

Summary of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2015

January 30, 2015

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled quarterly report submission date: February 12, 2015

Scheduled date of commencement of dividend payments: --

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: None

1. Consolidated business performance for the first nine months of the fiscal year ending March 31, 2015 (From April 1, 2014 to December 31, 2014)

(Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results (cumulative totals)

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine months of the fiscal year ending March 31, 2015	41,950	77.4	6,104	631.8	6,744	231.1	4,596	250.6
First nine months of the fiscal year ended March 31, 2014	23,653	-46.7	834	-88.7	2,036	-69.2	1,311	-67.5

(Note): Comprehensive income: First nine months of the fiscal year ending March 31, 2015: 6,380 million yen (141.3%)

First nine months of the fiscal year ended March 31, 2014: 2,644 million yen (-30.1%)

	Net income per share		Net income per share after residual equity adjustment	
	Yen		Yen	
First nine months of the fiscal year ending March 31, 2015	64.09		62.93	
First nine months of the fiscal year ended March 31, 2014	17.94		17.71	

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
First nine months of the fiscal year ending March 31, 2015	55,546	36,054	63.4	502.65
Fiscal year ended March 31, 2014	52,250	31,587	59.3	428.18

(Reference): Shareholders' equity: First nine months of the fiscal year ending March 31, 2015: 35,238 million yen

Fiscal year ended March 31, 2014: 30,981 million yen

2. State of dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
Fiscal year ended March 31, 2014	--	6.00	--	6.00	12.00
Fiscal year ending March 31, 2015	--	6.00	--		
Fiscal year ending March 31, 2015 (forecast)				6.00	12.00

(Note) Revision of dividend forecasts for the quarter under review: none

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	55,000	70.7	8,000	575.5	8,500	339.8	6,000	--	84.23

(Note) Revision of consolidated business performance forecasts for the quarter under review: yes

*Notes

(1) Important changes in subsidiaries during the first nine months under review
(changes in specified subsidiaries that caused the scope of consolidation to change): none

Companies added to the scope: -- companies (names)

Companies removed from the scope: -- companies (names)

(2) Application of peculiar accounting treatment for quarterly consolidated financial statements: none

(3) Changes in accounting policy and in accounting estimates, and restatements

(i) Changes in accounting policy due to the revision of accounting standards and the like: yes

(ii) Changes in accounting policy other than those stated in item (i) above: none

(iii) Changes in accounting estimates: none

(iv) Restatements: none

(4) Numbers of outstanding shares (common shares)

(i) Numbers of outstanding shares at the end of the terms
(including treasury shares):

Q3 of FY2014	74,919,379 shares	FY2013	74,919,379 shares
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(ii) Numbers of treasury shares at the end of the terms:

Q3 of FY2014	4,813,166 shares	FY2013	2,562,250 shares
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(iii) Average numbers of shares outstanding during the
periods (quarterly consolidated accumulation periods):

Q3 of FY2014	71,718,728 shares	Q3 of FY2013	73,072,433 shares
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* State of quarterly review execution

This quarterly financial summary falls outside the scope of quarterly reviews based on the Financial Instruments and Exchange Act. Reviews of the quarterly financial statements presented herein in compliance with the Financial Instruments and Exchange Act had not been completed at the time this quarterly financial summary was disclosed.

* Explanations for the appropriate use of business forecasts and other items warranting special mention

The forward-looking statements, including business forecasts, included in this document are based on information available on the date of announcement and certain assumptions we consider reasonable. Actual performance may differ materially from the statements due to a range of factors. For assumptions for business forecasts and notes on the use of business forecasts, please refer to "Information Relating to Consolidated Business Performance Forecasts" on page 2 of the accompanying documents of this summary of financial results for the first nine months.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Results, Etc.

(1) Information Relating to Consolidated Operating Results

During the first nine months of the fiscal year under review, the Japanese economy recovered moderately, backed mainly by improvements in corporate earnings and the employment situation and increased capital expenditure, which was partially attributable to the effects of policies of the government and the Bank of Japan, despite ongoing areas of weakness in consumer spending.

In the machine tool industry, the domestic market showed moderate upward momentum. The U.S. market also remained strong, while the recovery in the European market has slowed slightly. The Chinese market remained stable, driven mainly by products associated with locally manufactured smartphones.

In this environment, both net sales and income at TSUGAMI Corporation (the "Company") and its affiliates (the "Group") rose year on year, primarily reflecting sales of products for the IT products industry and the contribution of new products for automobiles.

Net sales, operating income, and ordinary income for the first nine months were 41,950 million yen (increased 77.4% year on year), 6,104 million yen (increased 631.8% year on year), and 6,744 million yen (increased 231.1% year on year), respectively. Net income was 4,596 million yen (increased 250.6% year on year).

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled 55,546 million yen at the end of the first nine months under review, rising 3,296 million yen from the end of the previous fiscal year. The increase resulted primarily from an increase of 2,191 million yen in inventories, 1,193 million yen increase in tangible fixed assets and 1,093 million yen increase in investment securities which offset a 1,384 million yen decrease in cash and deposit.

Liabilities came to 19,492 million yen, down 1,170 million yen from the end of the previous fiscal year. The result was mainly attributable to an increase of 847 million yen in short term borrowings and a 559 million yen increase in deferred tax liabilities, which offset a 2,700 million yen decrease in trade notes and accounts payable.

Net assets stood at 36,054 million yen at the end of the first nine months under review, increasing 4,467 million yen from the end of the previous fiscal year. The growth mainly reflected an increase of 4,596 million yen in net income and 987 million yen in translation adjusted offsetting 886 million yen decrease in dividends paid.

As a result of the changes stated above, the capital adequacy ratio came to 63.4%, rising 4.1 percentage points from the end of the previous fiscal year.

(ii) State of cash flows during the half under review

Cash and cash equivalents amounted to 4,478 million yen at the end of the first nine months under review, decreasing 1,566 million yen from the end of the previous fiscal year. A description of each cash flow during the first nine months was as follows:

(Cash flows from operating activities)

Cash generated by operating activities was 2,745 million yen (increased 1,197 million yen previous year).

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 6,642 million yen, depreciation and amortization expenses of 853 million yen, and 714 million yen decrease in trade notes and accounts receivable, which offset decrease in cash, such as a 3,901 million yen decrease in trade notes and accounts payable, and 2,107 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 1,894 million yen (decreased 477 million yen previous year).

The cash outflow was primarily attributable to decrease in cash that resulted from a 1,010 million yen outlay for the acquisition of tangible fixed assets and 431 million yen outlay for the acquisition of intangible fixed assets.

(Cash flows from financing activities)

Cash used by financing activities was 2,406 million yen (decreased 765 million yen previous year).

The cash outflow resulted mainly from decrease in short term borrowings of 136 million yen, expenditure for acquisition of treasury stock of 1,453 million yen and dividends paid of 866 million yen.

(3) Information Relating to Consolidated Business Performance Forecasts

The consolidated business performance forecasts for the fiscal year ending March 31, 2015 have been revised based on the results in the first nine months under review. For details, please refer to the Notice of Revisions to Business Performance Forecasts published on January 30, 2015.

We plan to pay annual dividends of 12 yen per share including interim dividends of 6 yen per share and year –end dividends of 6yen per share, for the fiscal year ending March 31, 2015.

2. Summary information (notes)

Changes in accounting policy and in accounting estimates, and restatements

Changes in accounting policy

(Application of Accounting Policies for Retirement Benefits)

We have reviewed the method for calculating retirement benefit obligations and service costs and have changed the method for allocating expected retirement benefits to periods from a fixed-amount method to a projected benefit method and the discount rate from a discount rate based on a number of years approximating to the employees' average remaining service years to a single weighted average discount rate reflecting the estimated periods of benefit payments and amounts for each estimated period by applying the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the "Accounting Standard for Retirement Benefits") and in the text of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012. Hereinafter the "Guidance on Accounting Standard for Retirement Benefits") from the first nine months under review.

The application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to retained earnings at the beginning of the first nine months under review.

As a result, the net defined benefit liability declined 168 million yen, and retained earnings rose 108 million yen at the beginning of the first nine months under review. The effect on earnings in the first nine months under review is minor.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated first nine months under review (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	6,227	4,843
Trade notes and accounts receivable	6,686	6,456
Products and other commodities	7,374	8,734
Goods in process	4,631	4,929
Raw materials and supplies	8,953	9,486
Consumption taxes receivable	876	897
Deferred tax assets	577	395
Other	746	519
Allowance for doubtful accounts	-120	-48
Total current assets	35,953	36,214
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	5,142	6,435
Machinery, equipment and vehicles (net)	3,906	4,123
Land	564	564
Leased assets (net)	25	20
Construction in progress	473	158
Other (net)	307	312
Total tangible fixed assets	10,420	11,614
Intangible fixed assets	328	765
Investments and other assets		
Investment securities	4,247	5,341
Stocks of affiliates	11	11
Investments in affiliates	1,107	1,131
Long-term loans receivable	6	312
Deferred tax assets	1	1
Other	167	155
Allowance for doubtful accounts	--	-2
Total investments and other assets	5,541	6,951
Total fixed assets	16,290	19,332
Deferred assets	5	0
Total assets	52,250	55,546

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated first nine months under review (As of December 31, 2014)
Liabilities		
Current liabilities		
Trade notes and accounts payable	10,630	7,929
Short-term borrowings	6,075	6,922
Accrued income tax	1,113	444
Reserve for bonus payment	246	180
Advances received	340	857
Reserve for product warranties	277	337
Other	632	1,176
Total current liabilities	19,316	17,849
Long-term liabilities		
Deferred tax liabilities	327	886
Reserve for directors' retirement benefits	14	17
Net defined benefit liability	946	685
Other	58	53
Total long-term liabilities	1,346	1,643
Total liabilities	20,663	19,492
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,889	5,884
Retained earnings	11,424	15,239
Treasury stock	-1,079	-2,415
Total shareholders' equity	28,579	31,053
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,391	2,120
Translation adjustments	1,134	2,121
Remeasurements of defined benefit plans	-123	-56
Total accumulated other comprehensive income	2,401	4,185
Subscription rights to shares	605	815
Total net assets	31,587	36,054
Total liabilities and net assets	52,250	55,546

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2013 to December 31, 2013)	Consolidated first nine months under review (From April 1, 2014 to December 31, 2014)
Net sales	23,653	41,950
Cost of sales	18,268	30,613
Gross profit	5,384	11,336
Selling, general and administrative expenses		
Salaries and allowances	999	1,171
Provision for allowance for doubtful accounts	0	--
Provision for reserve for bonus payments	42	38
Retirement benefit expenses	63	60
Provision for reserve for directors' retirement benefits	3	3
Research and development expenses	1,170	953
Insurance premiums	101	134
Provision for reserve for product warranties	222	301
Other	1,947	2,568
Total selling, general and administrative expenses	4,550	5,232
Operating income	834	6,104
Non-operating income		
Interest received	10	15
Dividends received	55	84
Foreign exchange gains	1,293	1,123
Reversal of allowance for doubtful accounts	--	27
Insurance benefits received	35	24
Other	81	75
Total non-operating income	1,476	1,350
Non-operating expenses		
Interest paid	100	212
Loss on sale of notes	81	97
Payment fee	--	288
Other	91	110
Total non-operating expenses	274	709
Ordinary income	2,036	6,744
Extraordinary income		
Gain on sales of fixed assets	122	20
Gain on sales of investments securities	--	2
Total extraordinary income	122	22
Extraordinary expenses		
Loss on retirement of fixed assets	8	14
Loss on sales of fixed assets	14	31
Impairment loss	--	60
Loss on sales of investment securities	271	--
Loss on liquidation of business	--	16
Total extraordinary expenses	293	124
Income before taxes and other adjustments	1,865	6,642
Corporate, inhabitant and enterprise taxes	405	1,751
Deferred taxes	148	294
Total corporate and other taxes	553	2,046
Income before minority interests	1,311	4,596
Minority interests in income	--	--
Net income	1,311	4,596

(Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2013 to December 31, 2013)	Consolidated first nine months under review (From April 1, 2014 to December 31, 2014)
Income before minority interests	1,311	4,596
Other comprehensive income		
Unrealized gains on marketable securities	657	729
Impairment loss	0	--
Translation adjustments	675	987
Remeasurements of defined benefit plans	--	67
Total other comprehensive income	1,333	1,783
Comprehensive Income	2,644	6,380
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	2,644	6,380
Comprehensive income attributable to minority shareholders	--	--

(3) Consolidated Statements of Cash Flows

	(Million yen)	
	Consolidated first nine months previous year (From April 1, 2013 to December 31, 2013)	Consolidated first nine months under review (From April 1, 2014 to December 31, 2014)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	1,865	6,642
Depreciation and amortization expenses	814	853
Share-based compensation expenses	128	237
Impairment loss	--	60
Increase (decrease) in allowance for doubtful accounts	11	-49
Increase (decrease) in reserve for retirement benefits	12	--
Increase (decrease) in reserve for bonus payment	-63	-66
Increase (decrease) in reserve for product warranties	-23	39
Increase (decrease) in net defined benefit liability	--	-91
Interest and dividends received	-66	-99
Interest paid	100	212
Loss (gain) on sales of investment securities	271	-2
Loss (gain) on sales of fixed assets	-108	11
Loss on retirement of fixed assets	8	14
Foreign exchange losses (gains)	-818	-471
Decrease (increase) in trade notes and accounts receivable	283	714
Decrease (increase) in inventories	-39	-277
Decrease (increase) in advance payments	-41	169
Increase (decrease) in trade notes and accounts payable	465	-3,901
Increase (decrease) in advances received	60	476
Decrease (increase) in consumption taxes refund receivable	-151	233
Other	-340	289
Sub total	2,369	4,996
Interest and dividends received	62	86
Interest paid	-98	-230
Corporate and other taxes paid	-1,136	-2,107
Cash flows from operating activities	1,197	2,745
Cash flows from investing activities		
Payments into time deposits	-172	-253
Refund of time deposits	147	89
Expenditure for acquisition of tangible fixed assets	-1,176	-1,010
Proceeds from sales of tangible fixed assets	131	30
Expenditure for acquisition of intangible fixed assets	-13	-431
Proceeds from sales of investment securities	614	2
Payments of long-term loans receivable	--	-315
Other	-7	-5
Cash flows from investing activities	-477	-1,894
Cash flows from financing activities		
Short-term borrowings	5,956	5,956
Repayment of short-term borrowings	-4,854	-6,092
Redemption of corporate bonds	-300	--
Proceeds from sales of treasury stock	14	59
Expenditure for acquisition of treasury stock	-696	-1,453
Dividends paid	-876	-866
Repayments of lease obligations	-8	-9
Cash flows from financing activities	-765	-2,406
Translation differences for cash and cash equivalents	512	-11
Net increase (decrease) in cash and cash equivalents	467	-1,566
Cash and cash equivalents at the beginning of the term	5,296	6,044
Cash and cash equivalents at the end of the term	5,763	4,478

(4) Notes relating to the Consolidated Financial Statements

Notes relating to the going concern assumption
No corresponding item exists.

Notes for cases where shareholders' equity underwent a major change in value
No corresponding item exists.

Segment information

I. Consolidated first nine months previous year (From April 1, 2013 to December 31, 2013)

1. Information relating to net sales, income or loss by reportable segment. (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	13,704	9,016	932	23,653
Intersegment net sales or transfer to other accounts	6,973	5,125	35	12,134
Total	20,677	14,142	967	35,787
Segment income	-284	563	154	433

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	433
Elimination of unrealized income and others	400
Operating income in quarterly consolidated statements of income	834

3. Information relating to impairment loss on fixed assets or goodwill, etc.
No corresponding item exists.

II. Consolidated first nine months under review (from April 1, 2014 to December 31, 2014)

1. Information relating to net sales, income or loss by reportable segment (Million yen)

	Reportable segment			
	Japan	China	South Korea	Total
Net sales				
Net sales to external customers	17,211	23,825	913	41,950
Intersegment net sales or transfer to other accounts	9,430	7,816	40	17,286
Total	26,641	31,641	954	59,237
Segment income	945	5,256	29	6,230

2. Total income or loss for reportable segments, its difference from the amount stated in quarterly consolidated statements of income, and major factors for the difference (Items relating to difference adjustment)

(Million yen)

Income	Amount
Total income for reportable segments	6,230
Elimination of unrealized income and others	-126
Operating income in quarterly consolidated statements of income	6,104

3. Information relating to impairment loss on fixed assets or goodwill, etc.

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	60	--	--	--	60

4. Supplementary Information

(1) Overseas net sales

Consolidated first nine months under review (From April 1, 2014 to December 31, 2014)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	30,518	2,154	2,659	35,332
II Consolidated net sales				41,950
III Ratio of overseas net sales to consolidated net sales (%)	72.8	5.1	6.3	84.2

(Note) 1. National or regional classifications are based on geographic proximity.

2. Major countries or regions in each classification

(1) Asia..... China, Thailand, South Korea, Singapore, the Philippines and India

(2) America.... the United States and Mexico

(3) Europe..... Switzerland, Germany, France and Italy

3. Overseas net sales refer to net sales achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

(2) Net sales by machinery category

(Million yen)

	Consolidated first nine months previous year (From April 1, 2013 to December 31, 2013)		Consolidated first nine months under review (From April 1, 2014 to December 31, 2014)		Year-on-year change	
		%		%		%
Automatic lathes	19,379	82.0	35,972	85.7	16,592	85.6
Grinding machines	2,159	9.1	2,331	5.6	171	8.0
Machining centers	1,085	4.6	1,434	3.4	348	32.1
Rolling machines and specialized machines.	788	3.3	1,976	4.7	1,188	150.7
Other	240	1.0	235	0.6	-4	-1.9
Total	23,653	100.0	41,950	100.0	18,296	77.4
(Overseas net sales)	(18,984)	(80.3)	(35,332)	(84.2)	(16,347)	(86.1)