

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021

July 30, 2020

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled quarterly report submission date: August 12, 2020

Scheduled date of commencement of dividend payments: --

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: None

Listings: Tokyo Stock Exchange

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

1. Consolidated business performance for the first quarter of the fiscal year ending March 31, 2021

(From April 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative totals)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of the fiscal year ending March 31, 2021	13,963	-5.7	1,728	-12.3	1,776	-9.0	1,077	-21.0
Q1 of the fiscal year ended March 31, 2020	14,810	-17.9	1,971	-31.0	1,952	-33.4	1,364	-35.2

	Profit attributable to owners of the parent		Total comprehensive income for the quarter		Basic earnings per share	Diluted earnings per share
	Million yen	%	Million yen	%	Yen	Yen
Q1 of the fiscal year ending March 31, 2021	668	-37.7	1,563	870.9	12.92	12.63
Q1 of the fiscal year ended March 31, 2020	1,073	-32.1	161	-85.8	20.70	20.28

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Percentage of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
Q1 of the fiscal year ending March 31, 2021	67,007	40,001	33,053	49.3 (59.6)
Fiscal year ended March 31, 2020	61,860	39,073	32,480	52.5 (63.2)

(Reference) The figures in parentheses are the ratios of total equity (sum of equity attributable to owners of the parent and non-controlling interests).

2. State of dividends

(Base date)	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	--	12.00	--	12.00	24.00
Fiscal year ending March 31, 2021	--				
Fiscal year ending March 31, 2021 (forecast)		12.00	--	12.00	24.00

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

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	24,000	-12.4	2,100	-27.3	1,200	-7.3	23.20
Full-year	45,000	-8.7	3,300	-27.5	1,900	-5.1	36.74

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

- (i) Changes in accounting policies required by IFRS: None
- (ii) Changes in accounting policy other than those stated in item (i) above: None
- (iii) Changes in accounting estimates: None

(3) Numbers of outstanding shares (common shares)

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

As of June 2020	55,000,000 shares	As of March 2020	55,000,000 shares
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- (ii) Numbers of treasury shares at the end of the terms:

As of June 2020	3,160,397 shares	As of March 2020	3,291,482 shares
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- (iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):

Q1 of FY2021	51,746,748 shares	Q1 of FY2020	51,846,887 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

In the first quarter of the fiscal year under review, the Group posted revenue of ¥13,963 million (down 5.7% year on year), operating profit of ¥1,728 million (down 12.3% year on year) and profit attributable to owners of parent of ¥668 million (down 37.7% year on year), as markets continued to be in an adjustment phase and were also affected by the spread of COVID-19 coronavirus.

Segment performance is as follows.

- a. In Japan, revenue decreased 32.8%, to ¥4,719 million, and segment loss was ¥142 million, compared to segment profit of ¥265 million a year earlier.
- b. In China, revenue increased 28.9%, to ¥12,092 million, and segment profit increased 65.3%, to ¥2,031 million.
- c. In India, revenue decreased 68.6%, to ¥200 million, and segment loss was ¥15 million, compared to a segment loss of ¥3 million a year ago.
- d. In South Korea, revenue decreased 49.5%, to ¥647 million, and segment profit decreased 48.0%, to ¥121 million.
- e. Revenue in "Other" decreased 81.7%, to ¥47 million, and segment loss was ¥13 million (compared to segment profit of ¥39 million in the same period of the previous fiscal year).

Operating profit is calculated by deducting cost of sales and selling, general and administrative expenses from net sales.

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled ¥67,077 million at the end of the first quarter of the fiscal year under review, increasing ¥5,217 million from the end of the previous fiscal year.

The increase resulted mainly from increases of ¥2,019 million in cash and cash equivalents, ¥2,122 million yen in trade and other receivables, ¥444 million yen in property plant and equipment, and ¥860 million yen in other financial assets, despite a decrease of ¥457 million yen in other current assets.

Liabilities totaled ¥27,076 million at the end of the first quarter of the fiscal year under review, increasing ¥4,289 million from the end of the previous fiscal year.

The result was chiefly attributable to increases of ¥2,559 million in trade and other payables, ¥858 million in borrowings, and ¥473 million in income taxes payable, despite a decrease of ¥245 million yen in contract liabilities.

Equity totaled ¥40,001 million at the end of the first quarter of the fiscal year under review, increasing ¥927 million from the end of the previous fiscal year.

This was largely due to increases of ¥522 million in other components of equity and ¥354 million in non-controlling interests, despite a decrease of ¥54 million in capital surplus. The increase in other components of equity includes a decrease of ¥81 million in exchange differences on translation of foreign operations – equity and an increase of ¥604 million in financial assets measured at fair value through other comprehensive income.

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

Cash and cash equivalents amounted to ¥12,941 million at the end of the first quarter of the fiscal year under review, increasing ¥2,019 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash generated through operating activities was ¥2,737 million.

The result principally reflected an increase in cash due to profit before tax of ¥1,776 million and an increase of ¥2,781 million in trade and other payables, and a decrease in cash due to an increase of ¥1,685 million in trade and other receivables.

(Cash flows from investing activities)

Cash used for investing activities was ¥845 million.

The cash outflow was primarily attributable to a decrease in cash due to the purchase of property, plant and equipment of ¥683 million.

(Cash flows from financing activities)

Cash generated through financing activities was ¥154 million.

The result principally reflected an increase in cash due to an increase of ¥858 million in short-term loans payable and a decrease in cash due to cash dividends paid of ¥620 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, 2021, and our dividend forecast remain unchanged from the initial forecasts (announced on May 27, 2020).

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2020)	Figures at the end of the consolidated first quarter under review (As of June 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	10,921	12,941
Trade and other receivables	12,258	14,381
Other financial assets	30	30
Inventories	18,343	18,506
Other current assets	1,397	940
Total current assets	42,952	46,799
Non-current assets		
Property, plant and equipment	9,648	10,093
Right-of-use assets	1,222	1,198
Intangible assets	1,289	1,297
Retirement benefit asset	82	77
Other financial assets	6,236	7,096
Deferred tax assets	209	293
Other non-current assets	218	220
Total non-current assets	18,908	20,278
Total assets	61,860	67,077

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2020)	Figures at the end of the consolidated first quarter under review (As of June 30, 2020)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	9,480	12,039
Borrowings	8,867	9,725
Other financial liabilities	175	170
Income taxes payable	310	783
Provisions	402	383
Contract liabilities	1,021	775
Other current liabilities	609	875
Total current liabilities	20,866	24,754
Non-current liabilities		
Other financial liabilities	140	136
Retirement benefit liability	915	922
Deferred tax liabilities	635	1,035
Other non-current liabilities	229	228
Total non-current liabilities	1,920	2,322
Total liabilities	22,787	27,076
Equity		
Share capital	12,345	12,345
Capital surplus	3,306	3,251
Treasury shares	-2,994	-2,875
Other components of equity	1,038	1,560
Retained earnings	18,784	18,770
Equity attributable to owners of the parent	32,480	33,053
Non-controlling interests	6,593	6,948
Total equity	39,073	40,001
Total liabilities and net equity	61,860	67,077

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income
(Condensed Quarterly Consolidated Statement of Profit or Loss)

(Million yen)

	Consolidated first quarter previous year (From April 1, 2019 to June 30, 2019)	Consolidated first quarter under review (From April 1, 2020 to June 30, 2020)
Revenue	14,810	13,963
Cost of sales	-10,723	-10,350
Gross profit	4,086	3,612
Selling, general and administrative expenses	-2,266	-1,917
Other income	159	38
Other expenses	-8	-4
Operating profit	1,971	1,728
Finance income	158	116
Finance costs	-176	-68
Profit before tax	1,952	1,776
Income tax expense	-588	-698
Profit	1,364	1,077
Profit for the year attributable to:		
Owners of the parent	1,073	668
Non-controlling interests	291	409
Profit	1,364	1,077
Earnings per share		
Basic earnings per share (yen)	20.70	12.92
Diluted earnings per share (yen)	20.28	12.63

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first quarter previous year (From April 1, 2019 to June 30, 2019)	Consolidated first quarter under review (From April 1, 2020 to June 30, 2020)
Profit	1,364	1,077
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	-38	604
Remeasurement of defined benefit pension plans	--	--
Total items that will not be reclassified to profit or loss	-38	604
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-1,164	-118
Total items that may be reclassified to profit or loss	-1,164	-118
Total other comprehensive income	-1,203	486
Comprehensive income	161	1,563
Total comprehensive income for the year attributable to:		
Owners of parent	199	1,191
Non-controlling interests	-38	372
Comprehensive income	161	1,563

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

	Equity attributable to owners of the parent				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2019	12,345	3,214	-2,943	-169	2,745
Profit					
Other comprehensive income				-834	-38
Total comprehensive income for the quarter	--	--	--	-834	-38
Purchase of treasury shares			-0		
Disposal of treasury shares		-34	72		
Dividends					
Changes in share-based payment transactions		24			
Share-based payment transactions	--	-9	72	--	--
Balance as of June 30, 2019	12,345	3,204	-2,871	-1,003	2,706

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity		Retained earnings	Total	-		
	Remeasurements of defined benefit plans	Total					
Balance as of April 1, 2019	--	2,576	18,052	33,244	6,827	40,072	
Profit			1,073	1,073	291	1,364	
Other comprehensive income		-873		-873	-329	-1,203	
Total comprehensive income for the quarter	--	-873	1,073	199	-38	161	
Purchase of treasury shares				-0		-0	
Disposal of treasury shares			-21	16		16	
Dividends			-621	-621		-621	
Changes in share-based payment transactions				24		24	
Share-based payment transactions	--	--	-643	-580	--	-580	
Balance as of June 30, 2019	--	1,703	18,482	32,864	6,788	39,652	

(Million yen)

	Equity attributable to owners of the parent				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2020	12,345	3,306	-2,994	-1,535	2,574
Profit					
Other comprehensive income				-80	604
Total comprehensive income for the quarter	--	--	--	-80	604
Purchase of treasury shares			-0		
Disposal of treasury shares		-57	119		
Dividends					
Changes in share-based payment transactions		4			
Transfer to retained earnings		-2		-0	
Share-based payment transactions	--	-54	119	-0	--
Balance as of June 30, 2020	12,345	3,251	-2,875	-1,617	3,178

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity		Retained earnings	Total	Total		
	Remeasurements of defined benefit plans	Total					
Balance as of April 1, 2020	--	1,038	18,784	32,480	6,593	39,073	
Profit			668	668	409	1,077	
Other comprehensive income		523		523	-37	486	
Total comprehensive income for the quarter	--	523	668	1,191	372	1,563	
Purchase of treasury shares				-0		-0	
Disposal of treasury shares			-61	0		0	
Dividends			-620	-620		-620	
Changes in share-based payment transactions				4		4	
Transfer to retained earnings		-0		-3	-17	-20	
Share-based payment transactions	--	-0	-682	-618	-17	-635	
Balance as of June 30, 2020	--	1,560	18,770	33,053	6,948	40,001	

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated first quarter previous year (From April 1, 2019 to June 30, 2019)	Consolidated first quarter under review (From April 1, 2020 to June 30, 2020)
Cash flows from operating activities		
Profit before tax	1,952	1,776
Depreciation and amortization	275	361
Finance income	-158	-116
Finance costs	22	22
Decrease (increase) in inventories	992	-228
Decrease (increase) in trade and other receivables	1,181	-1,685
Increase (decrease) in trade and other payables	-227	2,781
Increase (decrease) in contract liabilities	-544	-238
Increase or decrease in retirement benefit asset or liability	4	10
Increase (decrease) in provisions	-25	-18
Other	-22	160
Subtotal	3,454	2,828
Interest and dividends received	138	107
Interest paid	-22	-22
Proceeds from subsidy income	121	4
Income taxes paid	-133	-207
Income taxes refund	--	25
Net cash provided by (used in) operating activities	3,558	2,737
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,133	-683
Purchase of intangible assets	-181	-161
Other	0	-0
Net cash provided by (used in) investing activities	-1,315	-845
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-78	858
Proceeds from sale of treasury shares	16	0
Purchase of treasury shares	-0	-0
Dividends paid	-621	-620
Payments for acquisition of interests in subsidiaries from non-controlling interests	--	-20
Repayments of lease obligations	-24	-63
Net cash provided by (used in) financing activities	-708	154
Effect of exchange rate changes on cash and cash equivalents	-371	-26
Net increase (decrease) in cash and cash equivalents	1,163	2,019
Cash and cash equivalents at the beginning of the term	11,112	10,921
Cash and cash equivalents at the end of the term	12,276	12,941

(5) Notes relating to Condensed Quarterly Consolidated Financial Statements

(Notes relating to the going concern assumption)

No corresponding item exists.

(Segment information)

(1) Summary of reportable segments

The Group's reportable segments are its constituent units that disclose financial information separately. They fall under the scope of periodic reviews the Company's Board of Directors performs to determine the distribution of its management resources and to assess its operating results. The Group manufactures and sells machine tools in Japan and abroad. The Group consists of geographic segments based on its manufacturing and sales organizations. The Company's reportable segments are Japan, China, India, South Korea and Other which are the areas where Group companies are located.

(2) Segment revenues and operating results

Inter-segment revenues are based on market prices.

Revenues and operating results of the Group's reportable segments are as follows.

Consolidated first quarter previous year (From April 1, 2019 to June 30, 2019)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	5,495	7,213	619	1,273	207	14,810	--	14,810
Intersegment revenue	1,530	2,169	18	7	53	3,779	-3,779	--
Total	7,026	9,382	637	1,281	261	18,589	-3,779	14,810
Segment profit (loss)	265	1,229	-3	234	39	1,764	55	1,820
Other income and expenses, net	--	--	--	--	--	--	--	150
Operating profit	--	--	--	--	--	--	--	1,971
Finance income and expenses, net	--	--	--	--	--	--	--	-18
Profit before tax	--	--	--	--	--	--	--	1,952

(Notes) 1. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales revenue.

2. "Adjustment" of segment income of ¥55 million is the adjustment of unrealized income.

Consolidated first quarter under review (from April 1, 2020 to June 30, 2020)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	3,193	9,911	200	629	28	13,963	--	13,963
Intersegment revenue	1,525	2,180	--	17	19	3,743	-3,743	--
Total	4,719	12,092	200	647	47	17,707	-3,743	13,963
Segment profit	-142	2,031	-15	121	-13	1,981	-286	1,695
Other income and expenses, net	--	--	--	--	--	--	--	33
Operating profit	--	--	--	--	--	--	--	1,728
Finance income and expenses, net	--	--	--	--	--	--	--	47
Profit before tax	--	--	--	--	--	--	--	1,776

(Notes) 1. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales revenue.

2. "Adjustment" of segment income of ¥-286 million is the adjustment of unrealized income.

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first quarter previous year (From April 1, 2019 to June 30, 2019)	Consolidated first quarter under review (From April 1, 2020 to June 30, 2020)
China	7,314	9,838
Asia	3,307	1,566
America	1,335	702
Europe	665	324
Overseas revenue	12,623	12,432
Consolidated revenue	14,810	13,963
Ratio of overseas revenue to consolidated net sales (%)	85.2	89.0

(Note) Revenue is categorized by country or region based on the locations of the customers.

(2) Revenue by machinery category

The relationship between the disaggregation of revenue based on major product lines and reportable segments is as follows.

Consolidated first quarter previous year (From April 1, 2019 to June 30, 2019)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Automatic lathes	4,005	6,040	541	1,258	150	11,997
Grinding machines	392	225	69	--	--	687
Machining centers, rolling machines and specialized machines	477	773	--	--	--	1,251
Other	619	173	9	15	56	874
Total	5,495	7,213	619	1,273	207	14,810

(Note) "Other" include components and services.

Consolidated first quarter under review (from April 1, 2020 to June 30, 2020)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Automatic lathes	2,369	8,323	197	614	12	11,516
Grinding machines	130	436	--	--	--	567
Machining centers, rolling machines and specialized machines	191	923	--	5	--	1,120
Other	502	227	3	9	15	758
Total	3,193	9,911	200	629	28	13,963

(Note) "Other" include components and services.