

Briefing on Financial Statements for the First Half of the Year Ending March 2016



November 12, 2015

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1. Business performance for the First Half of the Year Ending March 31, 2016	P. 2 - 6
(1) Business Results	
(2) Net Sales by Geographic Segment	
(3) Net Sales by Business Segment	
(4) Balance Sheets	
(5) Cash flows	
2. Business Conditions and Outlook	P. 7 - 9
(1) Outlook for Fiscal Year Ending March 31, 2016	
(2) New Products	
(3) R&D Expenditures, Capital Investment and Depreciation	
3. Business Strategies and Capital Policy	P. 10 - 13
(1) Business Strategies	
(2) Sales situation breakdown	
(3) Capital Policy	
(4) Shareholder Returns	
4. Reference	P. 14 - 16
Net Sales by Machinery Category	
Orders Received and Order Backlogs	
Factories in China and India	

1. Business performance for the First Half of the Year Ending March 31, 2016

(1) Business Results

Overview of First half of FY2016/3

[Net sales] -8.6bn yen (-29%)YoY; -4.9bn yen (-19%) vs. Initial forecast

There was large IT-related demand a year ago. The Chinese market started to slow in the 2Q.

[Net income] -2.7bn yen (-80%) YoY; -1.6bn yen (-70%) vs. Initial forecast

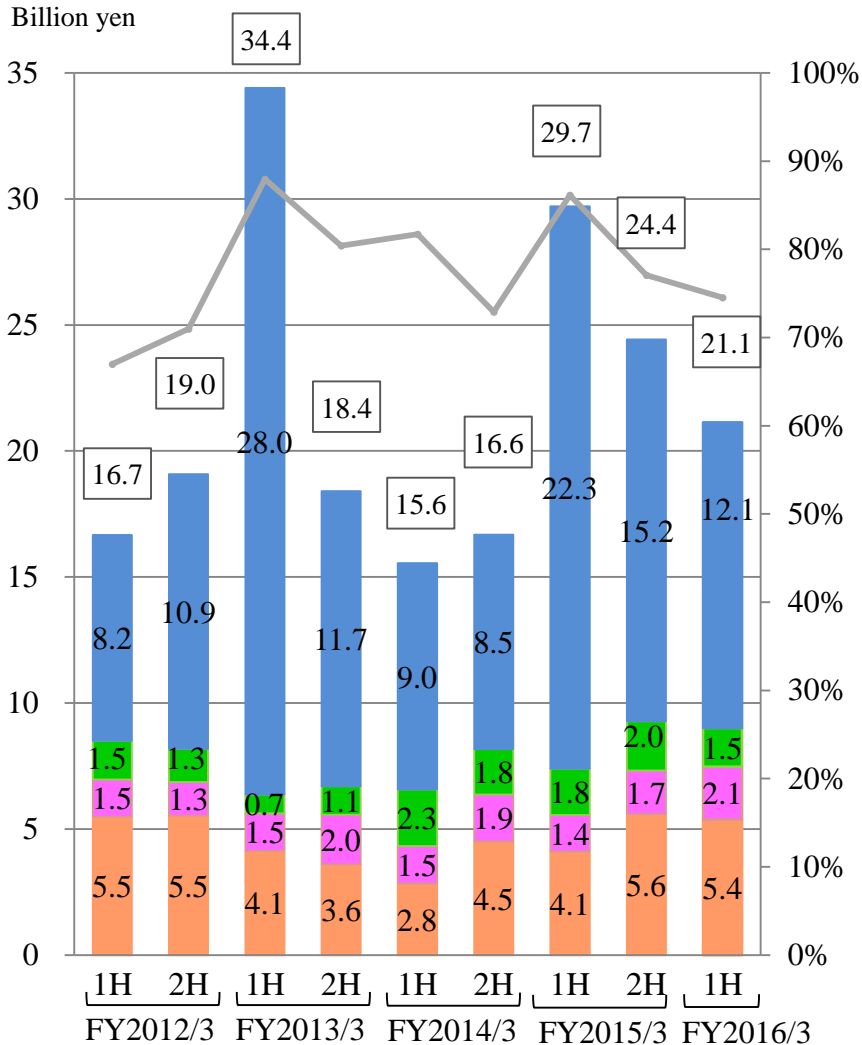
Sales declined. The cost rate worsened due to production adjustments.

Additional social insurance premiums were posted in association with overtime working hours at subsidiary in the 1Q.

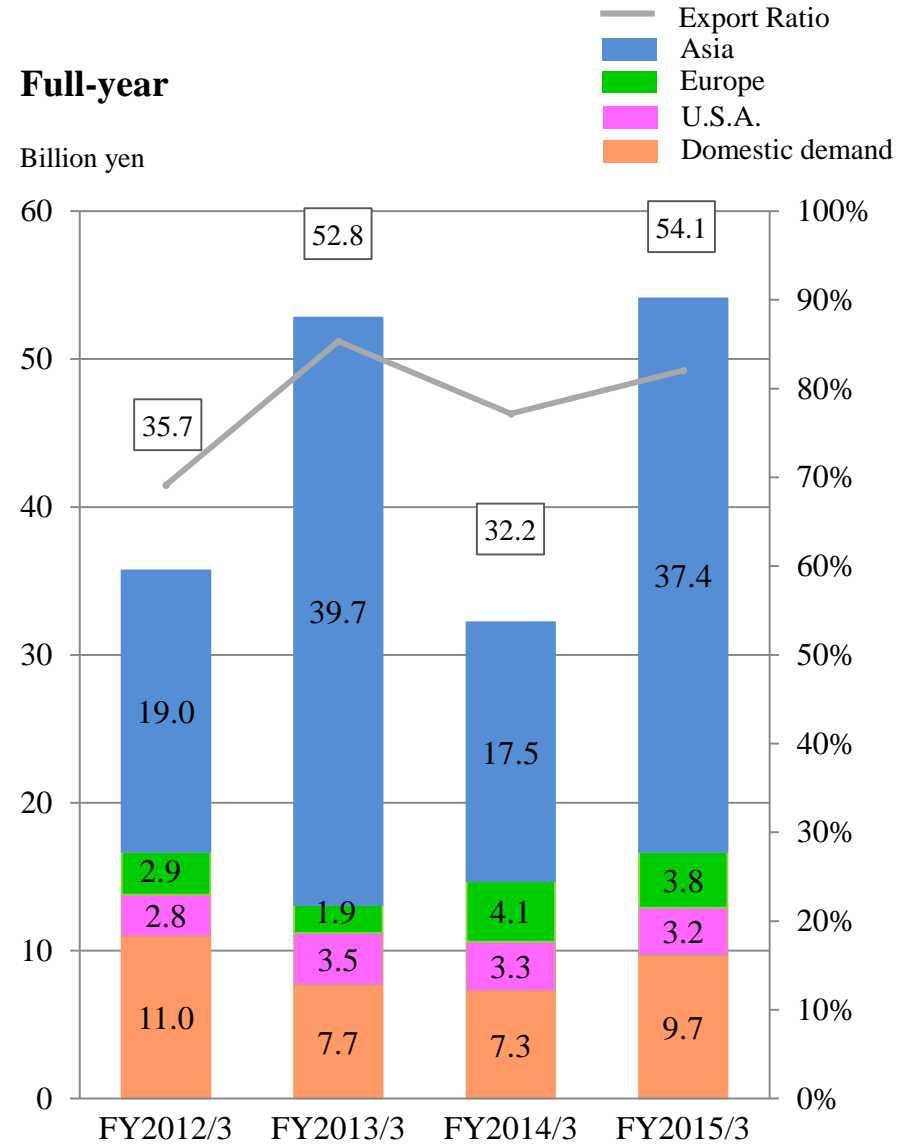
	FY2015/3 (2014/4 – 2015/3)			1H of FY2016/3 (2015/4 – 2015/9)			
	1H	2H	Full-year	1H	Year-on-Year	Initial forecasts	Difference from initial forecasts
Net sales	29.7	24.4	54.1	21.1	-8.6	26.0	-4.9
Gross profit (Gross profit margin)	8.0 (27.0%)	6.2 (25.4%)	14.2 (26.3%)	5.2 (24.7%)	-2.8 (-2.4%)	-- (-)	-- (-)
Operating income (Operating income margin)	4.8 (16.0%)	2.5 (10.2%)	7.3 (13.4%)	1.3 (6.2%)	-3.4 (-9.8%)	3.6 (13.8%)	-2.3 (-7.6%)
Ordinary income (Ordinary income margin)	4.9 (16.4%)	2.8 (11.7%)	7.7 (14.3%)	0.8 (4.0%)	-4.0 (-12.4%)	3.4 (13.1%)	-2.6 (-9.1%)
Net income (Net income margin)	3.4 (11.5%)	1.9 (7.7%)	5.3 (9.8%)	7.0 (3.2%)	-2.7 (-8.2%)	2.3 (8.8%)	-1.6 (-5.6%)
Net income per share	47.2 yen	27.2 yen	74.4 yen	10.1 yen	-37.1 yen	33.6 yen	-23.5 yen

(2) Net Sales by Geographic Segment

Six-month



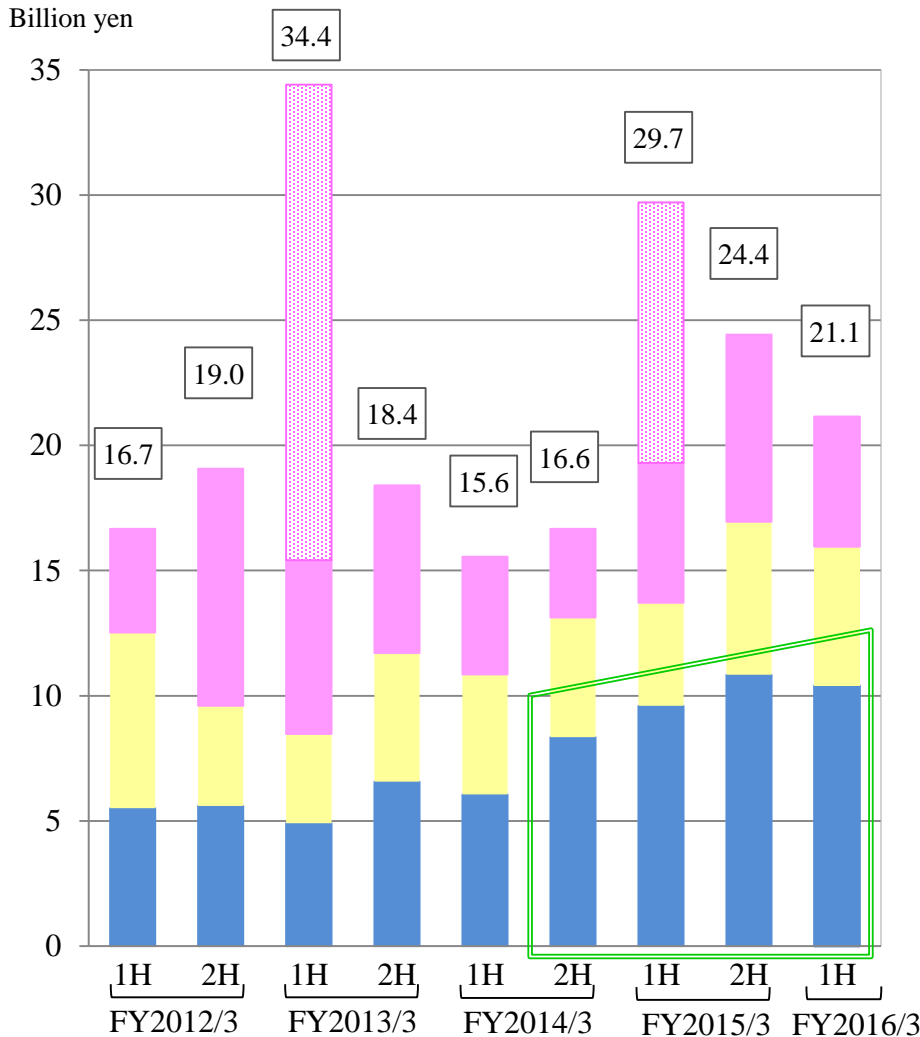
Full-year



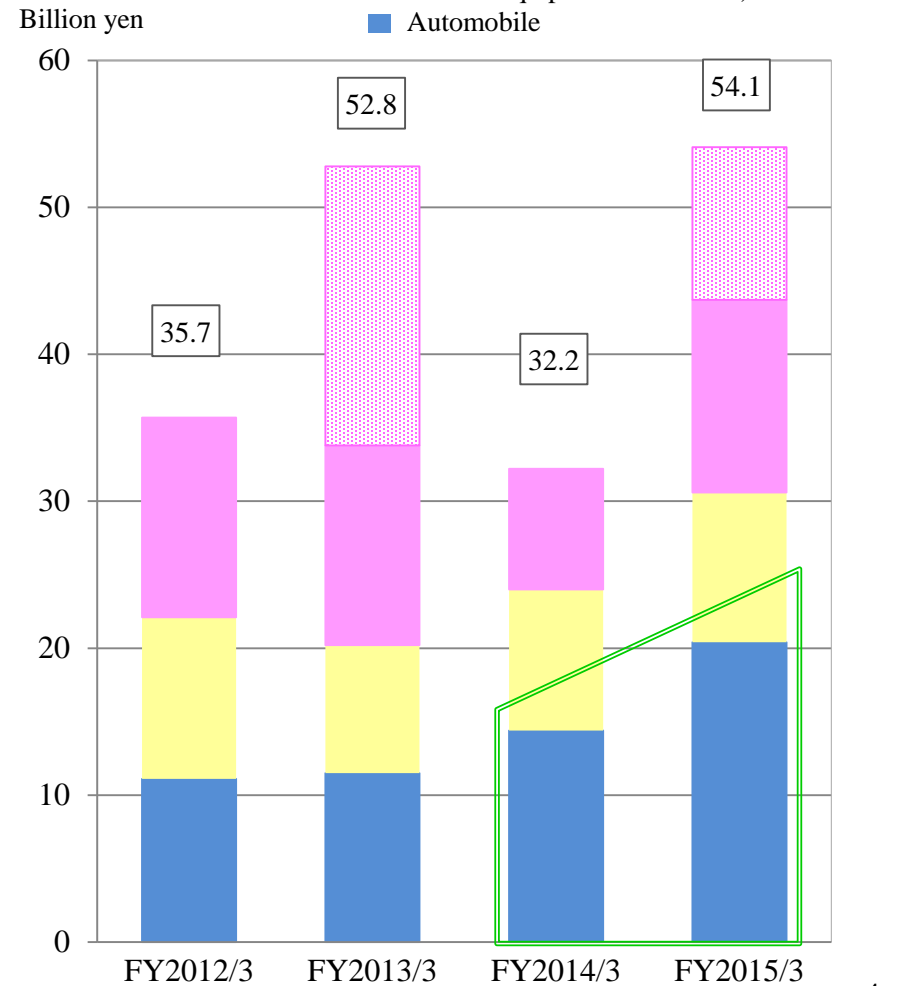
(3) Net Sales by Business Segment

Aiming to boost sales by launching new products for automobile parts in 3Q of FY2014/3.

Six-month



Full-year



(4) Balance Sheets

Billion yen

	2014/9E	2015/3E	2015/9E	Difference from 2015/3E
Total assets	60.9	56.8	56.7	-0.1
Current assets	43.3	36.8	37.7	+0.9
Cash and deposits	3.8	5.2	4.2	-1.0
Trade notes and accounts receivable	14.4	7.1	6.2	-0.9
Inventories	23.5	22.7	25.6	+2.9
Deferred tax assets and others	1.6	1.8	1.7	-0.1
Fixed assets	17.6	20.0	19.0	-1.0
Tangible fixed assets	11.1	11.4	11.1	Note 1 -0.3
Intangible fixed assets	0.7	0.8	0.7	-0.1
Investments and other assets	5.8	7.8	7.2	Note 2 -0.6
Total liabilities	25.7	19.5	22.5	+3.0
Current liabilities	24.3	17.8	21.3	+3.5
Trade notes and accounts payable	13.0	8.3	10.4	+2.1
Short-term borrowings	8.5	6.9	8.4	+1.5
Accrued income tax and others	2.8	2.6	2.5	-0.1
Long-term liabilities	1.4	1.7	1.2	-0.5
Total net assets	35.2	37.3	34.2	-3.1
Common stock, Capital surplus	18.2	18.2	18.2	0.0
Retained earnings	14.5	16.0	16.1	+0.1
Treasury shares	-1.2	-2.7	-4.8	Note 3 -2.1
Unrealized gains on marketable securities	1.6	2.8	1.9	-0.9
Translation adjustments and others	2.1	3.0	2.8	-0.2
Capital adequacy ratio	56.7%	64.1%	58.8%	-5.3%

Note 1

Storehouse in China factory and others:

+ 0.1

Production machines: + 0.3

Depreciation and others: - 0.6

Effect of exchange rate: - 0.1

Note 2

Valuation of investment securities:

- 0.9

Loan to India subsidiary: + 0.3

Note 3

Number of treasury shares (thousand):

5,285 → 8,050 (+2,765)

(5) Cash flows

Billion yen

	FY2014 1H (2014/4 - 2014/9)	FY2014 2H (2014/10 - 2015/3)	FY2015 1H (2015/4 - 2015/9)	
Cash flows from operating activities	-2.8	5.9	1.3	Note 1
Income before taxes, depreciation and amortization	5.4	3.4	Note 1 1.5	<u>Income before taxes: 0.89</u> <u>Depreciation and amortization: 0.57</u>
Gross working capital	-6.7	3.6	Note 2 0.4	Note 2
Corporate and other taxes	-1.5	-1.1	-0.6	<u>Notes and accounts receivable: 0.78</u> <u>Notes and accounts payable: 2.33</u> <u>Inventories: -3.32</u> <u>Other current assets: 0.62</u>
Cash flows from investing activities	-1.0	-0.7	-0.9	
Capital investment in factories	-1.1	-0.3	Note 3 -0.3	
Indian subsidiary	--	-0.3	Note 4 -0.3	Note 3
Purchase of investment securities and others	0.1	-0.1	-0.3	<u>Production machines in China: -0.24</u> <u>Production machines in Japan: -0.05</u>
Cash flows from financing activities	1.4	-4.2	-1.3	Note 4
Short-term borrowings	2.0	-2.2	1.5	<u>Long-term loans: -0.33</u>
Dividends paid	-0.4	-0.5	-0.6	Note 5
Purchase of treasury shares	-0.3	-1.5	Note 5 -2.2	<u>2,967 thousand shares purchased</u>
Translation differences for cash and cash equivalents	0.06	0.3	-0.04	
Net increase (decrease) in cash and cash equivalents	-2.4	1.3	-0.9	
Cash and cash equivalents at the end of the term	3.6	4.9	4.1	

2. Business Conditions and Outlook

(1) Outlook for Fiscal Year Ending March 31, 2016

Outlook for FY2016/3

- Steady in Japan, Europe, and the United States. The Chinese market will slow.
- Products for auto parts will continue to perform well. Turret lathes will boost results.
Demand related to smartphones, is not factored in.
- Planning to sell main spindles outside the Group. (The sales are expected to contribute to results from the next fiscal year.)

Billion yen

	Semi-annually				Full-year				
	FY2014 1H	FY2014 2H	FY2015 1H	FY2015 2H Revised forecasts	FY2014	FY2015 Revised forecasts	Year-on-year	FY2015 Initial forecasts	Difference from initial forecasts
Net sales	29.7	24.4	21.1	20.9	54.1	42.0	-12.1	54.0	-12.0
Operating income	4.8	2.5	1.3	1.7	7.3	3.0	-4.3	7.5	-4.5
(Operating income margin)	(16.0%)	(10.2%)	(6.2%)	(8.0%)	(13.4%)	(7.1%)	(-6.3%)	(13.9%)	(-6.8%)
Ordinary income	4.9	2.8	0.8	1.7	7.7	2.5	-5.2	7.0	-4.5
(Ordinary income margin)	(16.4%)	(11.7%)	(4.0%)	(8.0%)	(14.3%)	(6.0%)	(-8.4%)	(13.0%)	(-7.0%)
Net income	3.4	1.9	0.7	1.1	5.3	1.8	-3.5	4.8	-3.0
(Net income margin)	(11.5%)	(7.7%)	(3.2%)	(5.4%)	(9.8%)	(4.3%)	(-5.5%)	(8.9%)	(-4.6%)
Net income per share	47.2 yen	27.2 yen	10.1 yen	16.7 yen	74.4 yen	26.8 yen	-47.6 yen	70.3 yen	-43.5 yen

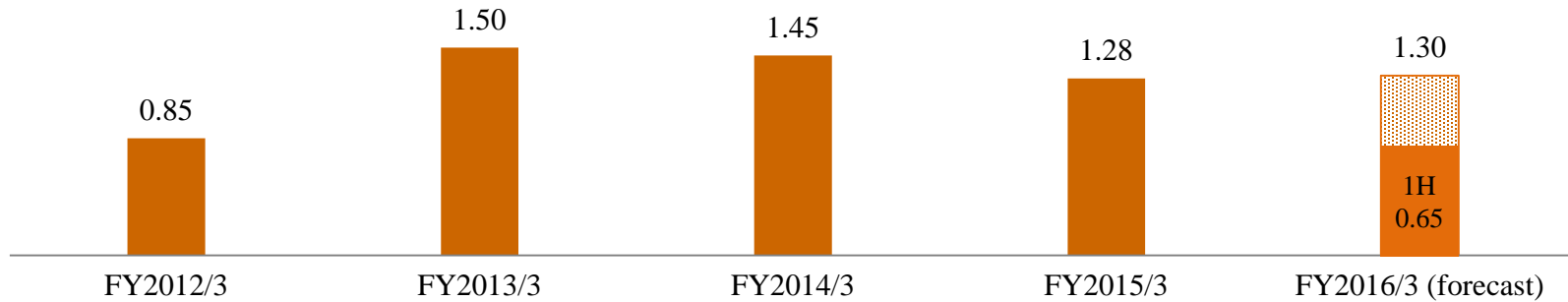
(2) New Products

		Orders start	Main target
Released in FY2015/3	Automatic lathes B0203/B0204/B0205/B0206-III, B0123/124/125/126-III, B073/74/75-III	4Q of FY2015/3	IT, Automobile small sized parts and Others
	Automatic lathes B0208W, C300-IV, C300H	3Q of FY2015/3	IT, Automobile small sized parts and Others
	Turning center TMA8J, TMA8H	3Q of FY2015/3	Automobile parts and Others
Scheduled for release in FY2016/3	Automatic lathes B0165	2Q of FY2016/3	IT, Automobile small sized parts and Others
	Automatic lathes M06/08J-II, M06/08D-II, M06/08SD-II, M06/08SY-II	2Q of FY2016/3	Automobile parts and Others
	Automatic lathes BW209Z	3Q of FY2016/3	IT, Automobile small sized parts and Others
	Turning center TMA8JC, TMA8H-5AX	3Q of FY2016/3	IT, Automobile parts and Others

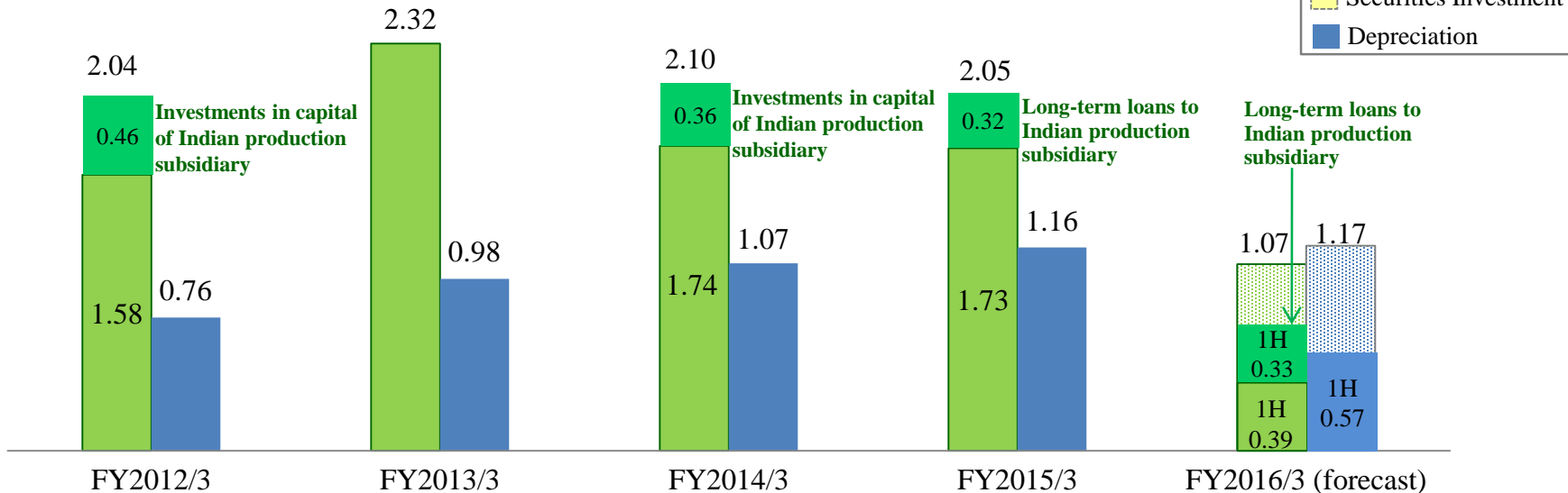
(3) R&D Expenditures, Capital Investment and Depreciation

Billion yen

R&D Expenditures



Capital Investment and Depreciation



3. Business Strategies and Capital Policy

(1) Business Strategies

■ Product development strategy

➤ Launching new products in growth fields

Enhance the main products and accelerate launches of new products

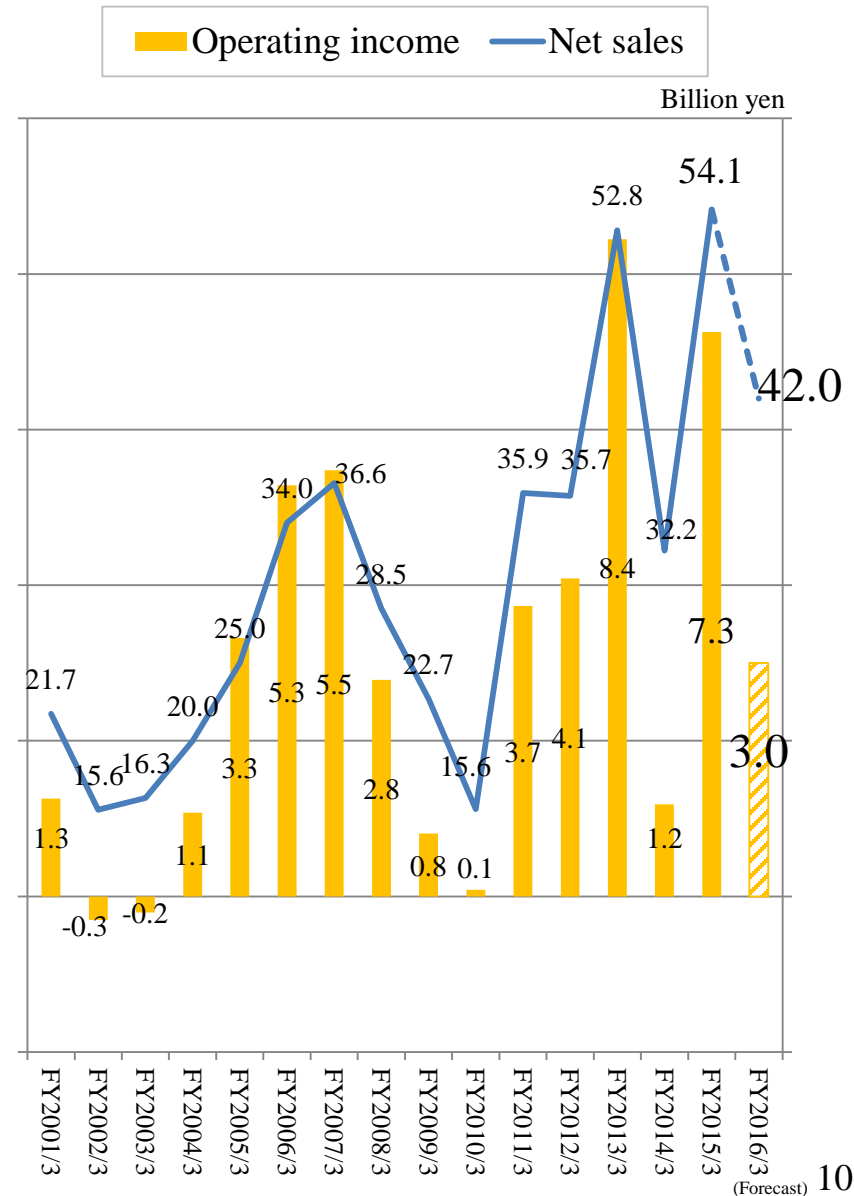
- for IT and Electronic components: Continuing to focus on core markets
- for Automobile parts: Increasing sales level based on its stable demand
- for Complicated parts (Medical equipment, Aircraft components etc.)
- Other new products

■ Regional strategy

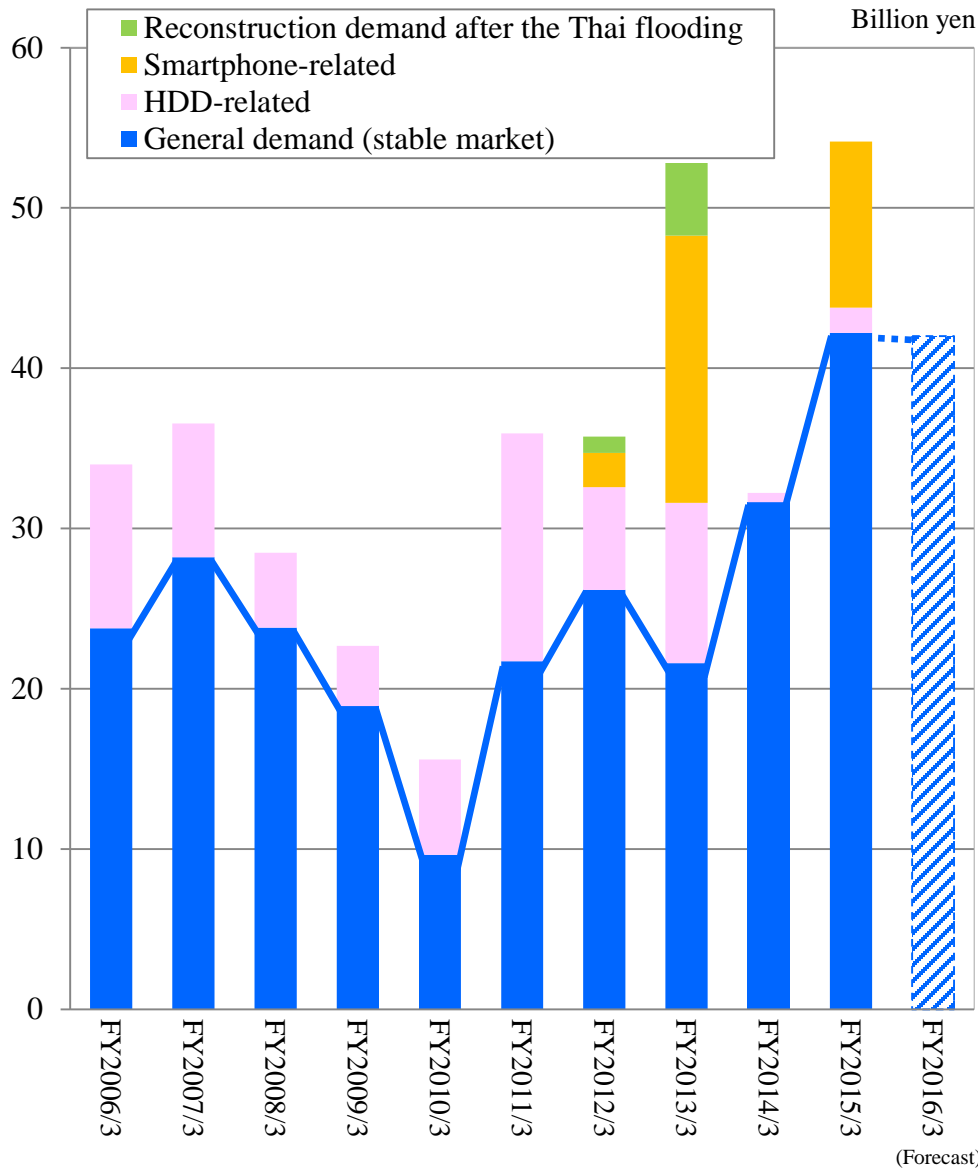
➤ Business strategy targeting growing areas

Enhance production and sales in global markets

- Expanding the production categories of machinery manufactured and further strengthening production efficiency in China.
- Raising volume production and Reinforcement of sales system in India: Developing markets with TSUGAMI India
- Strengthening sales capabilities in Europe:
Increasing sales and service staff at TSUGAMI EUROPE GmbH

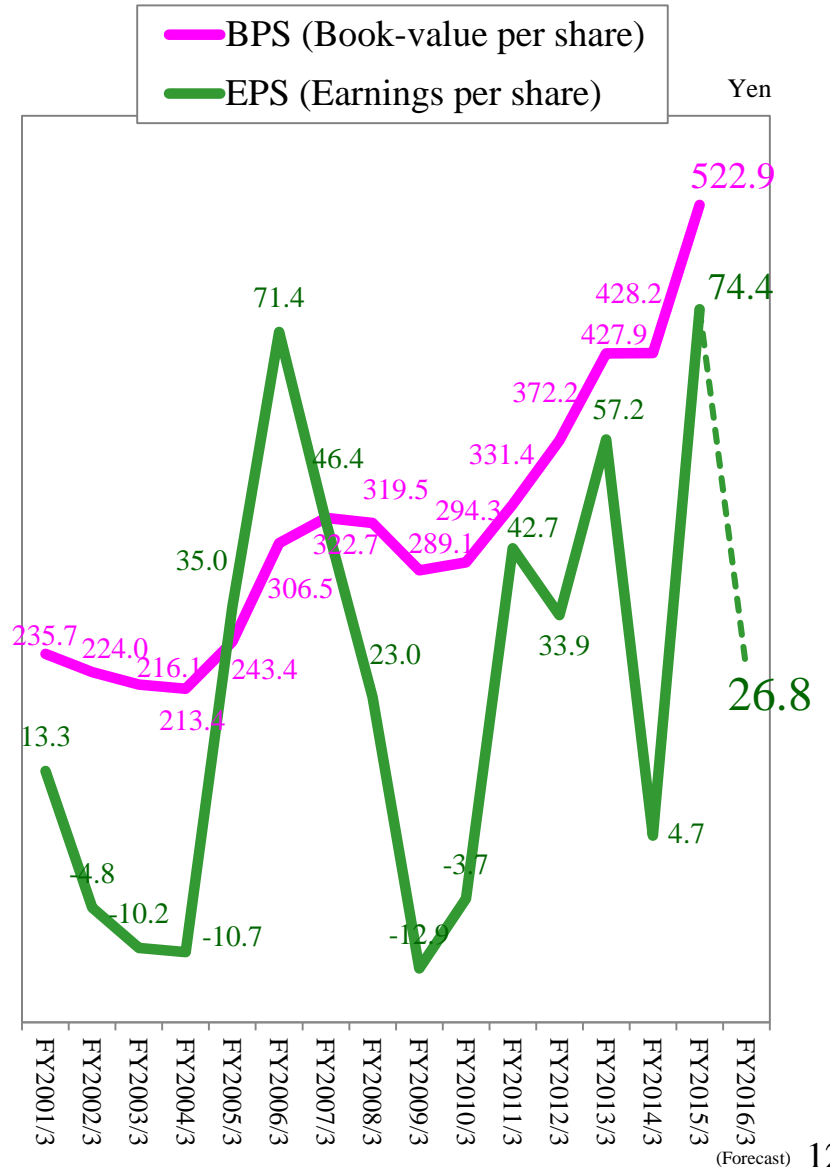
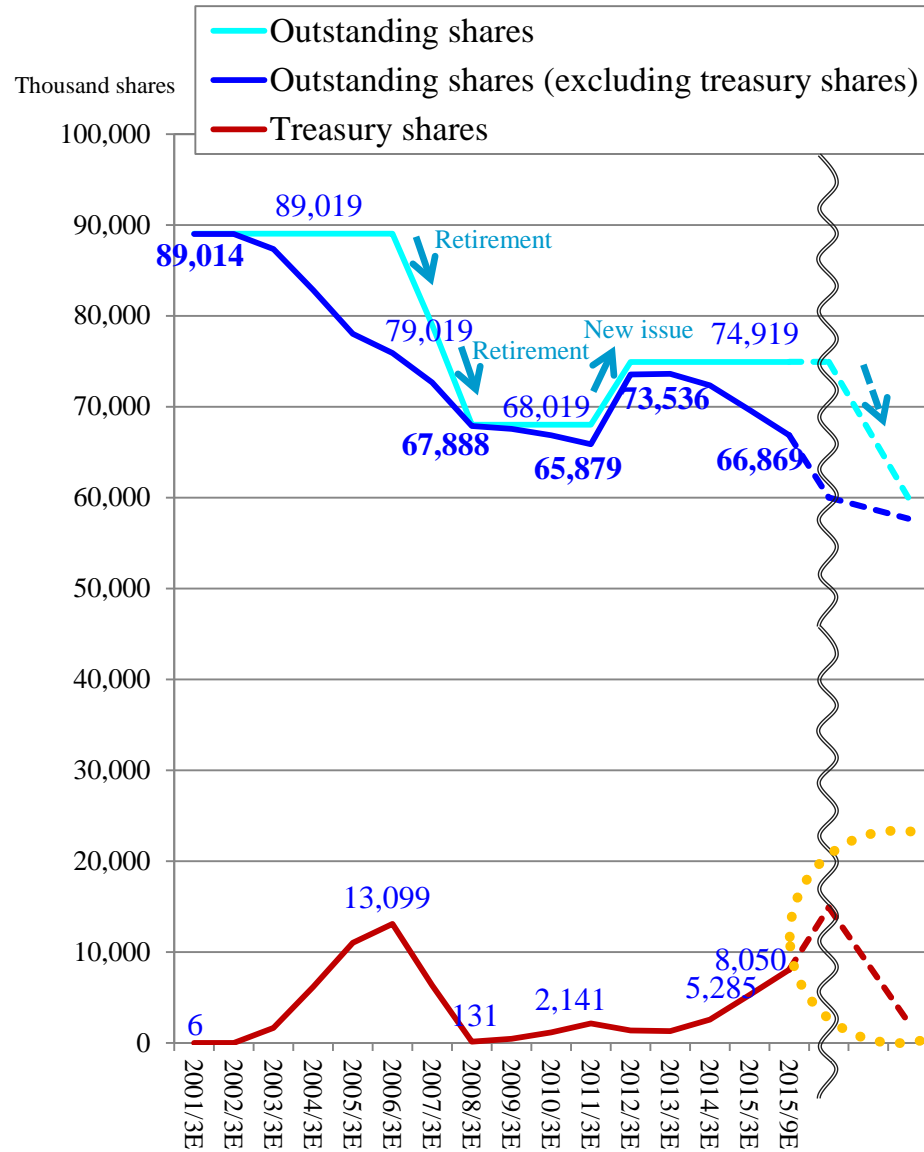


(2) Sales situation breakdown



- Has been working to boost sales of HDD from FY2003/3, but demand fluctuates violently.
- Reconstruction demand after the Thai flooding was in FY2012/3 and FY2013/3.
- Started to sell products for smartphones in FY2012/3.
- Launched new products for auto parts in the 3Q of FY2014/3 to boost sales.

(3) Capital Policy



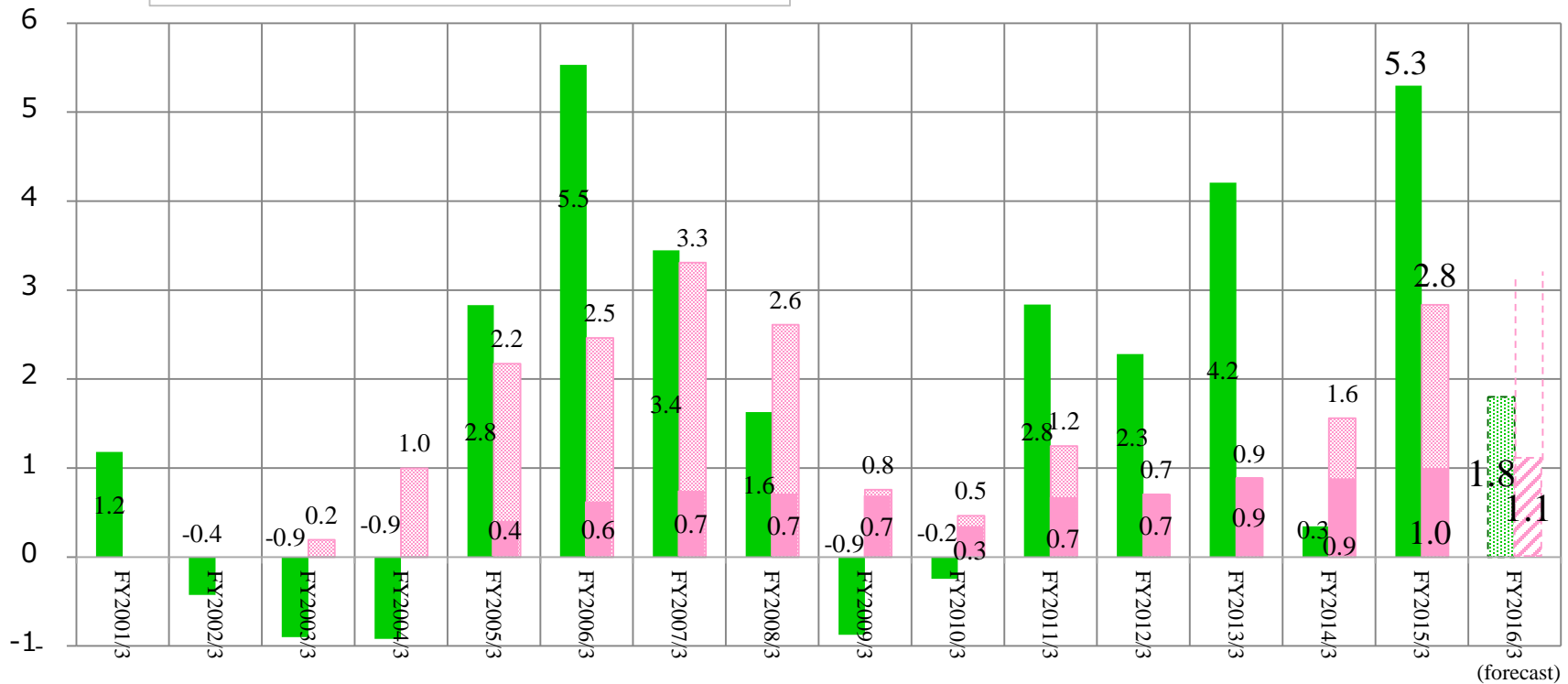
(4) Shareholder Returns

Billion yen

	FY01/3	FY02/3	FY03/3	FY04/3	FY05/3	FY06/3	FY07/3	FY08/3	FY09/3	FY10/3	FY11/3	FY12/3	FY13/3	FY14/3	FY15/3	FY16/3 (forecast)
Dividends paid (Full-year per share)	0 (0 yen)	0 (0 yen)	0 (0 yen)	0 (0 yen)	0.4 (5 yen)	0.6 (8 yen)	0.7 (10 yen)	0.7 (10 yen)	0.7 (10 yen)	0.3 (5 yen)	0.7 (10 yen)	0.7 (10 yen)	0.9 (12 yen)	0.9 (12 yen)	1.0 (14 yen)	1.1 (16 yen)
Purchase of treasury shares	0	0	0.2	1.0	1.8	1.9	2.6	1.9	0.1	0.1	0.6	0	0	0.7	1.8	--
Total return	0	0	0.2	1.0	2.2	2.5	3.3	2.6	0.8	0.4	1.3	0.7	0.9	1.6	2.8	--
Dividend payout ratio	--	--	--	--	14.1%	11.2%	21.6%	43.4%	--	--	23.4%	29.5%	21.0%	254.2%	18.8%	61.1%
Total return ratio	0.0%	0.0%	--	--	76.7%	44.5%	95.9%	160.2%	--	--	44.0%	30.6%	21.0%	453.5%	53.5%	--

Billion yen

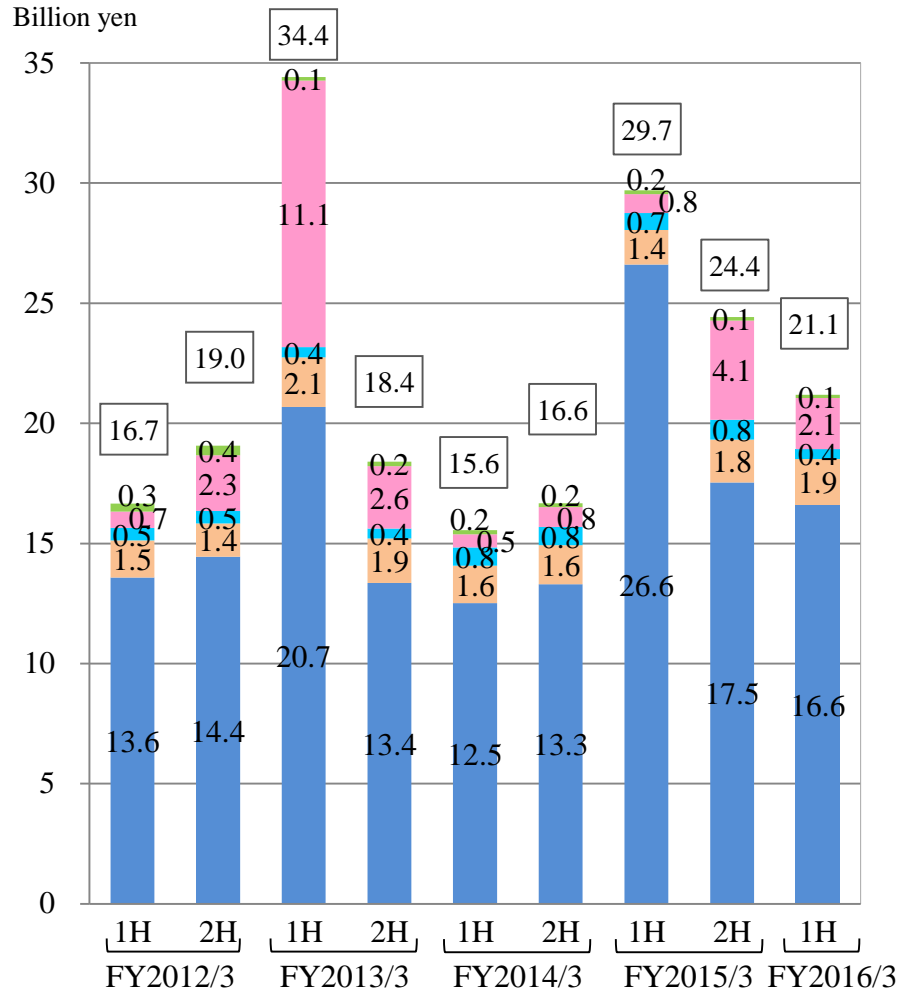
■ Net income ■ Total return ratio (■ Dividends paid)



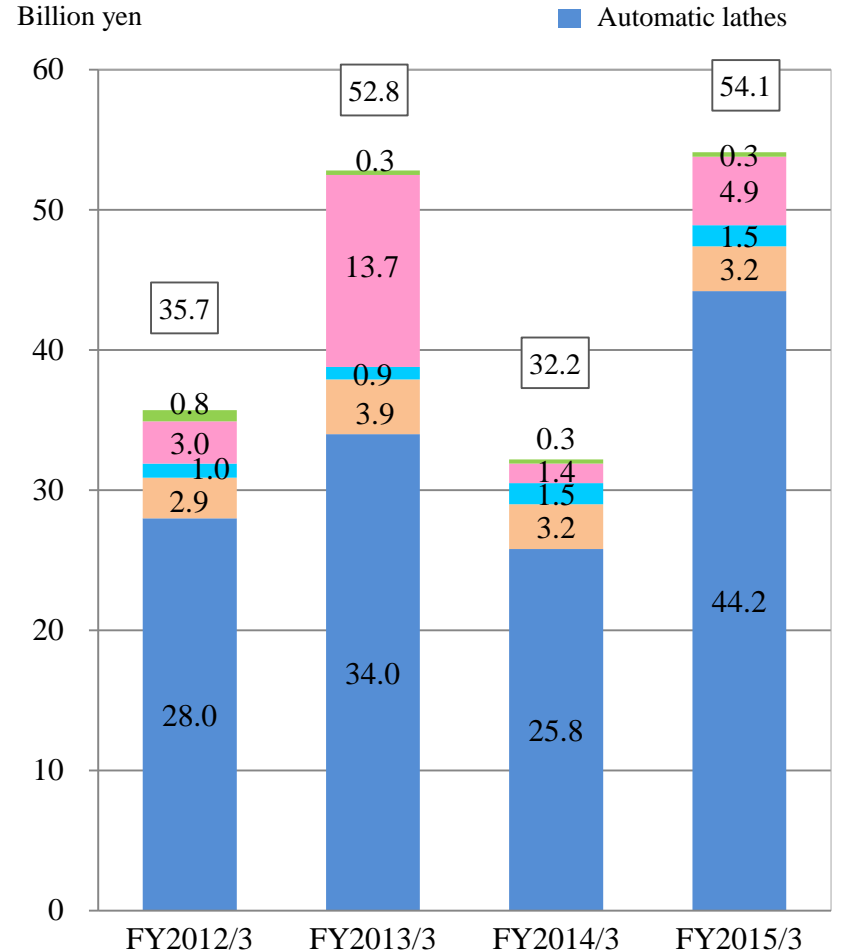
4. Reference

Net Sales by Machinery Category

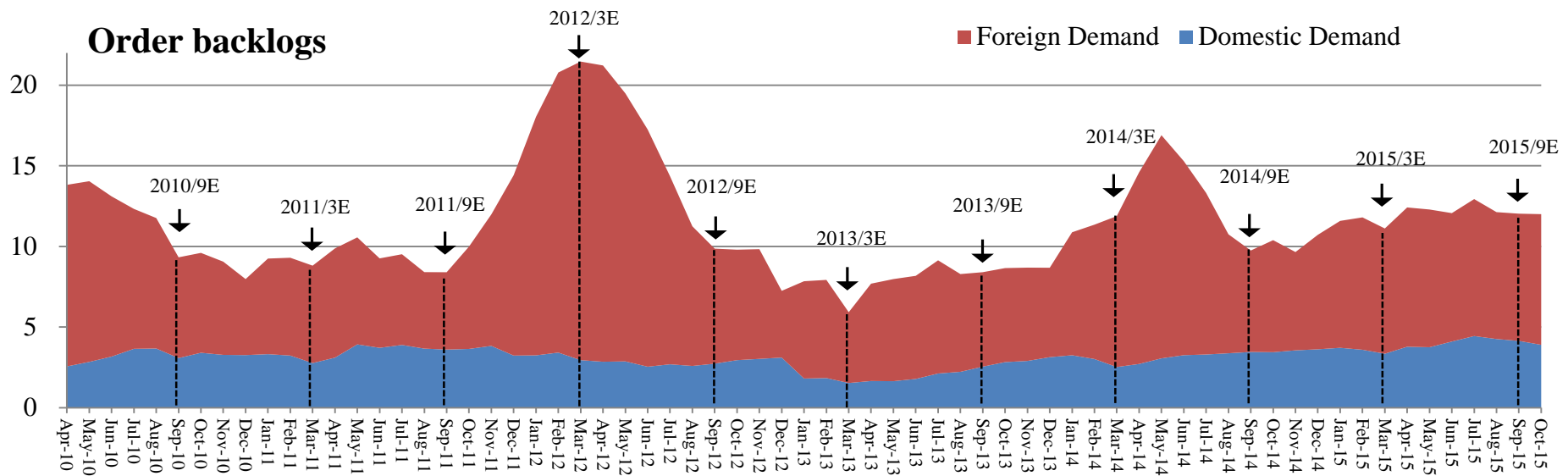
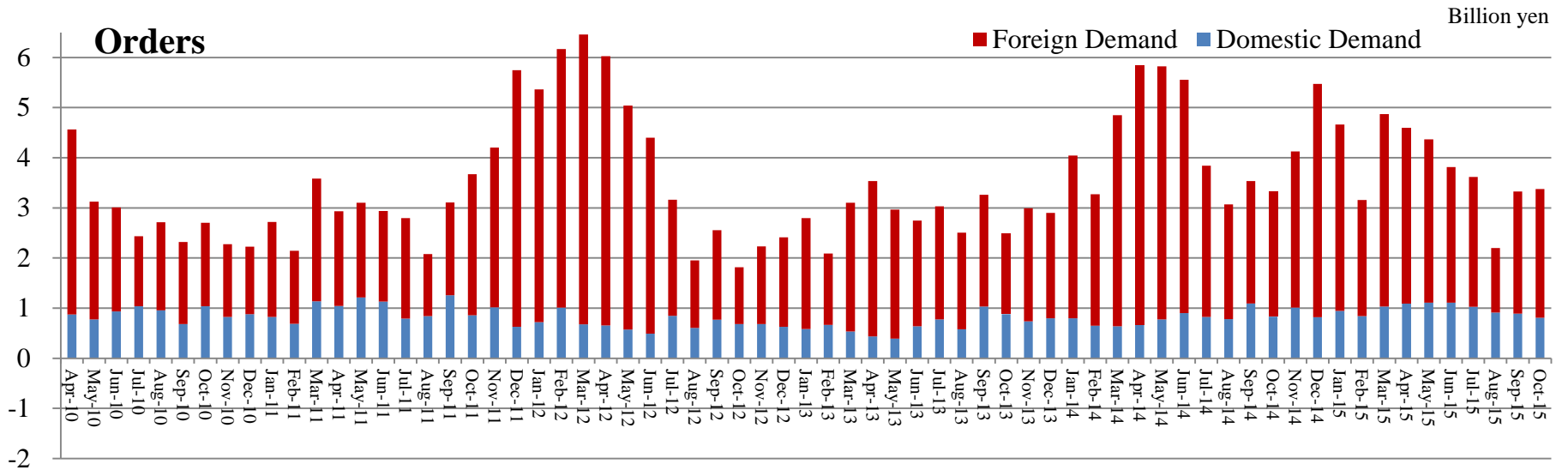
Six-month



Full-year

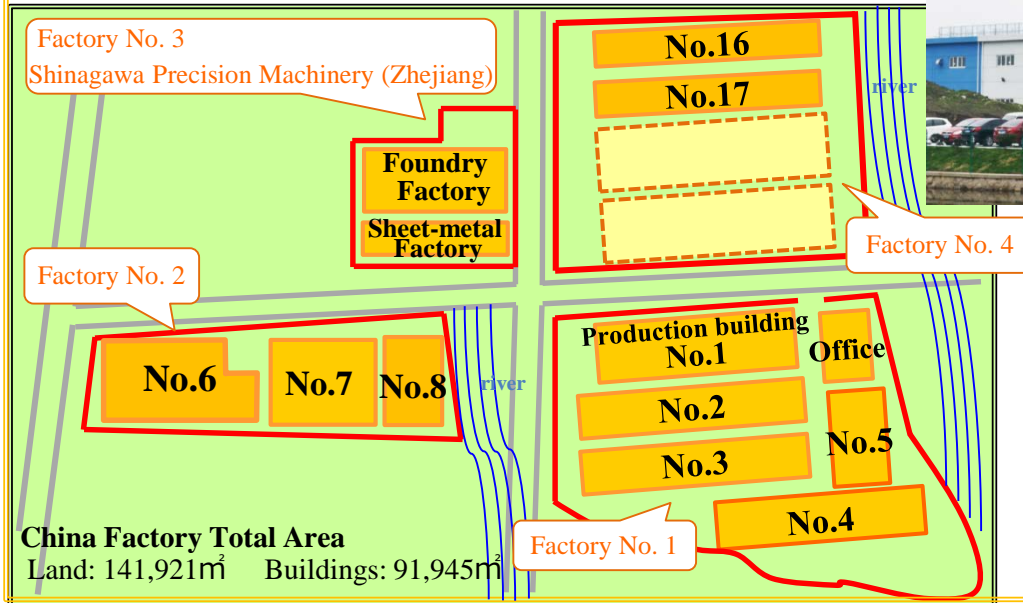


Orders Received and Order Backlogs



Factories in China and India

【 China Factory 】



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.