

# Briefing on Financial Statements for the First Half of the Year Ending March 2021



November 12, 2020

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

(TSE: 6101)

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# 1. Business Performance for the First Half of the Year Ending March 2021 and Outlook for the Year Ending March 2021

## (1) Business Results

### [1H results]

Revenue: 26.5 billion yen

(down 3.4% YoY, up 10.2% from the initial forecast)

Revenue exceeded the initial forecast as a result of certain recovery in the Chinese market and a rise in orders with short delivery time, although an adjustment phase continued in markets in Japan, Europe and the U.S.A.

### Profits:

Operating profit increased due to the rise in revenue.

### [Full-year outlook]

The Company decided to revise its business performance forecasts for the fiscal year ending March 31, 2021, as presented below, considering positive changes observed at some users in Japan and the like, and the return of the Chinese market to normal operation, in addition to results for the first half under review.

Billion yen

|   | Results for 1H |                |                  |                   |                                    | Full-year forecasts  |                                |                  |                                |                                    |
|---|----------------|----------------|------------------|-------------------|------------------------------------|----------------------|--------------------------------|------------------|--------------------------------|------------------------------------|
|   | FY2020/3       | FY2021/3       | Year-on-Year (%) | Initial forecasts | Changes from initial forecasts (%) | Results for FY2020/3 | Revised forecasts for FY2021/3 | Year-on-year (%) | Initial forecasts for FY2021/3 | Changes from initial forecasts (%) |
| Revenue   | 27.4           | 26.5           | -3.4             | 24.0              | 10.2                               | 49.3                 | 55.0                           | 11.5             | 45.0                           | 22.2                               |
| Operating profit<br>(to revenue ratio)                        | 2.9<br>(10.5%) | 3.0<br>(11.3%) | 3.7<br>—         | 2.1<br>(8.8%)     | 42.6<br>—                          | 4.5<br>(9.2%)        | 6.5<br>(11.8%)                 | 42.9<br>—        | 3.3<br>(7.3%)                  | 97.0<br>—                          |
| Profit attributable to owners of parent<br>(to revenue ratio) | 1.3<br>(4.7%)  | 1.3<br>(4.8%)  | -1.2<br>—        | 1.2<br>(5.0%)     | 6.6<br>—                           | 2.0<br>(4.1%)        | 2.8<br>(5.1%)                  | 39.9<br>—        | 1.9<br>(4.2%)                  | 47.4<br>—                          |
| Basic earnings per share                                      | 24.97 yen      | 24.71 yen      | —                | 23.20 yen         | —                                  | 38.60 yen            | 54.04 yen                      | —                | 36.74 yen                      | —                                  |

## (2) Financial position

RMB/JPY March-end/20 15.31 → Sep.-end/20 15.54  
 INR/JPY March-end/20 1.46 → Sep.-end/20 1.45

Billion yen

|   | 2019/9E | 2020/3E | 2020/9E | Diference<br>from 2020/3E |
|---|---------|---------|---------|---------------------------|
| <b>Total assets</b>                     | 63.5    | 61.9    | 66.8    | 4.9                       |
| Current assets                          | 44.4    | 43.0    | 46.8    | 3.8                       |
| Cash and cash equivalents               | 9.9     | 10.9    | 12.1    | 1.2                       |
| Trade and other receivables             | 14.4    | 12.3    | 15.2    | 2.9                       |
| Inventories                             | 19.0    | 18.3    | 18.4    | 0.1                       |
| Other                                   | 1.1     | 1.4     | 1.1     | -0.3                      |
| Non-current assets                      | 19.1    | 18.9    | 20.0    | 1.1                       |
| Property, plant and equipment           | 9.6     | 9.6     | 10.3    | ※1 0.7                    |
| Right-of-use assets                     | 1.2     | 1.2     | 1.3     | 0.1                       |
| Intangible assets                       | 1.0     | 1.3     | 1.2     | -0.1                      |
| Other                                   | 7.3     | 6.7     | 7.2     | ※2 0.5                    |
| <b>Total liabilities</b>                | 24.1    | 22.8    | 25.5    | 2.7                       |
| Current liabilities                     | 22.1    | 20.9    | 23.3    | 2.4                       |
| Trade and other payables                | 9.9     | 9.5     | 10.0    | 0.5                       |
| Borrowings                              | 9.4     | 8.9     | 10.2    | 1.3                       |
| Other                                   | 2.8     | 2.5     | 3.1     | 0.6                       |
| Non-current liabilities                 | 2.0     | 1.9     | 2.2     | 0.3                       |
| Deferred tax liabilities                | 0.7     | 0.6     | 1.0     | 0.4                       |
| Other                                   | 1.3     | 1.3     | 1.3     | 0.0                       |
| <b>Total equity</b>                     | 39.4    | 39.1    | 41.2    | 2.1                       |
| Share capital                           | 12.3    | 12.3    | 12.3    | 0.0                       |
| Capital surplus                         | 3.3     | 3.3     | 3.3     | 0.0                       |
| Treasury shares                         | -2.9    | -3.0    | -2.9    | 0.1                       |
| Other components of equity              | 1.4     | 1.0     | 1.7     | 0.7                       |
| Retained earnings                       | 18.7    | 18.8    | 19.7    | 0.9                       |
| Equity attributable to owners of parent | 32.9    | 32.5    | 34.1    | 1.6                       |
| Non-controlling interests               | 6.5     | 6.6     | 7.1     | 0.5                       |

① Both total assets and liabilities increased due to the recovery of market conditions.

② Overall, the financial position did not change.  
 (Percentage of equity attributable to owners of parent: 51.1%)  
 (Equity attributable to owners of parent + non- controlling interests: 61.8%)

※1

China: 0.6  
 India: 0.1

※2

investment securities:  
 (the main factor was changes in share prices)

0.4

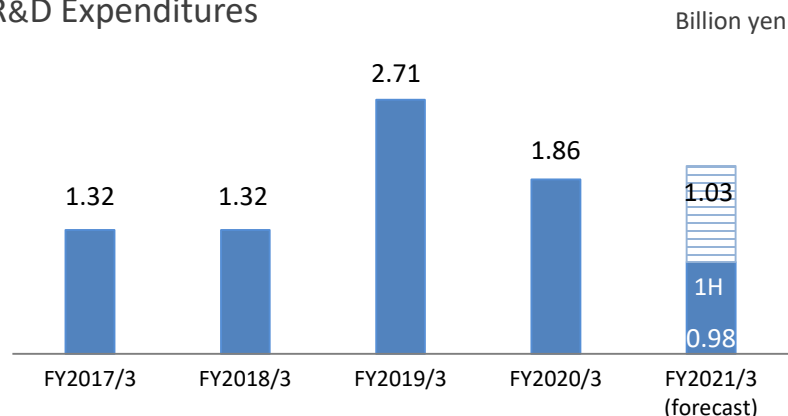
### (3) Cash flows

Billion yen

|   | FY2019 1H<br>(2019/4 – 2019/9) | FY2019 2H<br>(2019/10 – 2020/3) | FY2020 1H<br>(2020/4 – 2020/9) |  |
|---|--------------------------------|---------------------------------|--------------------------------|--|
| Cash flows from operating activities                        | 4.5                            | 3.5                             | 1.5                            |  |
| Profit before tax   | 2.7                            | 1.6                             | 3.0                            |  |
| Depreciation  | 0.6                            | 0.7                             | 0.7                            |  |
| Increase/decrease in working capital                        | 1.4                            | 2.4                             | ※1                             | -1.5   |
| Other   | -0.1                           | -1.2                            |                                | -0.7   |
| Cash flows from investing activities                        | -2.5                           | -0.8                            | -0.7                           |  |
| Capital investment in factories                             | -2.1                           | -0.5                            | ※2                             | -1.1   |
| Introduction of new ERP system                              | -0.4                           | -0.4                            | ※3                             | -0.1   |
| Other   | 0.0                            | 0.1                             |                                | 0.4  |
| Cash flows from financing activities                        | -2.6                           | -1.6                            | 0.3                            | ※1   |
| Short-term borrowings                                       | -1.7                           | -0.5                            | 1.3                            | Decrease (increase) in inventories: 0.1                  |
| Treasury shares   | 0.0                            | -0.1                            | 0.0                            | Decrease (increase) in trade and other receivables: -2.3 |
| Dividends paid  | -0.6                           | -0.6                            | -0.6                           | Increase (decrease) in trade and other payables: 0.5     |
| Dividends paid to non-controlling interests                 | -0.2                           | -0.2                            | -0.2                           | Increase (decrease) in contract liabilities: 0.3         |
| Other   | -0.1                           | -0.1                            | -0.2                           | ※2   |
| Effect of exchange rate change on cash and cash equivalents | -0.6                           | -0.0                            | 0.1                            | China: -0.9<br>China Anhui factory: -0.7<br>India: -0.1  |
| Net increase (decrease) in cash and cash equivalents        | -1.2                           | 1.0                             | 1.1                            | ※3   |
| Cash and cash equivalents at the end of the term            | 9.9                            | 10.9                            | 12.0                           | Japan: -0.1  |

## 2. R&D Expenditures, Capital Investment and Depreciation

### R&D Expenditures



- ① The development of new products anticipating market needs continued.
- ② Productivity improvement and work efficiency improvement were promoted by making capital investment to meet demand.

#### [Major capital investments]

##### Japan: Introduction of new systems

Completed the business system SAP in the first half.  
Introduced 3D-CAD design management, which is expected to be completed in the second half.

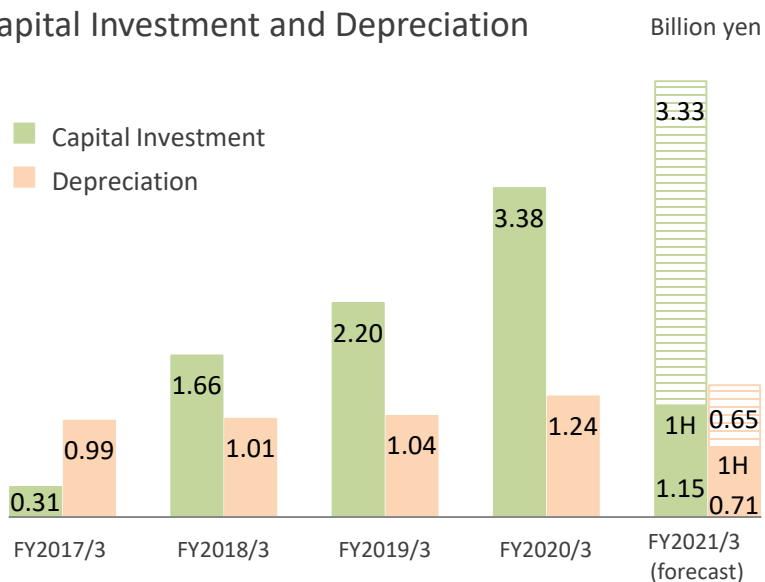
##### China: New factories in Anhui Province

Capital investment is progressing as planned.  
Expected start of production: Casting production: End of March 2021  
Total amount of investment: 4.1 billion yen  
Land area: 68,195m<sup>2</sup>  
Production capacity: Casting production: 1,500 tons/month  
Assembly building and others: System to increase production as needed according to market conditions

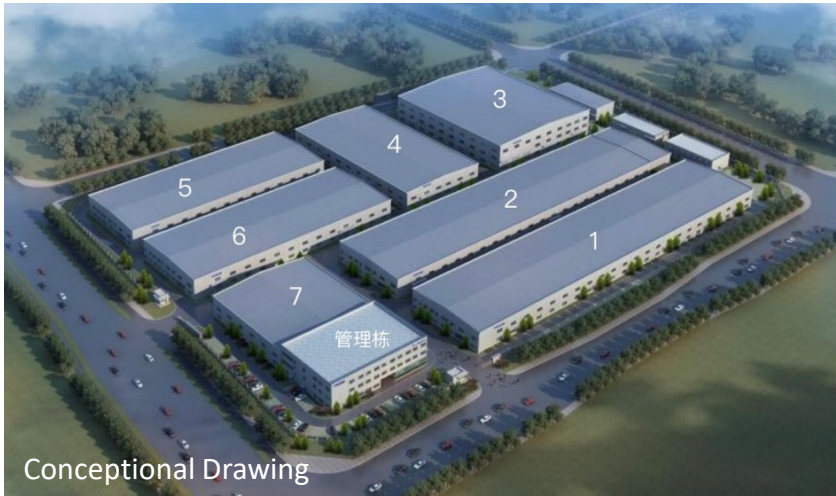
##### India: New Vallam Vadagal Factory

Construction period will be somewhat delayed due to the impact of the COVID-19 pandemic.  
Expected start of production: In or after March 2021  
Total amount of investment: 2.3 billion yen  
Land area: 58,400m<sup>2</sup>  
Production capacity: Total production: 500 tons/month

### Capital Investment and Depreciation



## Capital Investment - Progress of New Factories in China and India



PRECISION TSUGAMI (CHINA) CORPORATION  
Bowang, Maanshan, Anhui  
(photograph taken in late October 2020)



TSUGAMI PRECISION ENGINEERING INDIA Pvt. Ltd.  
Vallam Vadagal Factory  
Building will be completed at the end of December 2020  
(photograph taken in late October 2020)



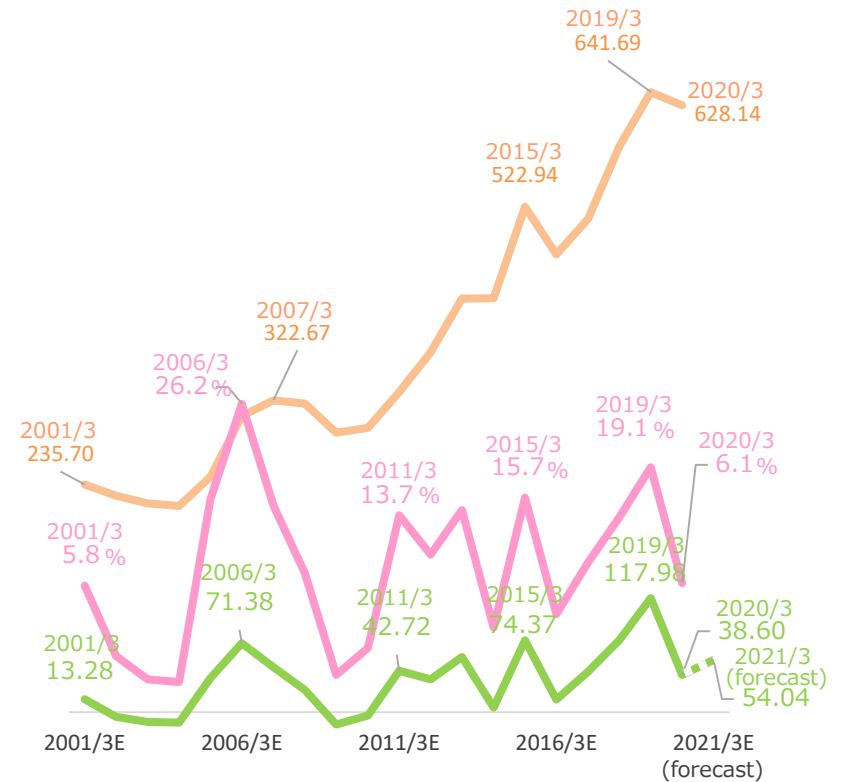
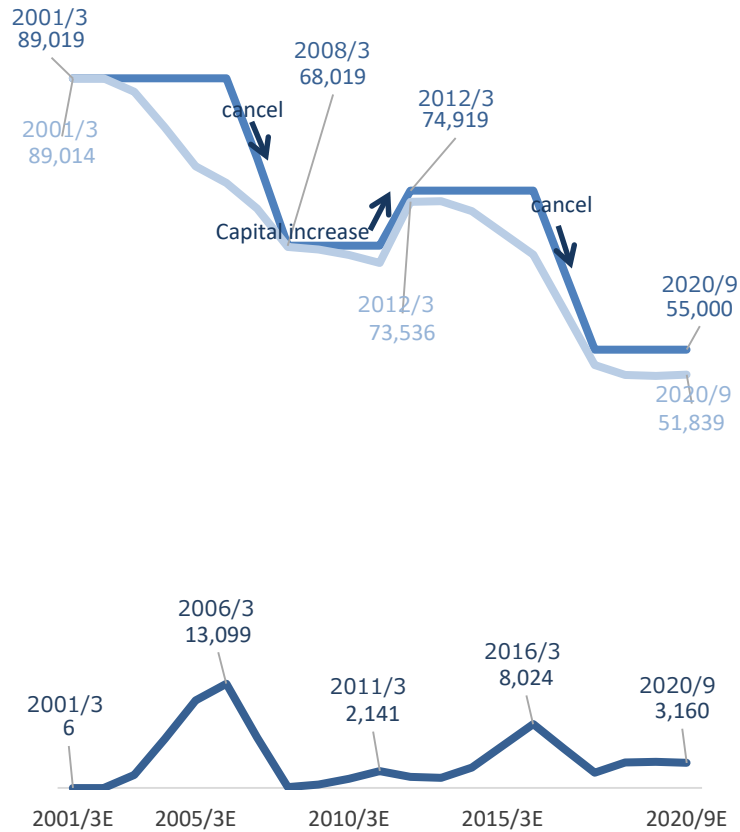
### 3. Transition of main indicators

Thousand shares

Yen

- Outstanding shares
- Treasury shares
- Outstanding shares (excluding treasury shares)

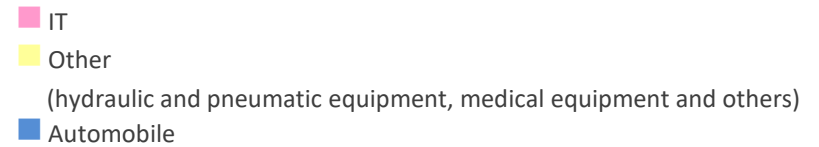
- BPS (Book-value per share, excluding treasury shares)
- EPS (Earnings per share, excluding treasury shares)
- ROE (Return on equity)





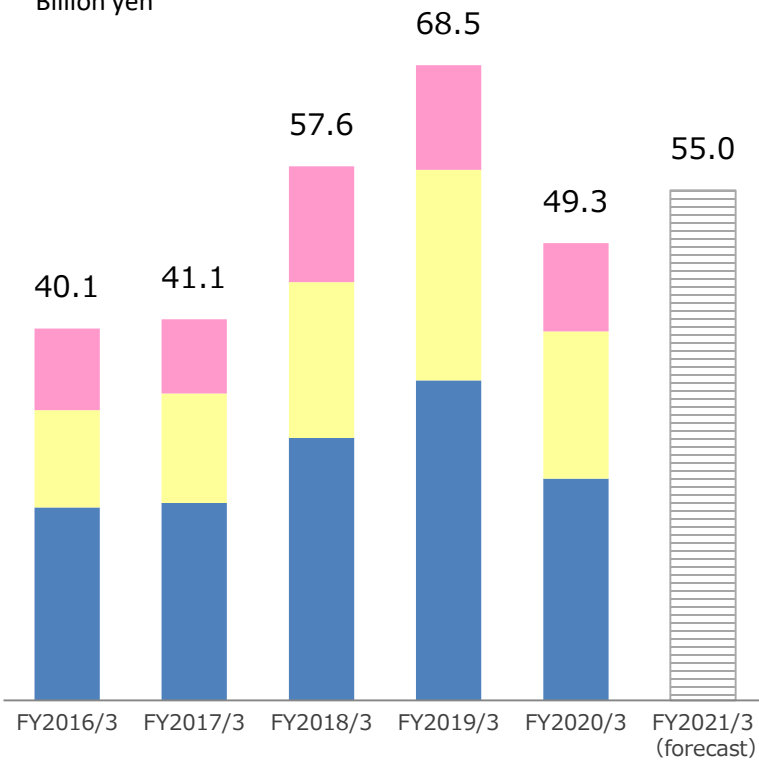
## 4. Reference

### (1) Revenue by Business Segment



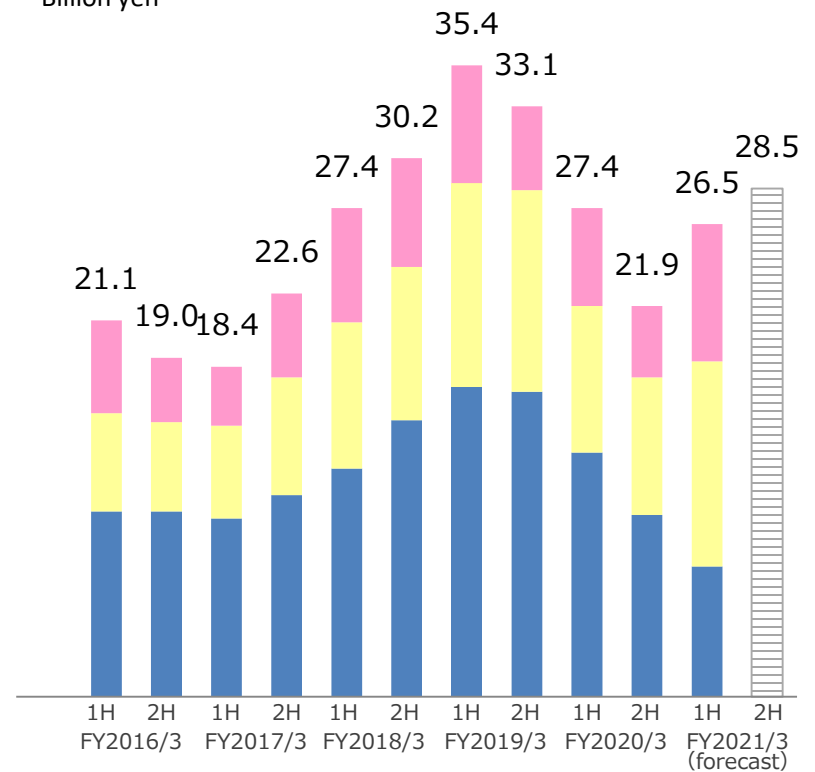
#### Full-year

Billion yen



#### Six-month

Billion yen



Japanese GAAP

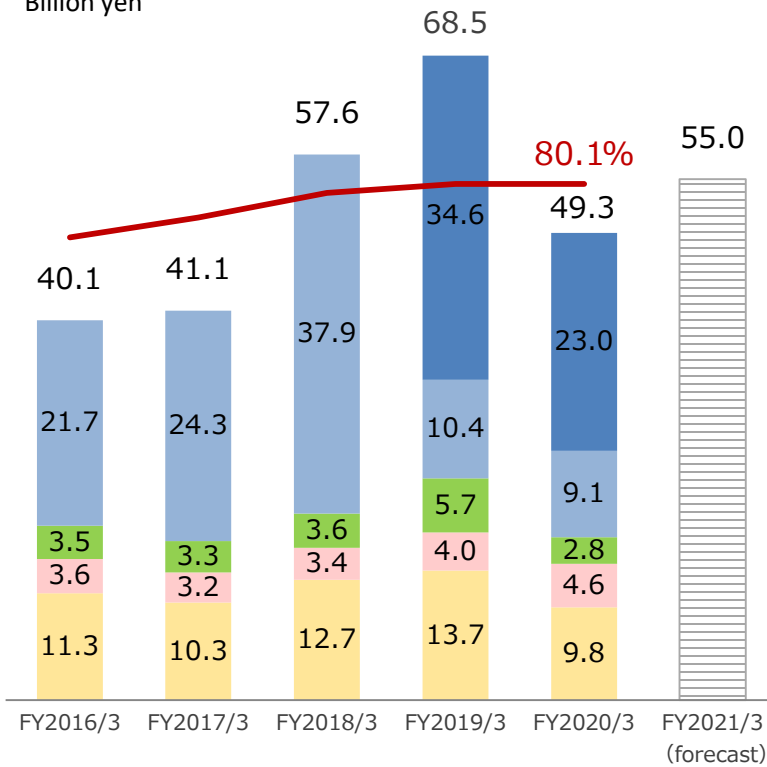
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Japanese GAAP

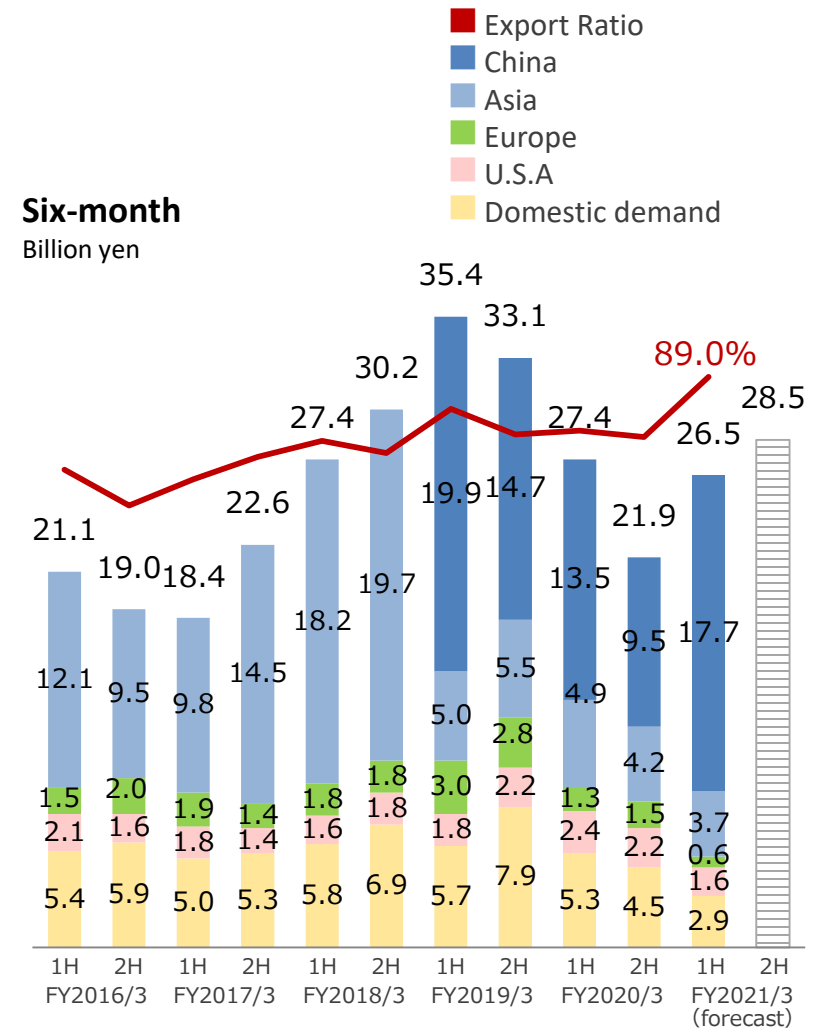
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## (2) Revenue by Geographic Segment

**Full-year**  
Billion yen



**Six-month**  
Billion yen



Japanese GAAP

IFRS

Japanese GAAP

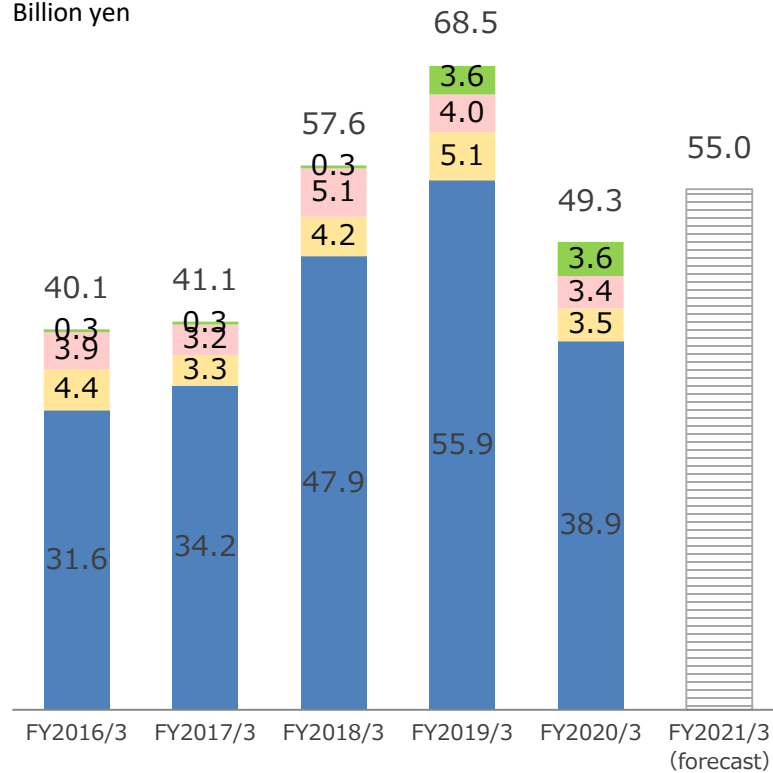
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### (3) Revenue by Machinery Category

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

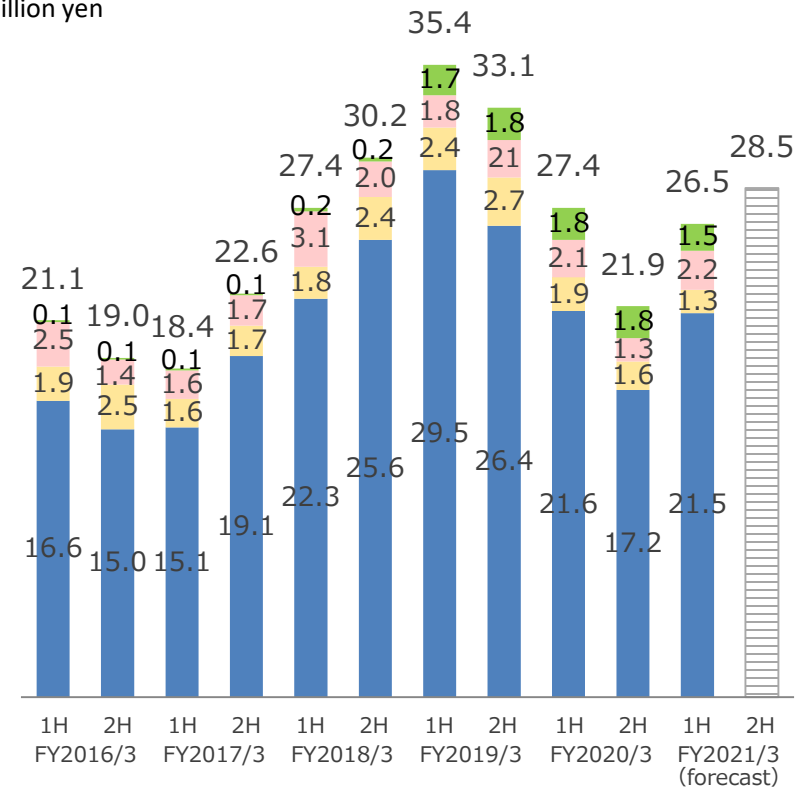
#### Full-year

Billion yen



#### Six-month

Billion yen



Japanese GAAP

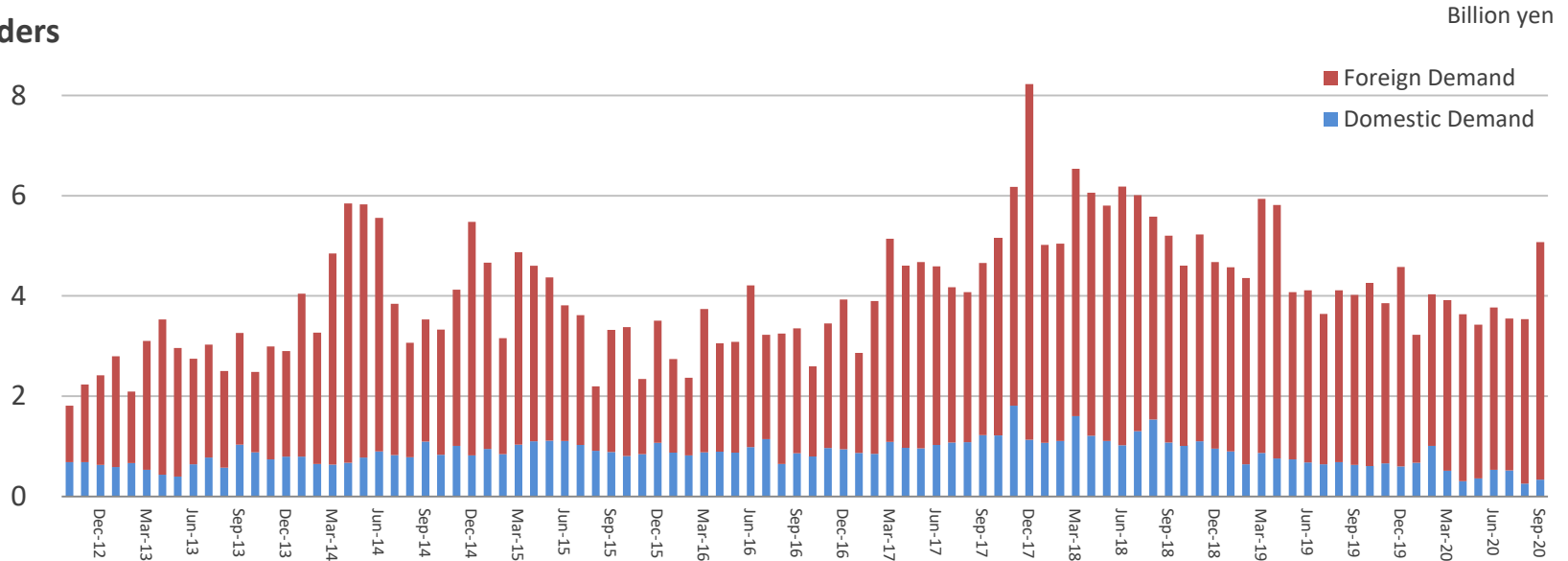
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Japanese GAAP

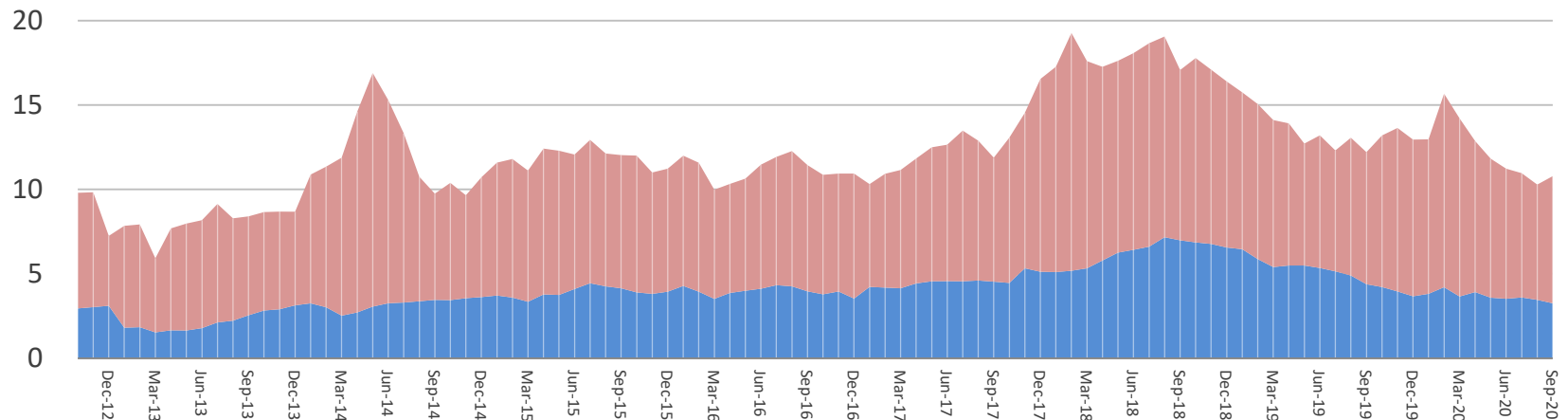
IFRS

## (4) Orders Received and Order Backlogs

### Orders



### 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.