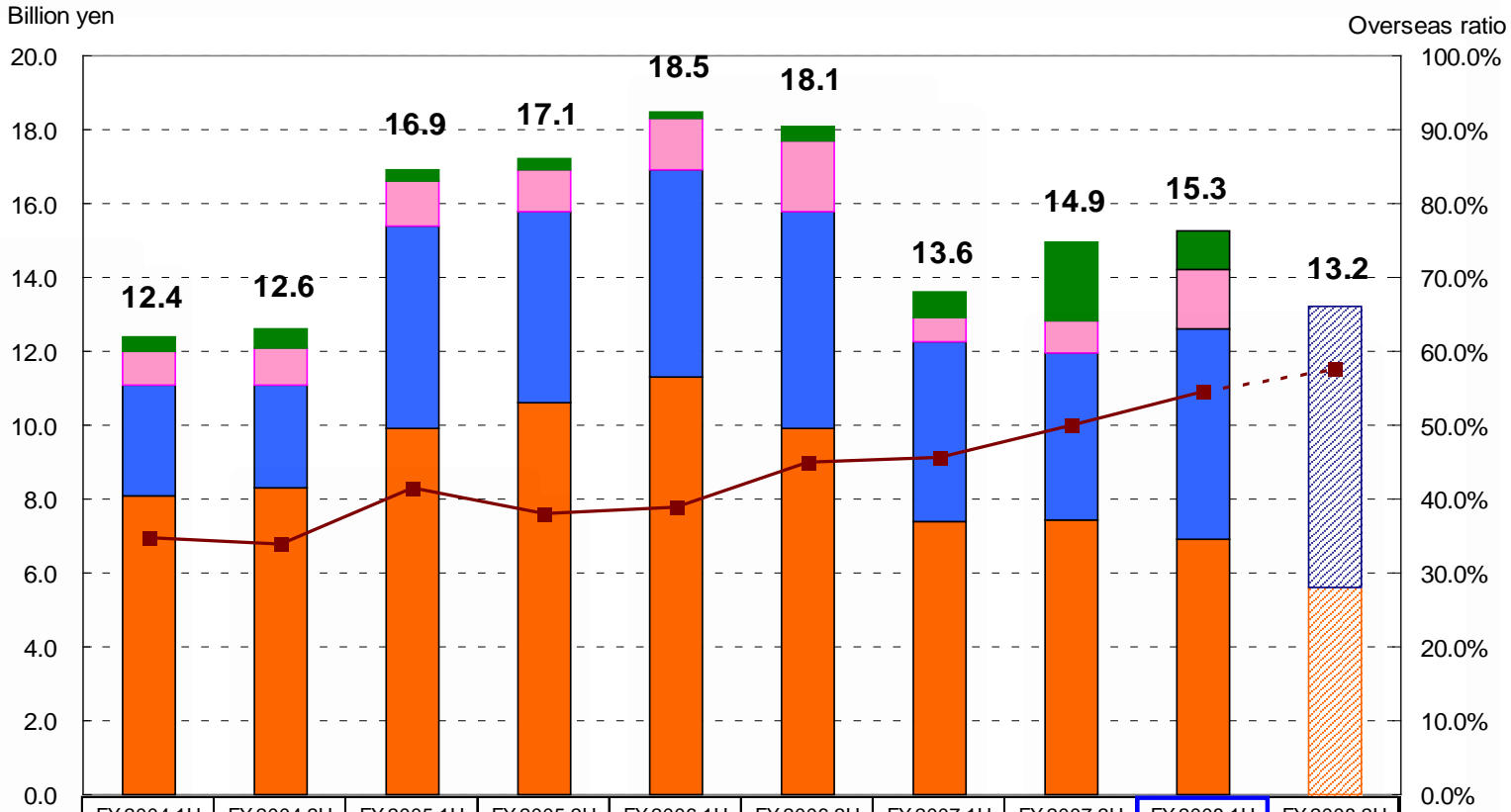
Net sales: Billion yen

Income: Billion yen



	FY 2004 1H	FY 2004 2H	FY 2005 1H	FY 2005 2H	FY 2006 1H	FY 2006 2H	FY 2007 1H	FY 2007 2H	FY 2008 1H	FY 2008 2H
● Net sales	12.4	12.6	16.9	17.1	18.5	18.1	13.6	14.9	15.3	13.2
◆ Operating income	1.6	1.7	2.7	2.6	2.9	2.5	1.3	1.5	1.3	0.9
◆ Net income	1.6	1.2	3.9	1.7	1.7	1.7	0.7	0.9	-0.2	0.8

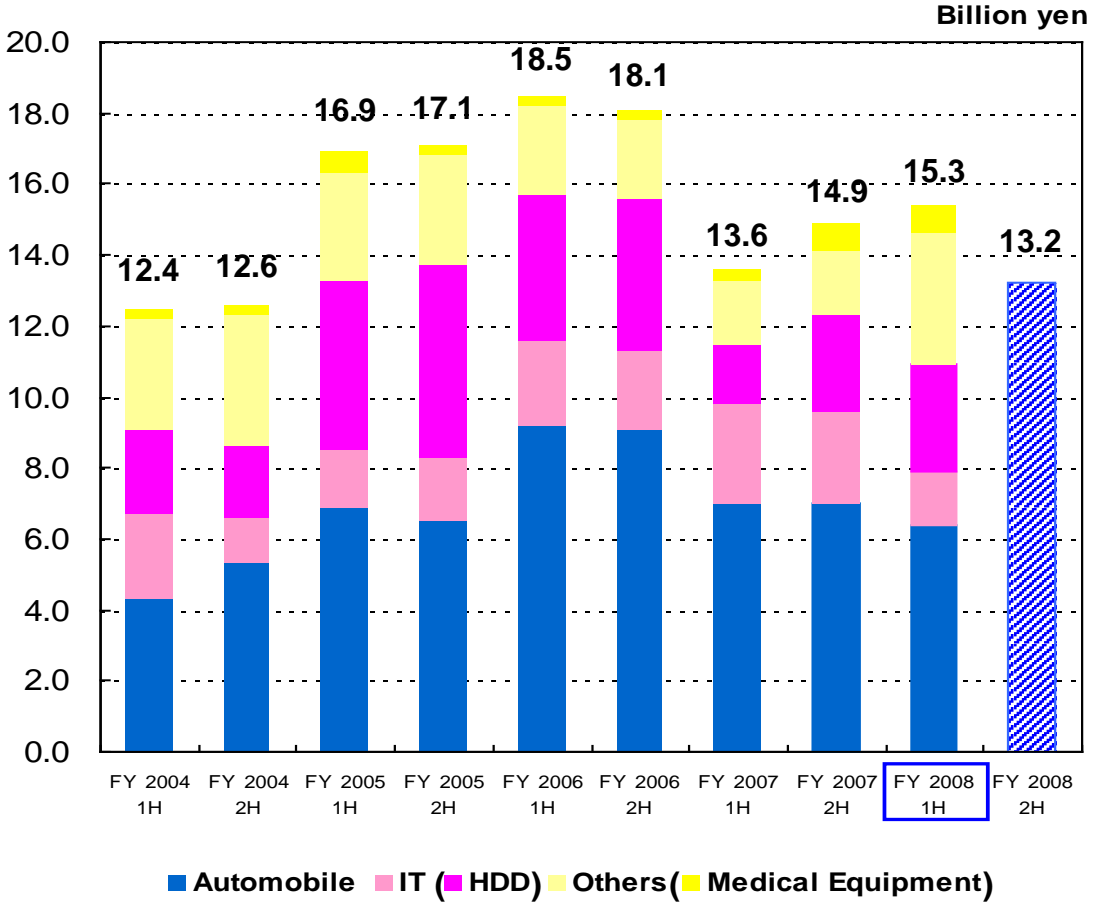
Net Sales by Geographic Segment



	FY 2004 1H	FY 2004 2H	FY 2005 1H	FY 2005 2H	FY 2006 1H	FY 2006 2H	FY 2007 1H	FY 2007 2H	FY 2008 1H	FY 2008 2H
Europe	0.4	0.5	0.3	0.3	0.2	0.4	0.7	2.1	1.0	
U.S.A.	0.9	1.0	1.2	1.1	1.4	1.9	0.7	0.9	1.6	
Asia	3.0	2.8	5.5	5.2	5.6	5.8	4.9	4.5	5.7	13.2
Total foreign demand	4.3	4.3	7.0	6.6	7.2	8.1	6.2	7.5	8.4	
Total domestic demand	8.1	8.3	9.9	10.6	11.3	10.0	7.4	7.4	6.9	
overseas ratio	34.7%	34.0%	41.6%	38.1%	39.0%	44.7%	45.7%	50.1%	54.6%	—

Changes in Net Sales by Business Segment

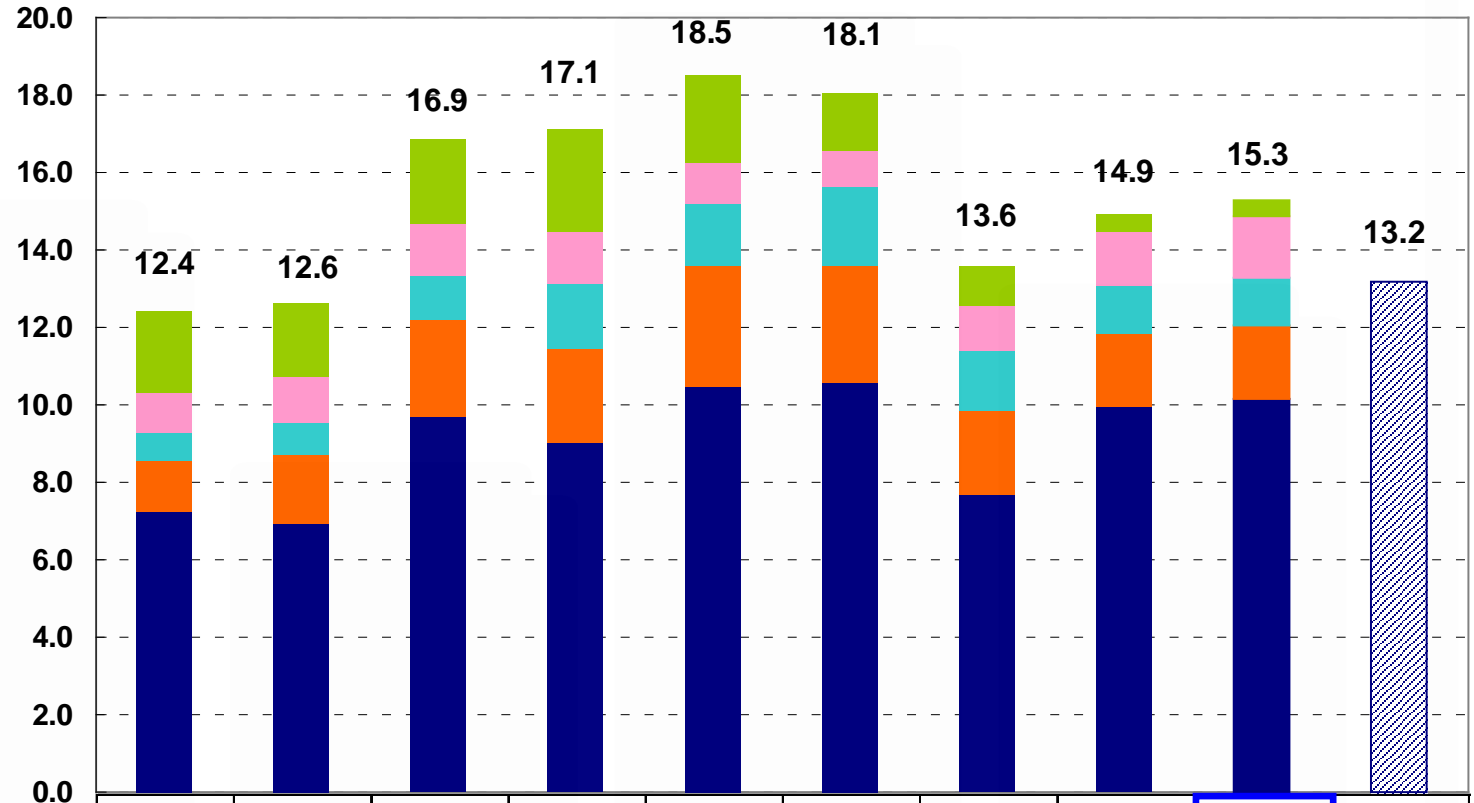
Net Sales by Business Segment
(on a semiannual basis)



- (1) Automobile: Signs of weakness were observed overall, but net sales for businesses related to eco cars, including hybrid cars and turbo charger units, remained relatively firm.
- (2) IT: Production conditions were favorable for HDD related businesses, but there were minor delays in the periods for production increase and facility expansion.
- (3) Others: Solid net sales continued for medical equipment and aircraft parts.

Changes in Net Sales by Machinery Category

Billion yen

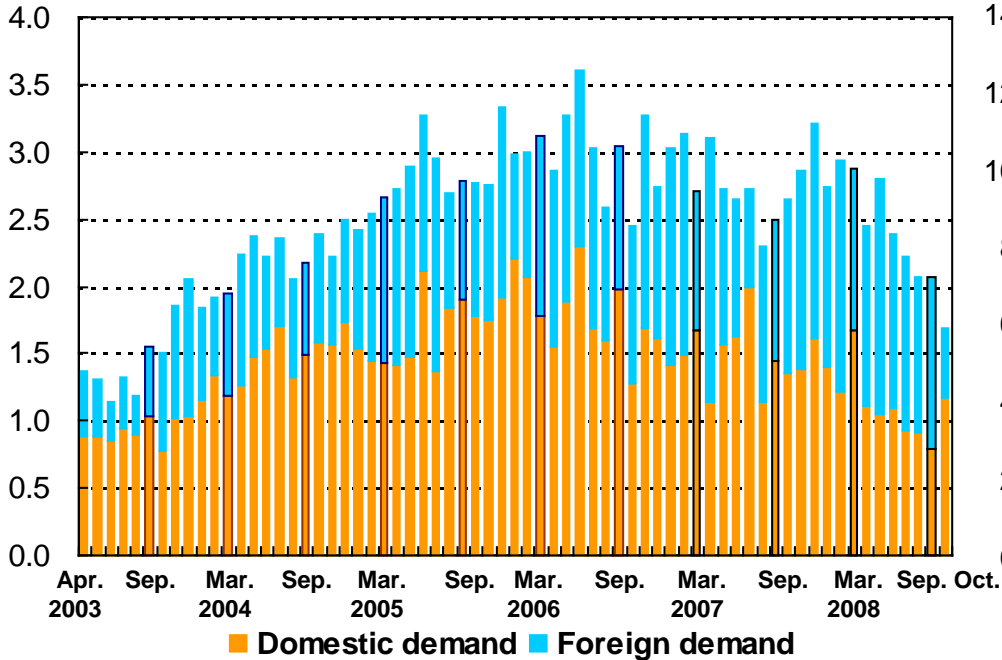


	FY 2004 1H	FY 2004 2H	FY 2005 1H	FY 2005 2H	FY 2006 1H	FY 2006 2H	FY 2007 1H	FY 2007 2H	FY 2008 1H	FY 2008 2H
Automatic lathes	7.3	6.9	9.7	9.0	10.5	10.6	7.7	9.9	10.2	13.2
Grinding machines	1.3	1.8	2.5	2.4	3.1	3.0	2.1	1.9	1.9	
Machining centers	0.7	0.8	1.2	1.7	1.6	2.0	1.5	1.2	1.2	
Rolling machines, etc.	1.0	1.2	1.3	1.3	1.0	0.9	1.2	1.4	1.6	
Other businesses	2.1	1.9	2.2	2.7	2.3	1.5	1.0	0.4	0.4	
Total net sales	12.4	12.6	16.9	17.1	18.5	18.1	13.6	14.9	15.3	

Orders

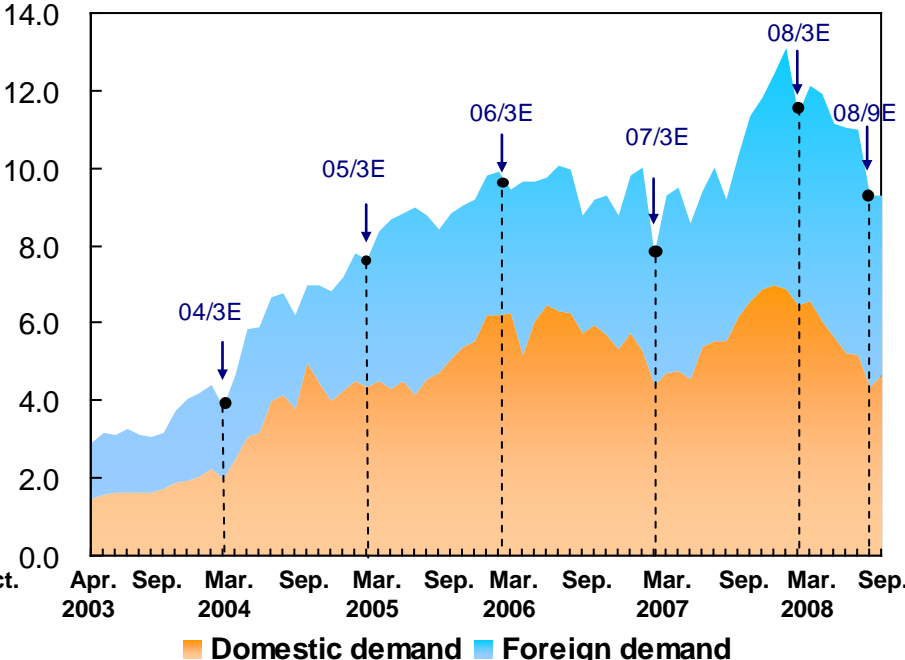
Orders Received

Billion yen



Order Backlogs

Billion yen



Orders are showing signs of weakness in Japan and abroad.
 Financial and exchange markets are stabilizing, and recovery to a certain level is expected. (We are receiving many inquiries.)

Consolidated Balance Sheets

Billion yen

	07/9	FY2007 (31-Mar-08)	08/9		07/9	FY2007 (31-Mar-08)	08/9
Current Assets	22.7	22.7	21.9	Current Liabilities	8.5	9.9	9.2
Cash and bank deposits	3.1	3.4	2.9	Trade note & accounts payable	7.2	8.2	7.8
Trade note & accounts receivables	11.0	9.7	8.6	Short-term borrowings	—	—	—
Inventories (Note)	8.1	9.0	9.6	Income taxes payable	0.4	0.7	0.1
Other current assets	0.5	0.6	0.8	Other current liabilities	0.9	1.0	1.3
Fixed Assets	10.0	10.0	9.7	Long-term Liabilities	1.0	0.9	0.9
Tangible fixed assets	7.3	7.0	6.9	Total Liabilities	9.5	10.8	10.1
Investments and other assets	2.7	3.0	2.8	Common stock	10.6	10.6	10.6
				Capital surplus	4.2	4.1	4.1
				Retained earnings	10.9	6.9	6.4
				Treasury stocks	- 3.1	- 0.0	- 0.0
				Difference in valuation of securities	0.5	0.1	0.1
				Subscription rights to share	0.1	0.2	0.3
				Total Net Assets	23.2	21.9	21.5
Total Assets	32.7	32.7	31.6	Total Liabilities and Net Assets	32.7	32.7	31.6

(Note) Changes in inventories by location

Major Turnover period	06/3	06/9	07/3	07/9	08/3	08/9
Trade receivables turnover period	5.0 months	4.4 months	4.8 months	4.9 months	3.9 months	3.4 months
Inventory turnover period	2.8 months	2.3 months	2.5 months	3.6 months	3.6 months	3.8 months
Trade payables turnover period	3.1 months	2.7 months	3.0 months	3.2 months	3.3 months	3.1 months

(Ending balance method using average net sales for six months)

	30-Sep-08	Y-o-Y change	Compared with 31-Mar-08
Inventories	9.6	+ 1.5	+ 0.5
Japan	8.2	+ 0.6	- 0.3
U.S.A.	0.7	+ 0.5	+ 0.5
China	0.6	+ 0.4	+ 0.3

Consolidated Statements of Cash Flows

Billion yen

	07/9	08/9	Year-over-year increase/decrease
Cash flows from operating activities	1.0	(Note1) 0.99	-0.01
Cash flows from investing activities	-0.67	(Note2) -1.12	-0.45
Cash flows from financing activities	-0.85	(Note3) -0.34	0.51
Exchange difference of cash and cash equivalents	—	0.00	0.00
Cash and cash equivalents at beginning of term	3.50	3.35	0.15
Cash and cash equivalents at end of term	2.98	2.88	-0.10

FY2008 1H Notes

Cash flows from operating activities (Note 1)

Income before income taxes	- 0.05
Depreciation and amortization	0.45
Loss on valuation of securities	1.16
Impairment loss	0.10
Other	0.03
(Subtotal)	(1.69)
Decrease in trade receivables	1.08
Increase in inventories	- 0.62
Decrease in trade payables	- 0.49
(Subtotal)	(- 0.03)
Taxes paid	- 0.67

Cash flows from investing activities (Note 2)

Sale of corporate housing	0.16
Other	0.05
(Subtotal)	(0.21)
Purchase of machinery&equipment	- 0.17
Acquisition of land for Niigata Factory	- 0.05
Floor expansion at Chinese factory	- 0.08
Purchase of investment securities	- 0.98
Other	- 0.05
(Subtotal)	(-1.33)

Cash flows from financing activities (Note 3)

Cash dividends paid	- 0.34
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Major Consolidated Financial Indicators (based on closing interim balance)

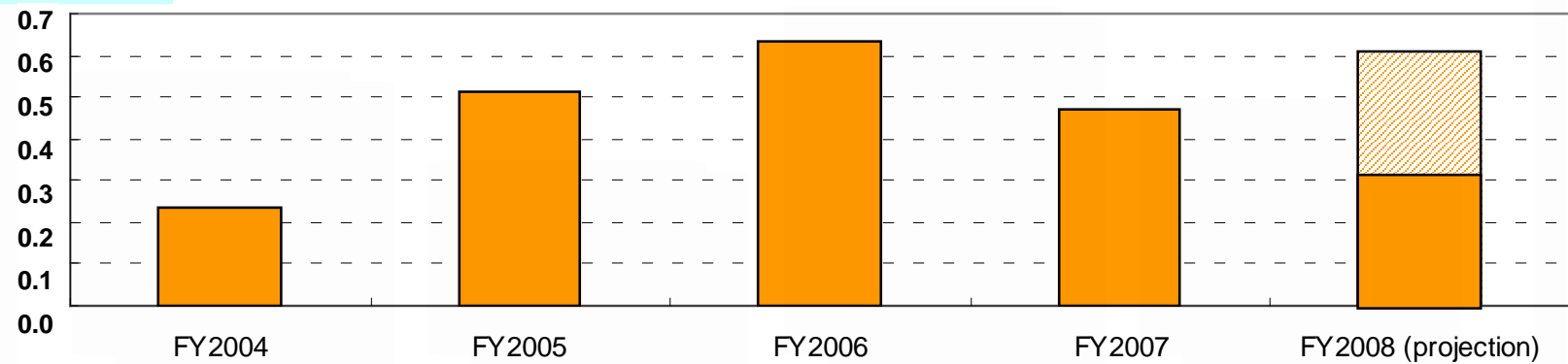
Yen

	06/9	07/9	08/9
Book-value per share (BPS)	260.8	293.7	312.2
Book-value per share (excluding treasury stock)	311.7	322.5	312.5
Earnings per share (EPS)	19.4	9.3	-2.8
Earnings per share (excluding treasury stock)	23.2	10.2	-2.8
Equity ratio	66.0%	70.5%	67.3%
Ratio of ordinary income to total assets (Semiannual basis)	8.4%	3.9%	4.2%
Ratio of ordinary income to net sales	16.0%	9.3%	8.7%

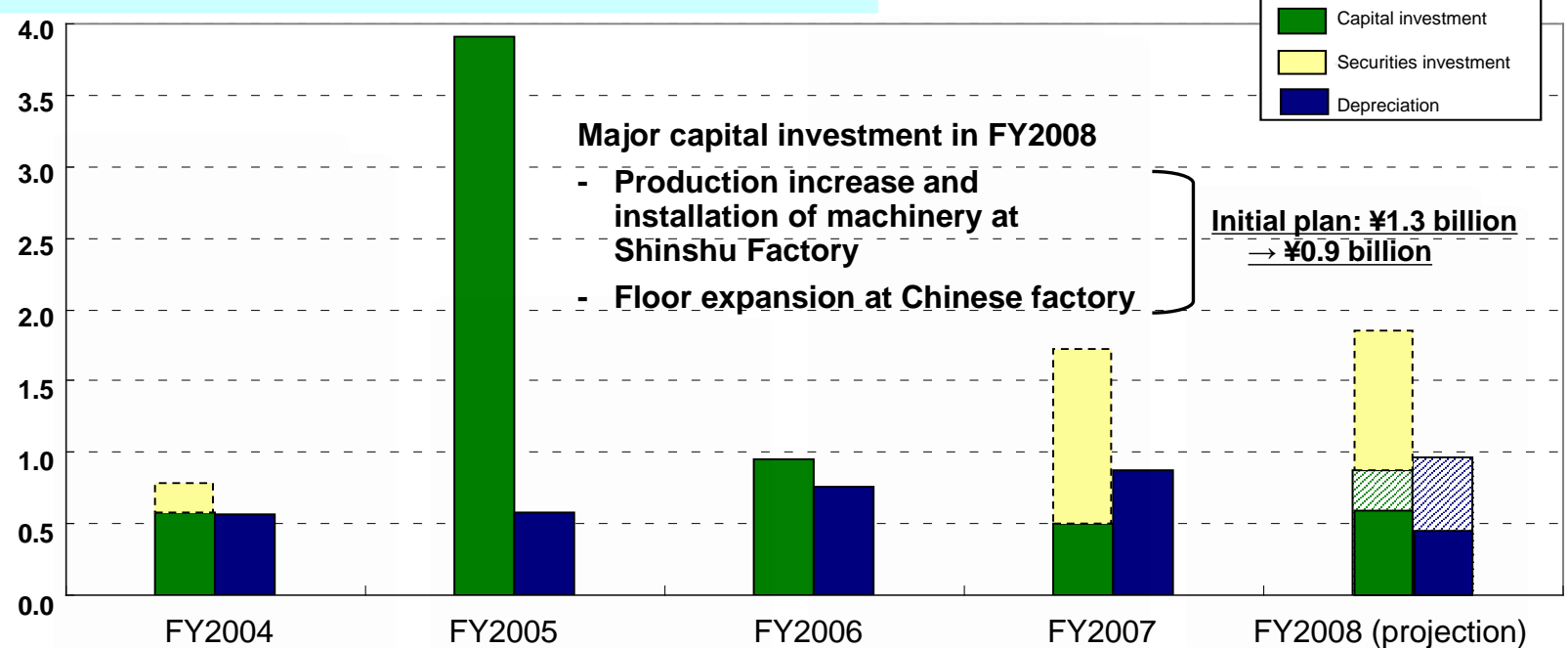
R&D Expenditures and Capital Investment

R&D Expenditures

Billion yen



Capital Investment, Equipment Finance and Depreciation



II. Key Initiatives and PoliciesP12 - P14

1. Product Development

2. Service Improvement

1. Product Development: Release and Sales Expansion of New Products In Growth Areas

FY2007: Five new models were released.			
	IT	C15-II	C18L P03
	Automobile-related and other industrial machinery	SS20 (HS20)	SS32
FY2008: Five new models are scheduled for release.			
	IT	P034H	B0124/204/125/205
	Automobile-related and other industrial machinery	G30-II VA31H/35H	BS125H/126H/205 H/206H

2. Service Improvement



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