

Briefing on Financial Statements for the First Half of the Year Ending March 2019



November 12, 2018

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

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1. Business performance for the First Half of the Year Ending March 31, 2019

(1) Business Results

Overview of First half of FY2019/3

[Net sales] +7.7bn yen (+28%) YoY; +1.6bn yen (+5%) vs. Initial forecast

The Domestic and overseas markets kept steady growth.

[Income] Operating income: +2.2 (+65%) YoY; +0.9 (+20%) vs. Initial forecast

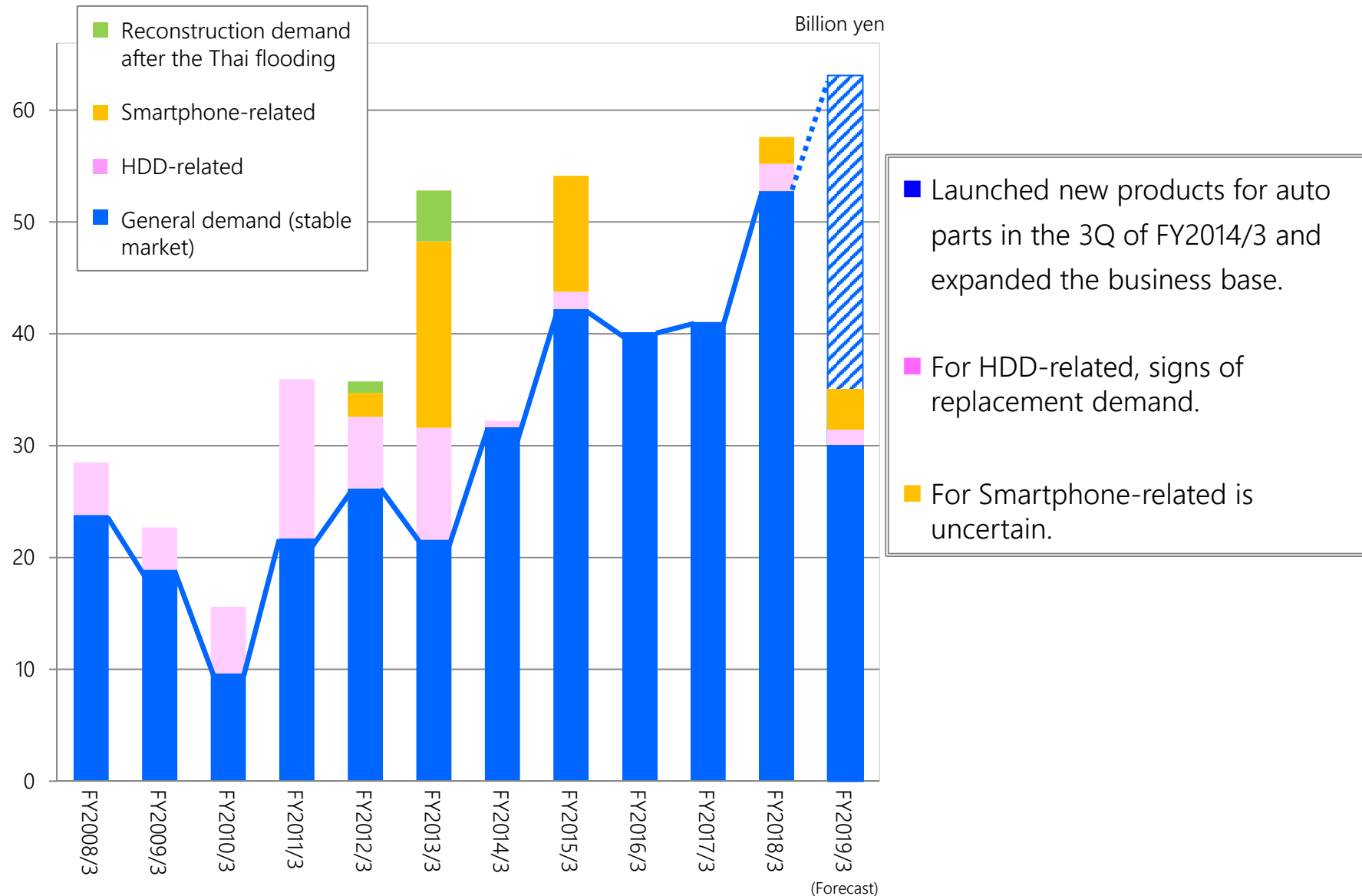
Net income attributable to owners of the parent: +0.8 (+35%) YoY; +0.6 (+24%) vs. Initial forecast

Mainly effects of increased sales.

Billion yen

	FY2018/3 (2017/4 - 2018/3)			1H of FY2019/3 (2018/4 - 2018/9)			
	1H	2H	Full-year	1H	Year-on-Year	Initial forecasts	Difference from initial forecasts
Net sales	27.4	30.2	57.6	35.1	+7.7	33.5	+1.6
Gross profit (to sales ratio)	7.1 (26.0%)	7.5 (24.6%)	14.6 (25.3%)	10.6 (30.1%)	+3.5 (+4.1%)	-- (--)	-- (--)
Operating income (to sales ratio)	3.3 (12.2%)	3.6 (11.9%)	6.9 (12.1%)	5.5 (15.7%)	+2.2 (+3.5%)	4.6 (13.7%)	+0.9 (+2.0%)
Ordinary income (to sales ratio)	3.0 (10.8%)	3.5 (11.7%)	6.5 (11.3%)	5.5 (15.6%)	+2.5 (+4.8%)	4.5 (13.4%)	+1.0 (+2.2%)
Net income attributable to owners of the parent (to sales ratio)	2.3 (8.4%)	1.9 (6.2%)	4.2 (7.2%)	3.1 (8.8%)	+0.8 (+0.4%)	2.5 (7.5%)	+0.6 (+1.3%)
Net income per share	39.62 yen	35.09 yen	74.71 yen	58.56 yen	+18.94 yen	47.16 yen	+11.40 yen

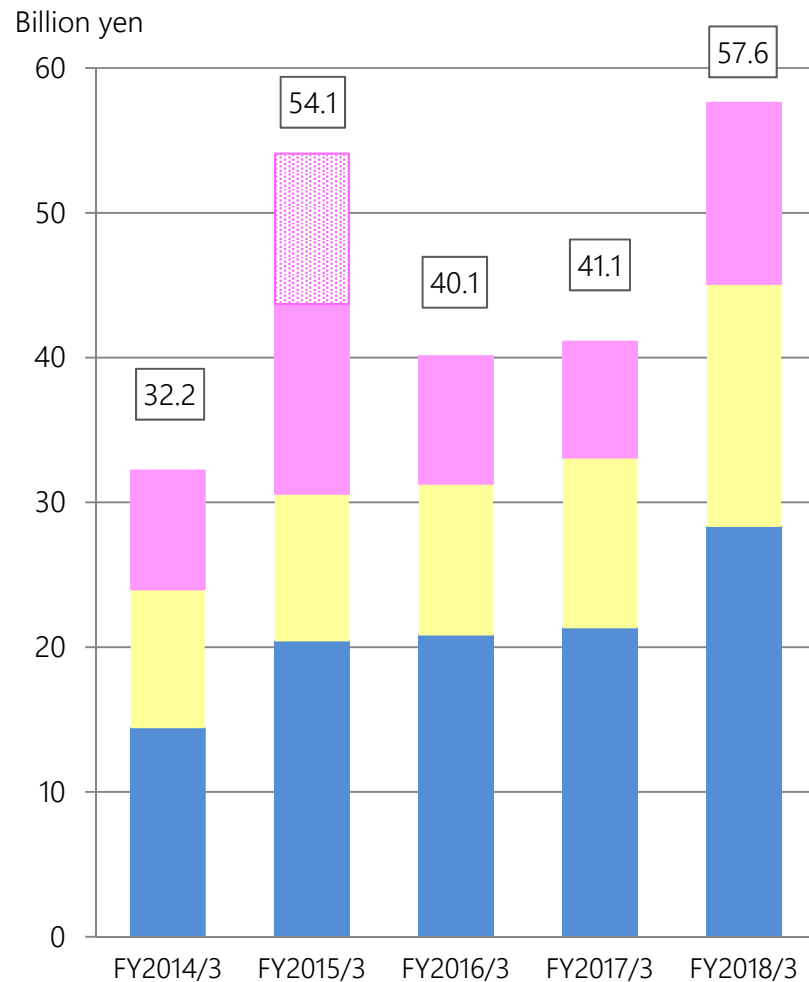
(2) Sales situation breakdown



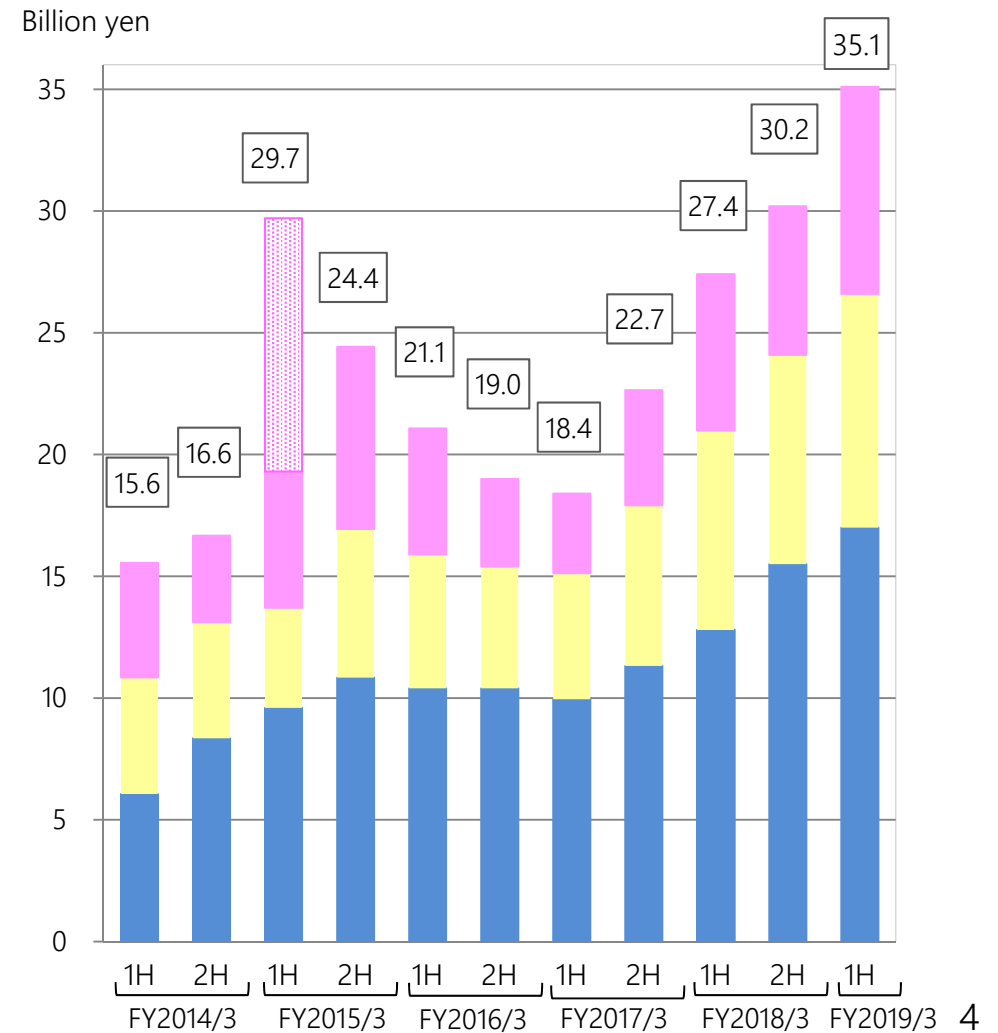
(3) Net Sales by Business Segment

- IT
- Other (hydraulic and pneumatic equipment, medical equipment and others)
- Automobile

Full-year



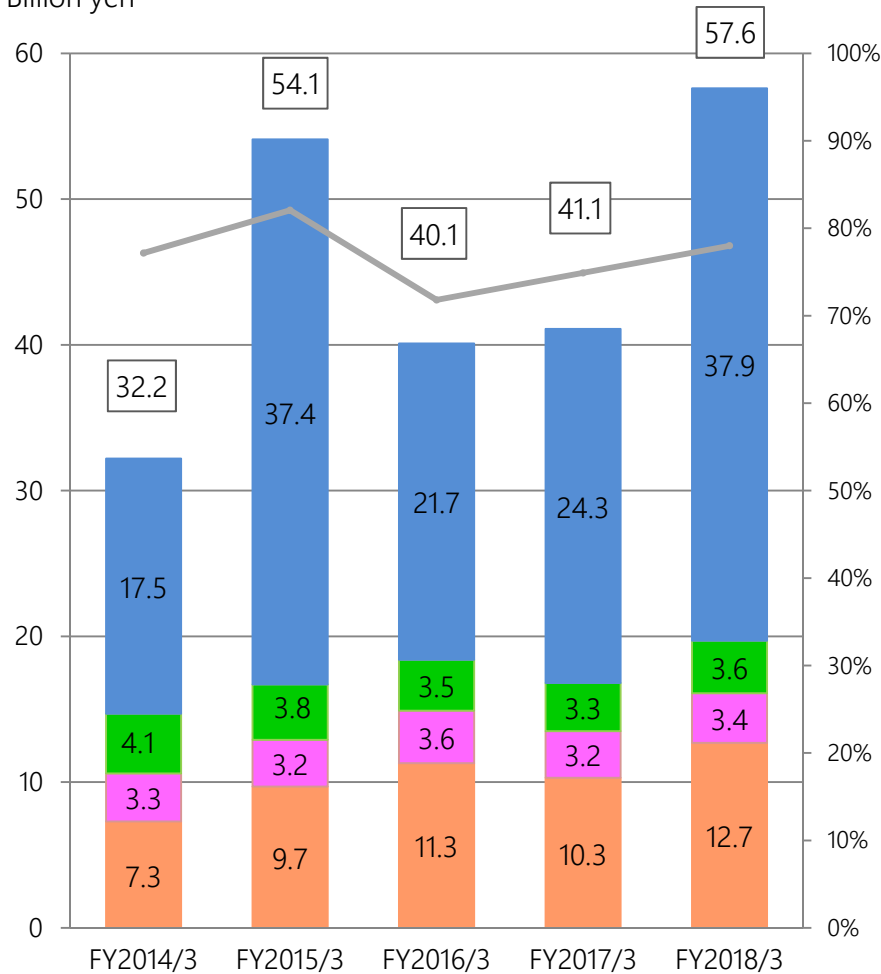
Six-month



(4) Net Sales by Geographic Segment

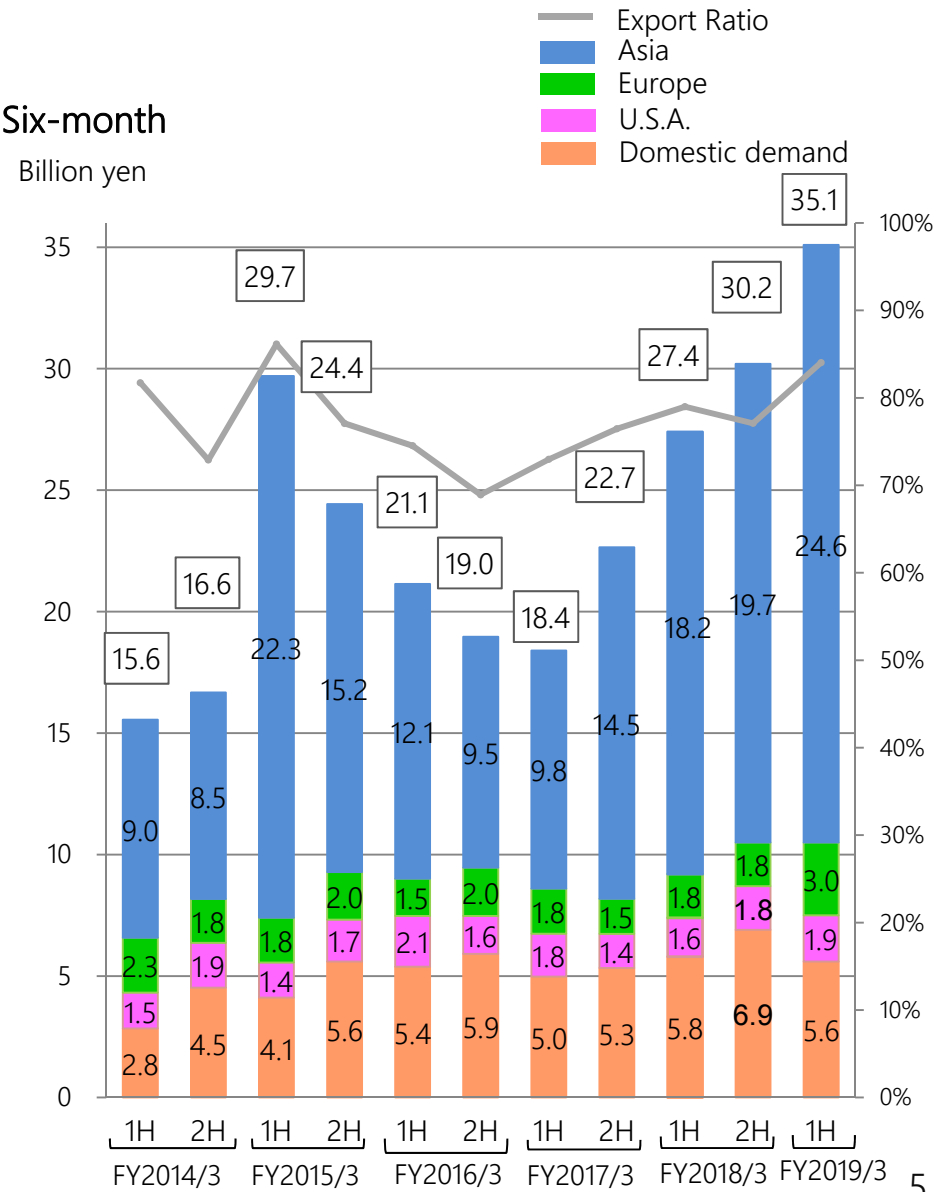
Full-year

Billion yen



Six-month

Billion yen



(5) Balance Sheets

	Billion yen			
	2017/9E	2018/3E	2018/9E	Difference from 2018/3E
Total assets	58.0	62.4	65.9	+3.5
Current assets	39.3	43.7	47.9	+4.2
Cash and deposits	10.4	10.3	8.3	-2.0
Trade notes and accounts receivable	10.2	14.5	16.0	+1.5
Inventories	17.1	17.4	22.0	+4.6
Other	1.6	1.5	1.6	+0.1
Non-current assets	18.7	18.7	18.0	-0.7
Property, plant and equipment	8.7	9.1	9.4	* 1 +0.3
Intangible assets	0.6	0.7	1.1	* 2 +0.4
Investments and other assets	9.4	8.9	7.5	* 3 -1.4
Total liabilities	21.3	24.9	27.5	+2.6
Current liabilities	19.1	22.9	25.7	+2.8
Trade notes and accounts payable	12.4	14.0	16.7	+2.7
Short-term loans payable	2.6	3.2	4.0	+0.8
Advances received	0.9	2.2	1.9	-0.3
Other	3.2	3.4	3.1	-0.3
Non-current liabilities	2.2	2.0	1.8	-0.2
Total net assets	36.7	37.5	38.4	+0.9
Common stock, Capital surplus	15.3	15.1	15.1	0.0
Retained earnings	19.1	13.3	15.5	+2.2
Treasury stock	-6.9	-1.8	-2.4	-0.6
Valuation difference on available-for-sale securities	3.8	4.1	3.2	-0.9
Foreign currency translation adjustment and others	1.2	1.0	0.6	-0.4
Non-controlling interests	4.2	5.8	6.4	+0.6
Capital adequacy ratio	54.7%	49.8%	47.9%	-1.9%
(before non-controlling interest)	(61.9%)	(59.1%)	(57.6%)	(-1.5%)

* 1
 Japan: +0.1 (Production machines)
 China: +0.8 (Factory No.4 rebuilding, etc.)
 Korea, India: +0.1 (Production machines)
 Depreciation and others: -0.6
 Effect of exchange rate: -0.1

* 2
 New factory in Anhui: +0.2 (Land use right)
 Introduction of new ERP system: +0.2 (SAP)

* 3
 Stock price fluctuation

(6) Cash flows

		Billion yen			
		FY2017 2H (2017/4 - 2017/9)	FY2017 2H (2017/10 - 2018/3)	FY2018 1H (2018/4 - 2018/9)	
Cash flows from operating activities		5.3	1.5	0.3	* 1
	Income before taxes, depreciation and amortization	3.6	3.9	* 1 6.0	Income before taxes: 5.48 Depreciation and amortization: 0.51
	Gross working capital	2.3	-2.5	* 2 -4.1	* 2
	Other	-0.6	0.1	* 3 -1.6	Notes and accounts receivable: -18.7 Notes and accounts payable: 29.6 Inventories: -47.9 Other current assets: -3.6
Cash flows from investing activities		0.1	-0.7	-1.2	
	Capital investment in factories	-0.2	-1.0	* 4 -1.1	
	Introduction of new ERP system	--	--	-0.2	* 3
	Other	0.3	0.3	0.1	Income taxes paid: -1.66
Cash flows from financing activities		0.3	-1.3	-1.1	* 4
	Short-term loans payable	-1.8	0.7	0.8	Japan: -0.1 (Production machines) China: -0.8 (Factory No.4 rebuilding, etc.)
	Dividends paid	-0.5	-0.5	-0.5	New factory in Anhui: -0.2 (Land use right)
	Treasury stock	-4.1	-2.5	* 5 -1.2	
	Dividends paid to non-controlling interests	--	--	-0.2	* 5
	associated with the IPO of the subsidiary				Purchase: -1.2 1,077 thousand shares purchased
	Payment for IPO commission fee	-0.1	-0.3	--	
	Proceeds from sale of shares	2.3	--	--	
	Proceeds from share issuance	4.5	1.3	--	
Effect of exchange rate change on cash and cash equivalents		0.1	-0.2	0.1	
Net increase (decrease) in cash and cash equivalents		5.8	-0.7	-1.9	
Increase in cash and cash equivalents from newly consolidated subsidiary		--	0.5	--	
Cash and cash equivalents at the end of the term		10.3	10.2	8.3	

2. Business Conditions and Outlook

(1) Outlook for Fiscal Year Ending March 31, 2019

Outlook for FY2019/3

Although the markets remained strong during FY2018 1H, the recent markets such as the Chinese market is in an adjusting phase slightly.

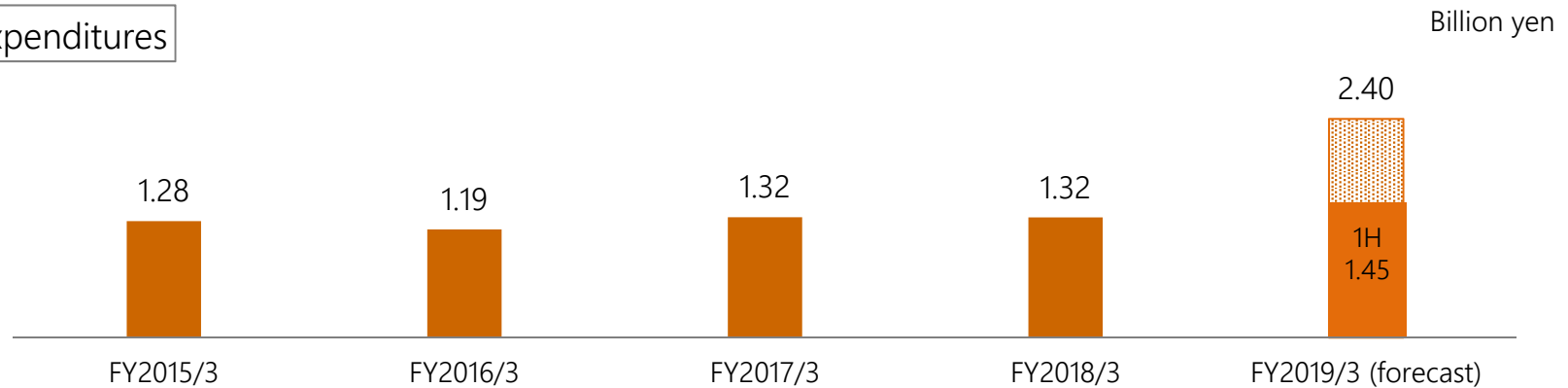
We have unchanged the forecasts for FY2018 2H from initial.

Billion yen

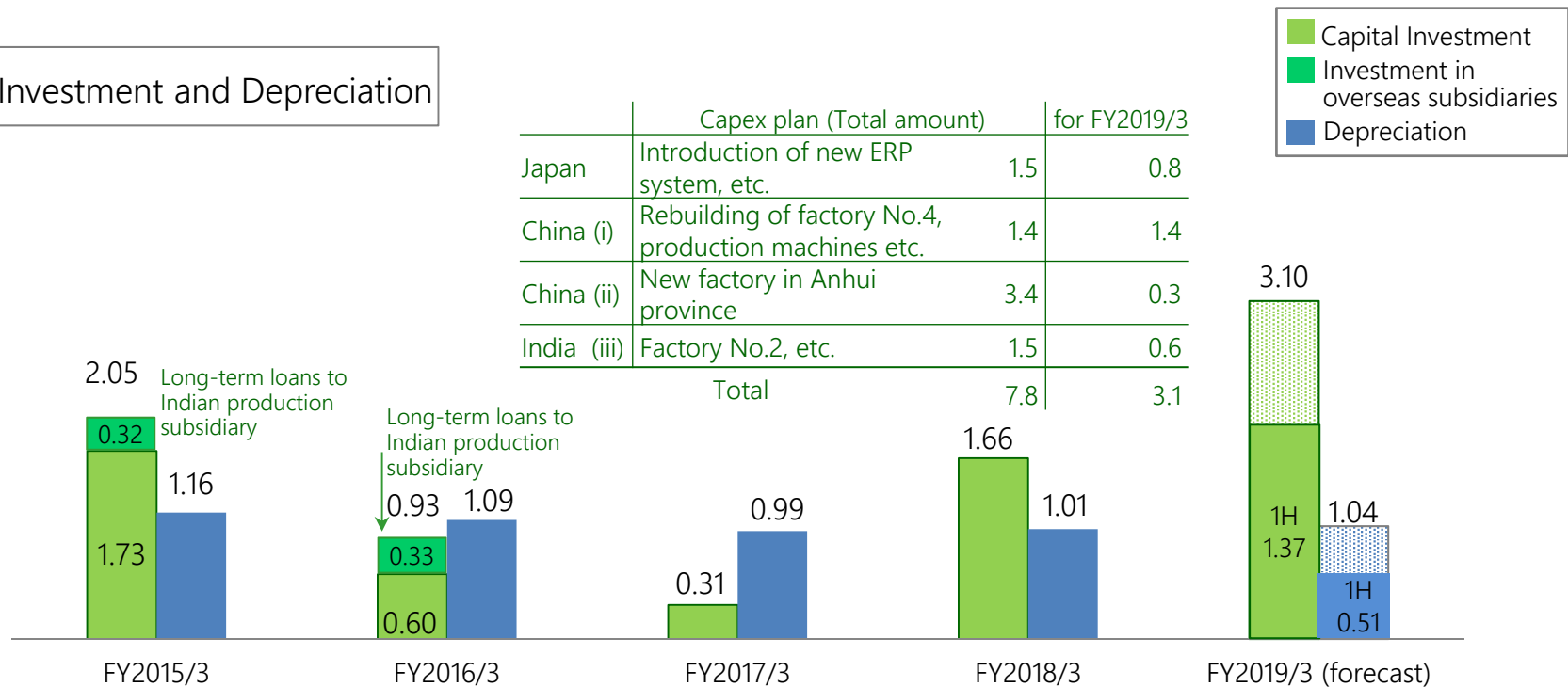
	Semi-annually				Full-year				
	FY2017 1H	FY2017 2H	FY2018 1H	FY2018 2H Released Nov. 12	FY2017	FY2018 Revised Forecasts	Year-on-year	FY2018 Initial forecasts	Difference from initial forecasts
Net sales	27.4	30.2	35.1	28.0	57.6	63.1	+5.5	61.5	+1.6
Operating income	3.3	3.6	5.5	3.4	6.9	8.9	+2.0	8.0	+0.9
(to sales ratio)	(12.2%)	(11.9%)	(15.7%)	(12.1%)	(12.1%)	(14.1%)	(+2.0%)	(13.0%)	(+1.1%)
Ordinary income	3.0	3.5	5.5	3.3	6.5	8.8	+2.3	7.8	+1.0
(to sales ratio)	(10.8%)	(11.7%)	(15.6%)	(11.9%)	(11.3%)	(13.9%)	(+2.6%)	(12.7%)	(+1.2%)
Net income attributable to owners of the parent	2.3	1.9	3.1	1.8	4.2	4.9	+0.7	4.3	+0.6
(to sales ratio)	(8.4%)	(6.2%)	(8.8%)	(6.5%)	(7.2%)	(7.8%)	(+0.6%)	(7.0%)	(+0.8%)
Net income per share	39.62 yen	35.09 yen	58.56 yen	34.33 yen	74.71 yen	92.89 yen	+18.18 yen	81.13 yen	+11.76 yen

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

R&D Expenditures



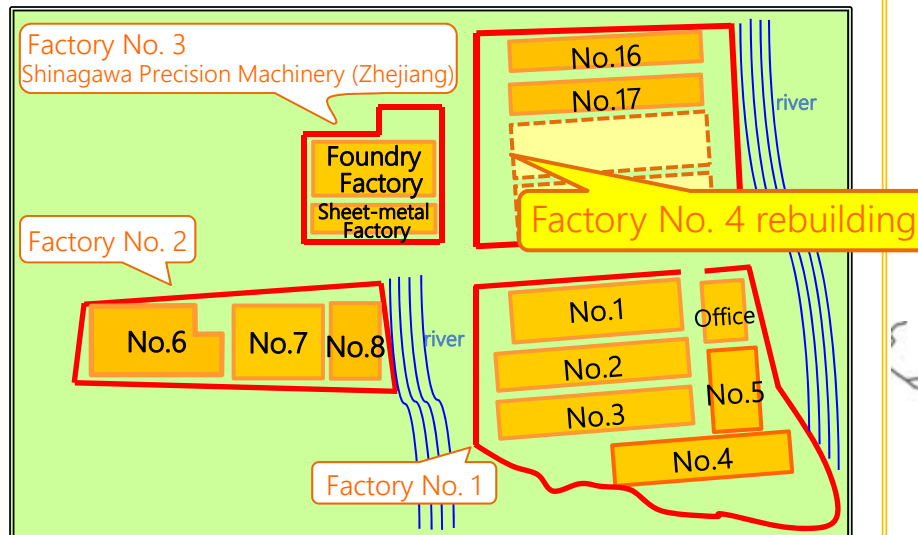
Capital Investment and Depreciation



Capital Investment: Factories in China

(i) PRECISION TSUGAMI (CHINA) CORPORATION

Capex : ¥1.4bn (for FY2019/3: ¥1.4bn) - Factory No.4 etc.



(ii) New factory through establishing Precision Tsugami (Anhui) Corporation

Capex: ¥3.4bn (for FY2019/3: ¥0.3bn)

To increase production capacity, maintain strong output of metal castings and expand the PRC market

[Future schedule]

Factory will be completed in June 2020.

Production will start at the beginning of 2021.

Capacity - Metal castings: 1,500 tons / month

Machine tools assembly: 100 units / month



About 4 hours by car on expressway.

PRECISION TSUGAMI (CHINA) ↔ Precision Tsugami (Anhui)

Capital Investment: Factories in India

(iii) TSUGAMI PRECISION ENGINEERING INDIA Pvt. Ltd.

Capex : ¥1.5bn (for FY2019/3: ¥0.6bn) – Add new Factories for machine tools assembly, parts manufacturing and foundry (Transfer from current rented Factory No.2 to new factory)

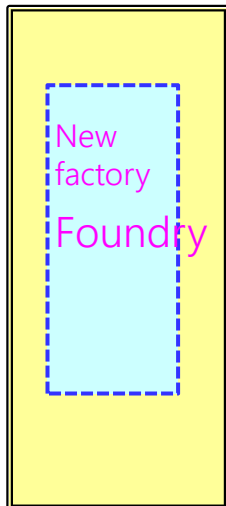


As of September 2018
Capacity of assembly: 70 units / month

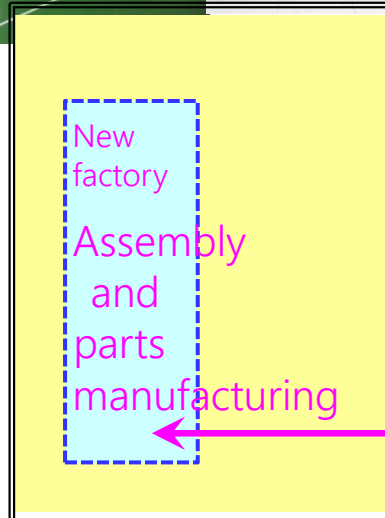
[Future schedule]

Planning to complete construction and start production in FY2020/3.

Capacity - Metal castings: 1,000 tons / month
Machine tools assembly: 200 units / month



+



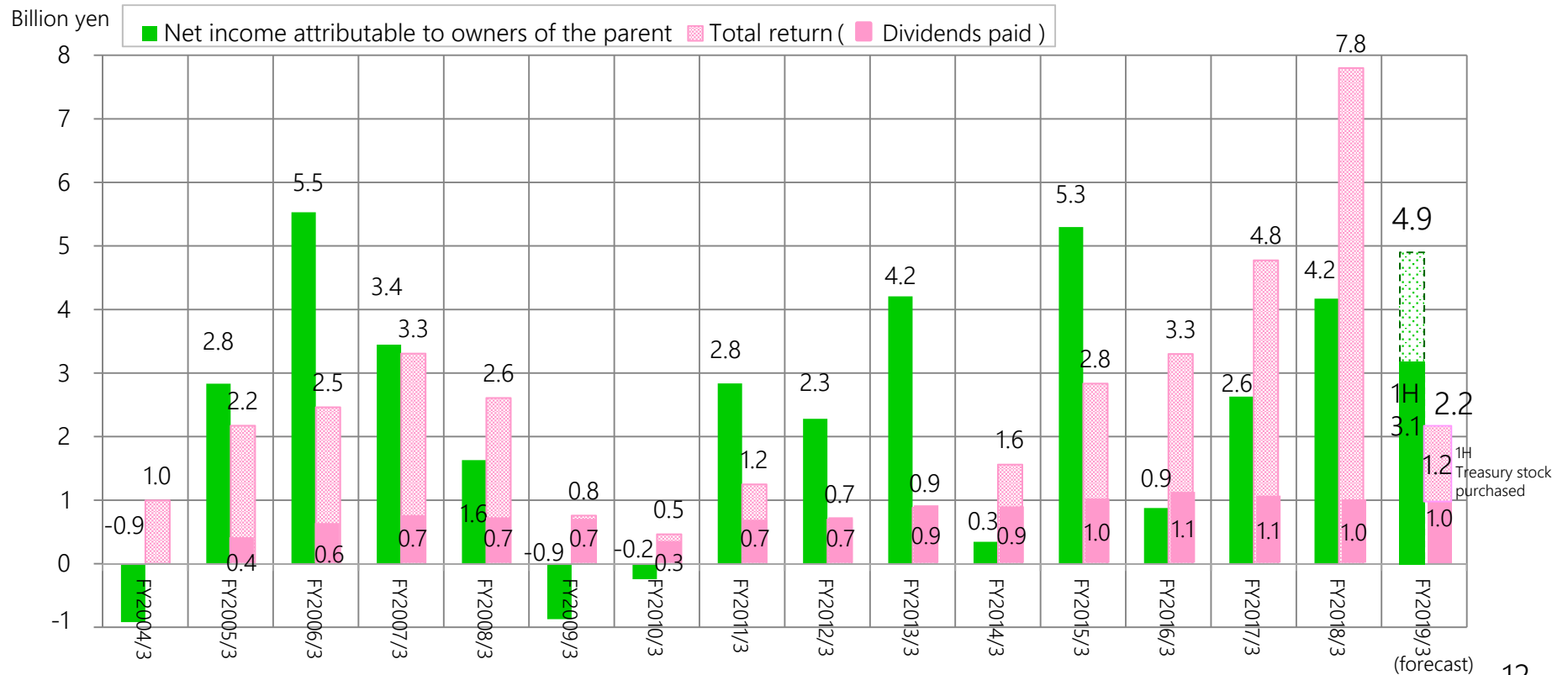
Add land and buildings.
Production machines planned to be transferred from Factory No.2.

3. Shareholder Returns

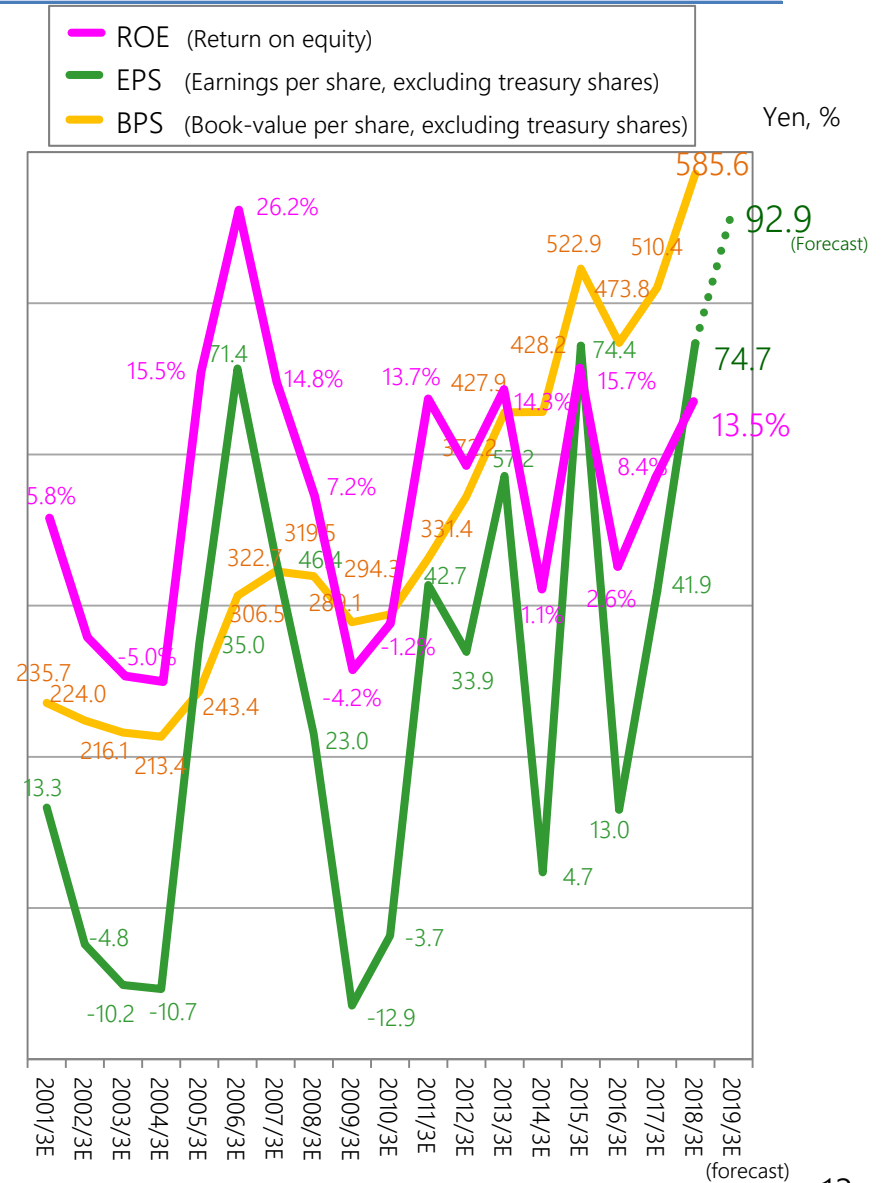
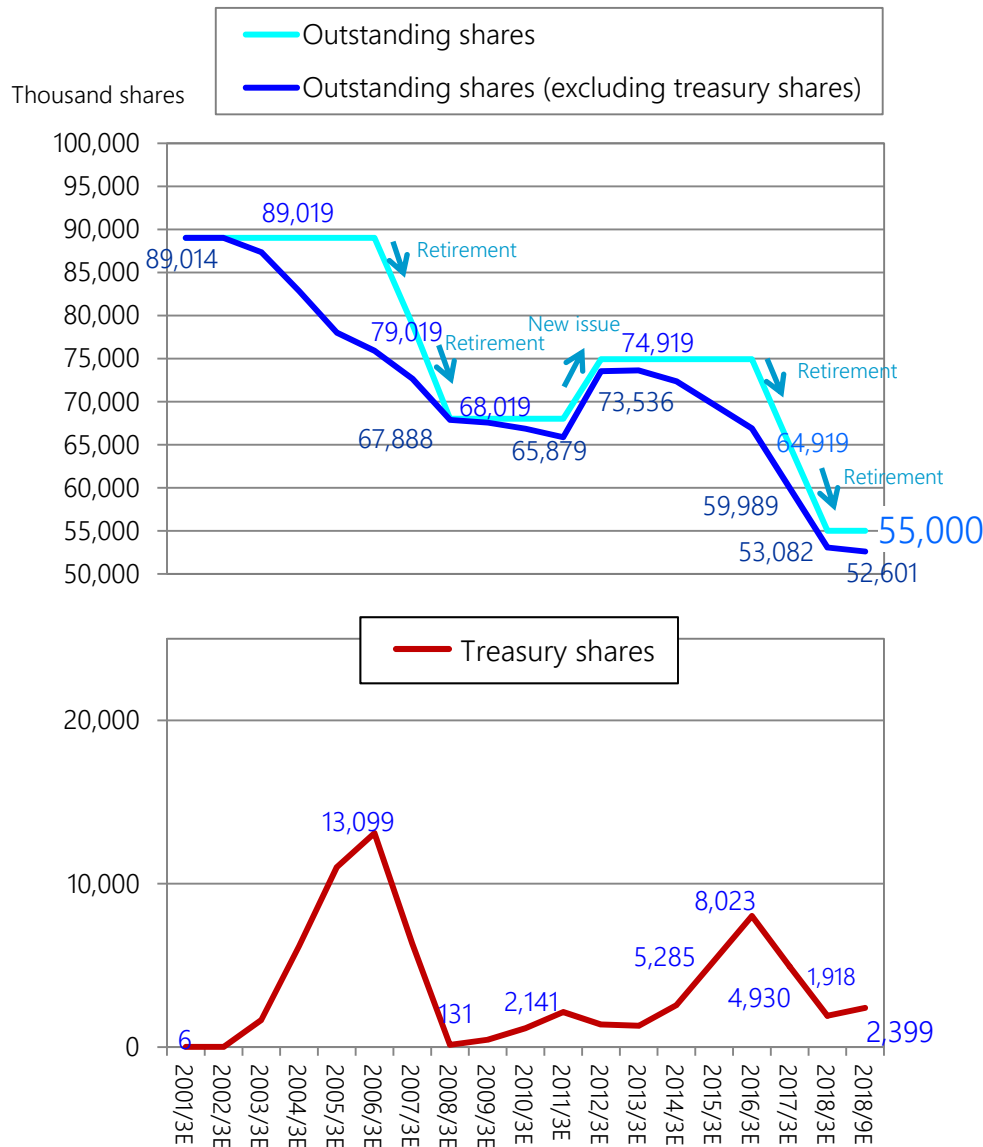
(1) Shareholder Returns

Billion yen

	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	FY17/3	FY18/3	FY19/3 (forecast)
Dividends paid (Full-year per share)	0.0 (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)	1.1 (16 yen)	1.0 (18 yen)	1.0 (18 yen)
Purchase of treasury shares	1.0	1.8	1.9	2.6	1.9	0.1	0.1	0.6	0.0	0.0	0.7	1.8	2.2	3.7	6.8	--
Total return	1.0	2.2	2.5	3.3	2.6	0.8	0.4	1.3	0.7	0.9	1.6	2.8	3.3	4.8	7.8	--
Dividend payout ratio	--	14.1%	11.2%	21.6%	43.4%	--	--	23.4%	29.5%	21.0%	254.2%	18.8%	122.7%	38.2%	24.1%	19.4%
Total return ratio	--	76.7%	44.5%	95.9%	160.2%	--	--	44.0%	30.6%	21.0%	453.5%	53.5%	380.2%	181.5%	187.6%	--



(2) Acquisition of Treasury Stock



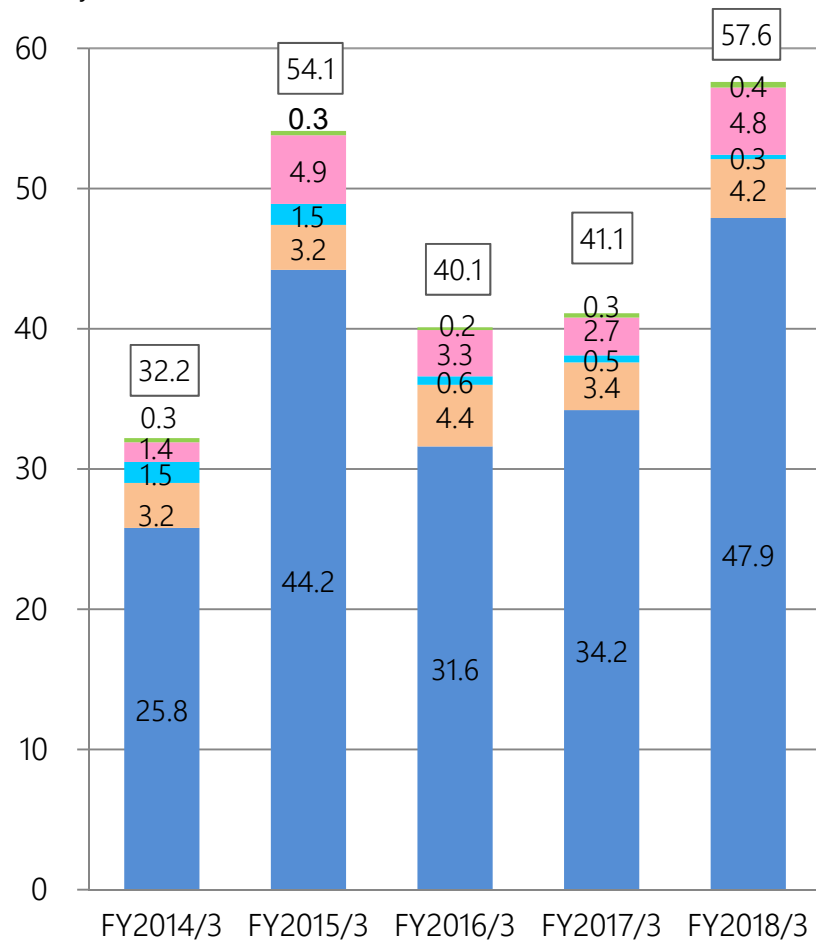
4. Reference

Net Sales by Machinery Category

- Other businesses
- Rolling machines and specialized machines
- Machining centers
- Grinding machines
- Automatic lathes

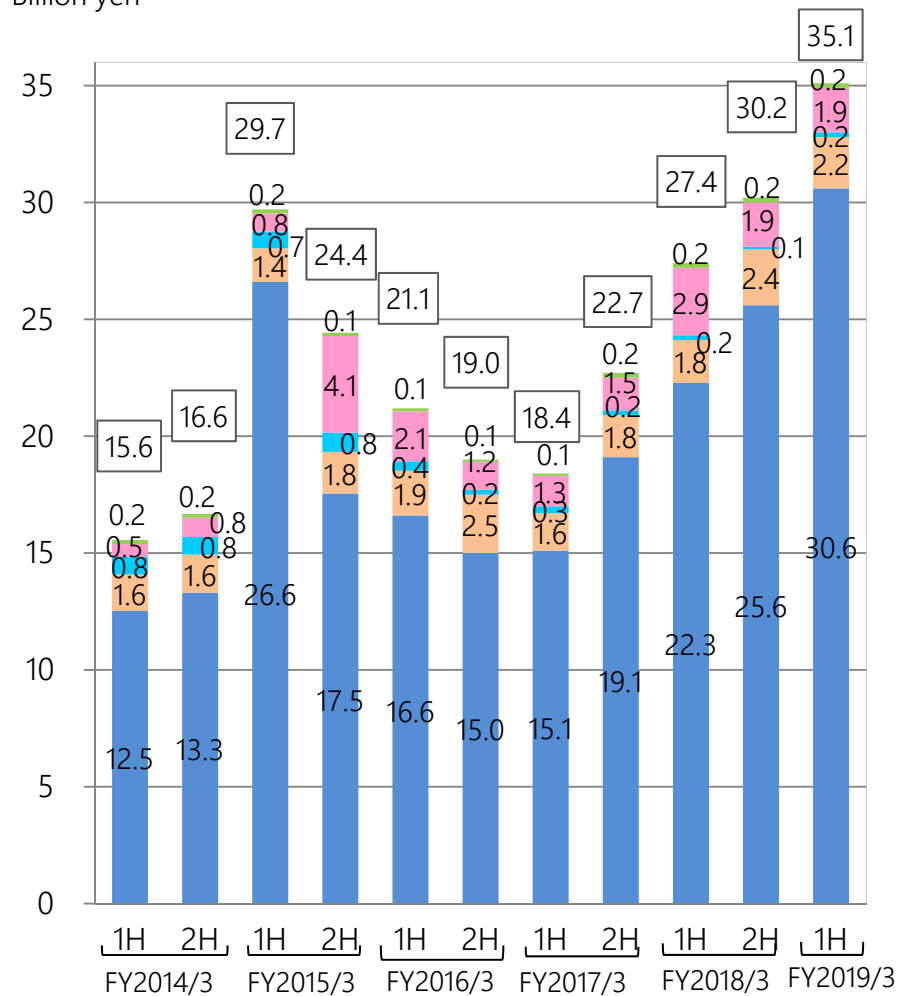
Full-year

Billion yen

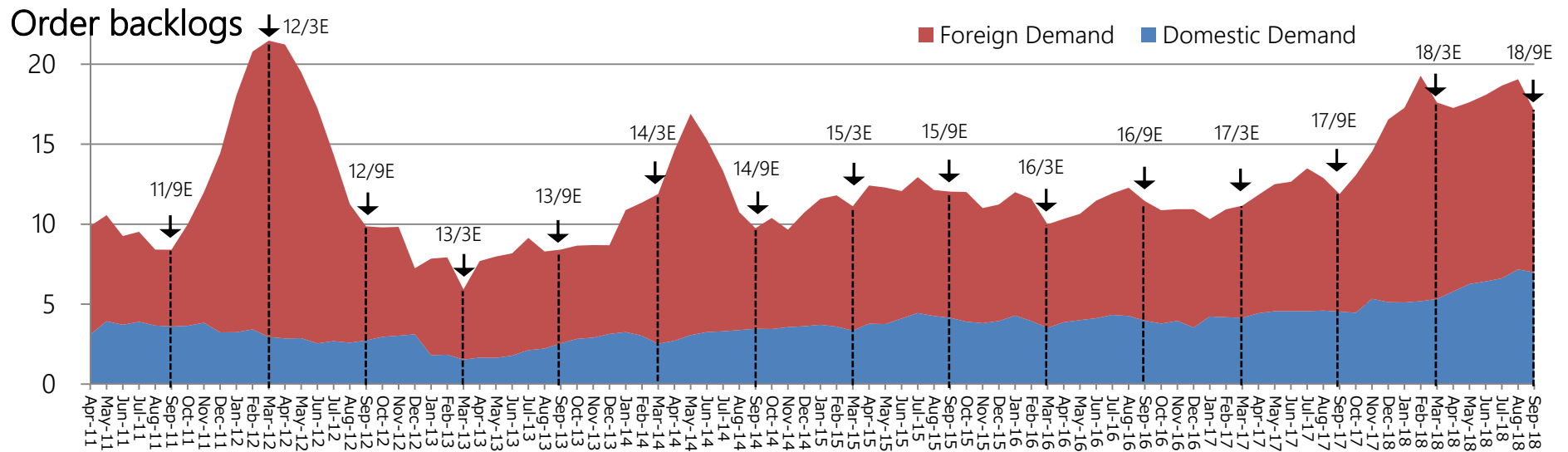
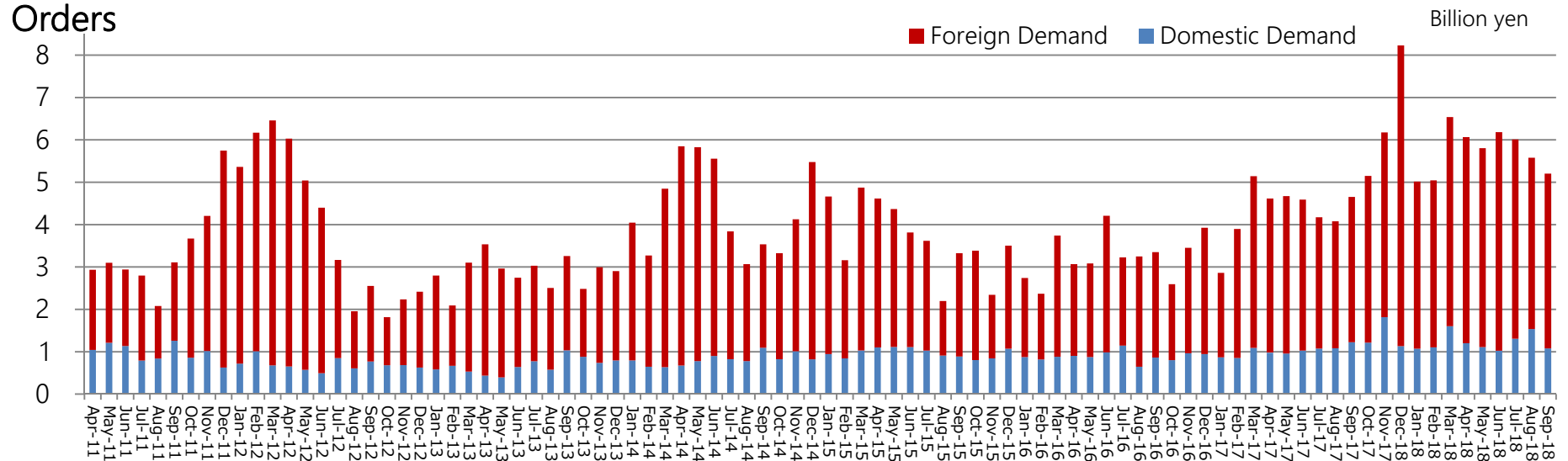


Six-month

Billion yen



Orders Received and Order Backlogs



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.