

## Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019

July 30, 2018

TSUGAMI CORPORATION

Stock code: 6101

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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 quarter of the fiscal year ending March 31, 2019

(From April 1, 2018 to June 30, 2018)

(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 attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of the fiscal year ending March 31, 2019	17,330	36.0	2,713	74.9	2,747	79.2	※ 1,462	7.7
Q1 of the fiscal year ended March 31, 2018	12,746	47.1	1,551	159.1	1,533	473.6	1,357	805.9

(Note): Comprehensive income: Q1 of the fiscal year ending March 31, 2019: ¥1,056 million (-34.6%)

Q1 of the fiscal year ended March 31, 2018: ¥-1,614 million (--%)

※¥508 million of net income attributable to non-controlling interests

	Net income per share		Net income per share after residual equity adjustment	
	Yen		Yen	
Q1 of the fiscal year ending March 31, 2019	27.62		27.00	
Q1 of the fiscal year ended March 31, 2018	22.84		22.27	

## (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Q1 of the fiscal year ending March 31, 2019	63,722	37,422	48.2	579.03
Fiscal year ended March 31, 2018	62,362	37,516	49.8	585.58

(Reference): Shareholders' equity: Q1 of the fiscal year ending March 31, 2019: ¥30,739 million

Fiscal year ended March 31, 2018: ¥31,083 million

## 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, 2018	--	9.00	--	9.00	18.00
Fiscal year ending March 31, 2019	--				
Fiscal year ending March 31, 2019 (forecast)		9.00	--	9.00	18.00

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

## 3. Consolidated business performance forecasts for the fiscal year ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	33,500	22.4	4,600	37.4	4,500	51.7	2,500	8.8	47.16
Full-year	61,500	6.8	8,000	15.2	7,800	19.8	4,300	3.1	81.13

(Note) Revision of consolidated business performance forecasts for the quarter under review: none

\*Notes

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

(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: applied

(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 stock):

Q1 of FY2018	55,000,000 shares	FY2017	55,000,000 shares
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(ii) Numbers of treasury shares at the end of the terms:

Q1 of FY2018	1,911,205 shares	FY2017	1,918,101 shares
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(iii) Average numbers of shares outstanding during the periods  
(quarterly consolidated accumulation periods):

Q1 of FY2018	52,938,263 shares	Q1 of FY2017	59,431,934 shares
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\* This quarterly financial summary falls outside the scope of quarterly reviews.

\* 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 [1. Qualitative Information Relating to Consolidated Quarterly Results, Etc., (3) Information Relating to Consolidated Business Performance Forecasts] on page 2 of the accompanying documents of this summary of financial results for the first quarter.

## Accompanying Documents

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## 1. Qualitative Information Relating to Consolidated Quarterly Results, Etc.

### (1) Information Relating to Consolidated Operating Results

For the first quarter of the fiscal year under review, the Company's operating results increased both in revenue and earnings. Net sales increased 36.0% year on year, to ¥17,330 million, operating income increased 74.9% year on year, to ¥2,713 million, ordinary income rose 79.2% year on year, to ¥2,747 million and net income attributable to owners of parent increased 7.7% year on year, to ¥1,462 million.

### (2) Information Relating to the Consolidated Financial Position

#### (i) State of assets, liabilities and net assets

Assets totaled ¥63,722 million at the end of the first quarter under review, increasing ¥1,360 million from the end of the previous fiscal year. The increase resulted primarily from increases of ¥2,409 million in inventories and ¥437 million in cash and deposit which offset decreases of ¥1,003 million in investment securities and ¥525 million in consumption taxes receivable.

Liabilities came to ¥26,300 million, up ¥1,455 million from the end of the previous fiscal year.

The result was mainly attributable to an increase of ¥2,038 million in trade notes and accounts payable offsetting decrease of ¥686 million in advances received.

Net assets stood at ¥37,422 million at the end of the first quarter under review, decreasing ¥94 million from the end of the previous fiscal year.

The decrease mainly reflected decrease of ¥859 million in other comprehensive income which offset increase of ¥639 million in retained earnings.

#### (ii) State of cash flows during the quarter under review

Cash and cash equivalents amounted to ¥10,618 million at the end of the first quarter under review, increasing ¥437 million from the end of the previous fiscal year. A description of each cash flow during the first quarter was as follows:

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

Cash generated through operating activities was ¥2,343 million.

The result principally reflected increases in cash, including a net income before taxes and other adjustments of ¥2,746 million and ¥2,185 million increase in trade notes and accounts payable which offset decreases in cash, such as a ¥2,523 million increase in inventories.

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

Cash used for investing activities was ¥754 million.

The cash outflow was primarily attributable to decrease in cash for the purchase of property, plant and equipment of ¥571 million.

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

Cash used for financing activities was ¥1,180 million.

The cash outflow resulted mainly from decreases in cash, ¥721 million spent on the purchase of treasury stock and dividends paid of ¥477 million.

### (3) Information Relating to Consolidated Business Performance Forecasts

Our consolidated business performance forecasts for the first half and full year of the fiscal year ending March 31, 2019, and our dividend forecast remain unchanged from the initial forecasts (announced on May 11, 2018).

## 2. Quarterly Consolidated Financial Statements and Significant Notes

## (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2018)	Figures at the end of the consolidated first quarter under review (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	10,286	10,723
Trade notes and accounts receivable	14,482	14,124
Merchandise and finished goods	7,063	7,485
Work in process	4,953	5,321
Raw materials and supplies	5,347	6,966
Consumption taxes receivable	1,046	520
Other	516	532
Allowance for doubtful accounts	-56	-77
Total current assets	43,639	45,597
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,985	4,939
Machinery, equipment and vehicles, net	3,029	2,833
Land	409	409
Leased assets, net	9	7
Construction in progress	416	866
Other, net	294	296
Total property, plant and equipment	9,145	9,353
Intangible assets	696	856
Investments and other assets		
Investment securities	8,278	7,275
Shares of subsidiaries and associates	11	11
Investments in capital of subsidiaries and associates	67	67
Long-term loans receivable	3	3
Deferred tax assets	235	286
Other	282	270
Total investments and other assets	8,879	7,914
Total non-current assets	18,722	18,125
Total assets	62,362	63,722

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2018)	Figures at the end of the consolidated first quarter under review (As of June 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	14,035	16,073
Short-term loans payable	3,200	3,200
Income taxes payable	1,068	1,182
Provision for bonuses	275	187
Advances received	2,166	1,480
Provision for product warranties	457	489
Other	1,618	1,886
Total current liabilities	22,821	24,499
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,256	1,031
Provision for directors' retirement benefits	21	22
Net defined benefit liability	716	717
Other	29	29
Total non-current liabilities	2,024	1,800
Total liabilities	24,845	26,300
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	12,345	12,345
Capital surplus	2,806	2,806
Retained earnings	13,257	13,897
Treasury stock	-1,814	-1,939
Total shareholders' equity	26,594	27,109
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,149	3,442
Foreign currency translation adjustment	409	252
Remeasurements of defined benefit plans	-69	-65
Total accumulated other comprehensive income	4,489	3,630
Subscription rights to shares	656	454
Non-controlling interests	5,776	6,227
Total net assets	37,516	37,422
Total liabilities and net assets	62,362	63,722

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

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2017 to June 30, 2017)	Consolidated first quarter under review (From April 1, 2018 to June 30, 2018)
Net sales	12,746	17,330
Cost of sales	9,334	12,490
Gross profit	3,412	4,839
Selling, general and administrative expenses		
Salaries and allowances	421	514
Provision of allowance for doubtful accounts	3	20
Provision for bonuses	26	27
Retirement benefit expenses	15	14
Research and development expenses	385	323
Insurance expenses	41	50
Provision for product warranties	119	144
Other	848	1,030
Total selling, general and administrative expenses	1,860	2,125
Operating income	1,551	2,713
Non-operating income		
Interest income	8	30
Dividend income	75	96
Foreign exchange gains	10	--
Insurance income	2	0
Other	22	14
Total non-operating income	118	141
Non-operating expenses		
Interest expenses	47	11
Foreign exchange losses	--	54
Provision of allowance for doubtful accounts	1	--
Loss on sales of notes receivable	39	18
Share of loss of entities accounted for using equity method	14	--
Other	34	23
Total non-operating expenses	136	107
Ordinary income	1,533	2,747
Extraordinary income		
Gain on sales of investment securities	97	--
Gain on sales of investments in capital of affiliate	81	--
Gain on reversal of subscription rights to shares	2	--
Total extraordinary income	181	--
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Loss from performance of warranty against defects	30	--
Total extraordinary losses	34	0
Income before taxes and other adjustments	1,681	2,746
Corporate, inhabitant and enterprise taxes	298	746
Deferred taxes	25	29
Total corporate and other taxes	323	776
Net income	1,357	1,970
Net income attributable to non-controlling interests	--	508
Net income attributable to owners of parent	1,357	1,462

## (Quarterly Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Consolidated first quarter previous year (From April 1, 2017 to June 30, 2017)	Consolidated first quarter under review (From April 1, 2018 to June 30, 2018)
Net income	1,357	1,970
Other comprehensive income		
Valuation difference on available-for-sale securities	130	-706
Foreign currency translation adjustment	111	-211
Remeasurements of defined benefit plans, net of tax	7	3
Share of other comprehensive income of entities accounted for using equity method	7	--
Total other comprehensive income	257	-913
Comprehensive income	1,614	1,056
(Breakdown)		
Comprehensive income attributable to owners of parent	1,614	602
Comprehensive income attributable to non-controlling interests	--	453

## (3) Consolidated Statements of Cash Flows

(Million yen)

	Consolidated first quarter previous year (From April 1, 2017 to June 30, 2017)	Consolidated first quarter under review (From April 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Net income before taxes and other adjustments	1,681	2,746
Depreciation and amortization	219	252
Gain on reversal of subscription rights to shares	-2	--
Share-based compensation expenses	27	33
Increase (decrease) in allowance for doubtful accounts	4	20
Increase (decrease) in provision for bonuses	-77	-87
Increase (decrease) in provision for product warranties	16	35
Increase (decrease) in net defined benefit liability	4	1
Interest and dividend income	-84	-126
Interest expenses	47	11
Share of (profit) loss of entities accounted for using equity method	14	--
Loss (gain) on sales of investment securities	-97	--
Gain on sales of investments in capital of affiliate	-81	--
Loss on retirement of non-current assets	3	0
Loss from performance of warranty against defects	30	--
Foreign exchange losses (gains)	-5	8
Decrease (increase) in trade notes and accounts receivable	-75	175
Decrease (increase) in inventories	-923	-2,523
Decrease (increase) in advance payments	103	-2
Increase (decrease) in trade notes and accounts payable	1,981	2,185
Increase (decrease) in advances received	33	-653
Decrease (increase) in consumption taxes refund receivable	464	521
Other	89	253
Subtotal	3,374	2,853
Interest and dividend income received	71	111
Interest expenses paid	-59	-11
Payments for performance of warranty against defects	-4	--
Corporate and other taxes paid	-472	-609
Cash flows from operating activities	2,910	2,343
Cash flows from investing activities		
Purchase of property, plant and equipment	-162	-571
Payments for retirement of property, plant and equipment	-0	-0
Purchase of intangible assets	-7	-181
Collection of investments in capital	152	--
Other	1	-0
Cash flows from investing activities	-16	-754
Cash flows from financing activities		
Proceeds from sales of Treasury stock	131	21
Purchase of Treasury stock	-1,264	-721
Cash dividends paid	-479	-477
Repayments of lease obligations	-2	-2
Cash flows from financing activities	-1,614	-1,180
Effect of exchange rate change on cash and cash equivalents	17	28
Net increase (decrease) in cash and cash equivalents	1,296	437
Cash and cash equivalents at the beginning of the term	4,561	10,181
Cash and cash equivalents at the end of the term	5,857	10,618

(4) Notes relating to the Quarterly 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.

(Changes in accounting policy)

(Adoption of IFRS 15 [Revenue from Contracts with Customers])

Overseas Subsidiaries that Prepare Financial Statements in accordance with International Financial Reporting Standards apply IFRS 15 [Revenue from Contracts with Customers] from the first quarter under review.

Due to this application, recognition standards for revenue have been revised, revenue is now recognized at the time the agreed upon goods or services are transferred to the customer, as amounts that reflect the consideration for which rights are expected to be acquired in exchange for said goods or services.

Regarding the application of IFRS 15, in line with the treatments in progress of the IFRS 15, the amount of the cumulative effect has been added or subtracted from retained earnings at the beginning of the first quarter under review.

As the result, retained earnings at the beginning of the first quarter under review decreased by ¥4 million. Net sales for the first quarter under review decreased by ¥192 million and operating income, ordinary income and income before income taxes and other adjustments decreased by ¥64 million respectively.

(Others)

(Application of the partial amendments to Accounting Standard on Tax Effect Accounting, etc.)

The partial amendments to Accounting Standard on Tax Effect Accounting (ASBJ No.28 on February 16, 2018) has been applied from the first quarter under review. Deferred tax assets are presented in the Investments and other assets of the balance sheets and deferred tax liabilities in the Non-current liabilities.

## (Segment information)

## I. Consolidated first quarter previous year (From April 1, 2017 to June 30, 2017)

## 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	5,312	7,116	317	12,746
Intersegment net sales or transfer to other accounts	1,889	2,683	5	4,578
Total	7,202	9,800	322	17,325
Segment income (loss)	157	1,375	21	1,554

## 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	1,554
Elimination of unrealized income and others	-2
Operating income in quarterly consolidated statements of income	1,551

## II. Consolidated first quarter under review (from April 1, 2018 to June 30, 2018)

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

	Reportable segment				
	Japan	China	India	South Korea	Total
Net sales					
Net sales to external customers	6,270	10,182	603	272	17,330
Intersegment net sales or transfer to other accounts	2,847	3,750	--	23	6,621
Total	9,118	13,932	603	296	23,951
Segment income	236	2,504	51	12	2,805

## 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	2,805
Elimination of unrealized income and others	-91
Operating income in quarterly consolidated statements of income	2,713

## 3. Information relating to changes in reportable segment, etc.

## (Adoption of IFRS 15 [Revenue from Contracts with Customers])

As stated in [Changes to accounting policy], Overseas Subsidiaries that Prepare Financial Statements in accordance with International Financial Reporting Standards adopt IFRS 15 [Revenue from Contracts with Customers]. As the result, segment sales in China, one of the Company's reportable segments, decreased by ¥192 million and segment income decreased by ¥64 million in this first quarter compared with each figure based on the former method.

## (Change in reportable segment classifications)

In the previous consolidated fiscal year, the Group has newly added its reportable segments India because TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED is included in consolidated subsidiaries.

## 3. Supplementary Information

## (1) Overseas net sales

Consolidated first quarter under review (From April 1, 2018 to June 30, 2018)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	12,583	1,041	1,455	15,081
II Consolidated net sales				17,330
III Ratio of overseas net sales to consolidated net sales (%)	72.6	6.0	8.4	87.0

(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 quarter previous year (From April 1, 2017 to June 30, 2017)		Consolidated first quarter under review (From April 1, 2018 to June 30, 2018)		Year-on-year change	
		%		%		%
Automatic lathes	10,599	83.1	14,785	85.3	4,185	39.5
Grinding machines	589	4.6	1,131	6.5	542	91.9
Machining centers	136	1.1	80	0.5	-55	-40.8
Rolling machines and specialized machines.	1,349	10.6	1,248	7.2	-101	-7.5
Other	71	0.6	83	0.5	12	17.0
Total	12,746	100.0	17,330	100.0	4,583	36.0
(Overseas net sales )	10,208	80.1	15,081	87.0	4,872	47.7