

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2022

November 12, 2021

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled date of commencement of dividend payments: November 30, 2021

Quarterly results supplementary briefing materials to be created: Yes

Quarterly results investors meeting to be held: None

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

1. Consolidated business performance for the First Half of the Fiscal Year Ending March 31, 2022

(From April 1, 2021 to September 30, 2021)

(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	%
H1 of the fiscal year ending March 31, 2022	49,176	85.9	10,808	260.8	10,716	254.4	7,214	273.4
H1 of the fiscal year ended March 31, 2021	26,457	-3.4	2,995	3.7	3,023	12.3	1,932	9.8

	Profit attributable to owners of parent		Total comprehensive income for the quarter		Basic earnings per share	Diluted earnings per share
	Million yen	%	Million yen	%	Yen	Yen
H1 of the fiscal year ending March 31, 2022	5,445	325.5	8,084	169.2	108.80	106.52
H1 of the fiscal year ended March 31, 2021	1,279	-1.2	3,003	--	24.71	24.17

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Percentage of equity attributable to owners of parent
	Million yen	Million yen	Million yen	%
H1 of the fiscal year ending March 31, 2022	90,548	50,837	40,578	44.8 (56.1)
Fiscal year ended March 31, 2021	79,278	46,836	38,229	48.2 (59.1)

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

2. State of dividends

	Dividends per share				
(Base date)	End of Q1	End of Q2	End of Q3	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	--	12.00	--	14.00	26.00
Fiscal year ending March 31, 2022	--	18.00			
Fiscal year ending March 31, 2022 (forecast)			--	18.00	36.00

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

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2022

(From April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	90,000	46.0	17,500	83.6	8,500	72.8	171.81

(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 September 2021	55,000,000 shares	As of March 2021	55,000,000 shares
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(ii) Numbers of treasury shares at the end of the terms:

As of September 2021	5,731,653 shares	As of March 2021	4,105,615 shares
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(iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):

H1 of FY2022	50,049,221 shares	H1 of FY2021	51,786,533 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 half.

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 half of the fiscal year under review, the Group posted revenue of ¥49,176 million (up 85.9% year on year), operating profit of ¥10,808 million (up 260.8% year on year) and profit attributable to owners of parent of ¥5,445 million (up 325.5% year on year), reflecting strong performances on every market including the Chinese market.

Segment performance is as follows.

- a. In Japan, revenue increased 80.6%, to ¥17,506 million, and segment profit amounted to ¥1,420 million compared to segment loss of ¥201 million in the first half of the previous fiscal year.
- b. In China, revenue increased 91.8%, to ¥40,555 million, and segment profit grew 173.3%, to ¥8,997 million.
- c. In India, revenue climbed 144.9% year on year, to ¥1,158 million, and segment profit was ¥0 million compared to a segment loss of ¥38 million in the same period of the previous fiscal year.
- d. In South Korea, revenue increased 32.8% year on year, to ¥1,151 million, and segment profit grew 32.1% year on year, to ¥165 million.
- e. In other markets, revenue rose 108.2% year on year, to ¥320 million, and the segment loss amounted to ¥11 million, compared to a segment loss of ¥33 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 ¥90,548 million at the end of the first half under review, increasing ¥11,270 million from the end of the previous fiscal year.

The increase resulted mainly from increases of ¥3,718 million in cash and cash equivalents, ¥3,605 million in trade and other receivables, and ¥3,496 million in inventories.

Liabilities totaled ¥39,710 million at the end of the first half under review, rising ¥7,269 million from the end of the previous fiscal year.

The increase was chiefly attributable to increases of ¥6,136 million in trade and other payables, ¥537 million in borrowings, ¥841 million in income taxes payable and ¥272 million in deferred tax liabilities, offsetting a decrease of ¥761 million in contract liabilities.

Equity totaled ¥50,837 million at the end of the first half under review, increasing ¥4,001 million from the end of the previous fiscal year.

This was largely due to increases of ¥4,619 million in retained earnings and ¥1,651 million in non-controlling interests, partly offset by a decrease in cash of ¥2,757 million due to the purchase of treasury shares.

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

Cash and cash equivalents at the end of the first half under review increased ¥3,718 million from the end of the previous fiscal year, to ¥20,925 million.

(Cash flows from operating activities)

Cash generated through operating activities was ¥7,893 million.

The result principally reflected an increase in cash due to profit before tax of ¥10,716 million and growth in trade and other payables of ¥5,701 million, offsetting a decrease in cash attributable to an increase in inventories of ¥5,100 million, income taxes paid of ¥2,589 million, and a growth in trade and other receivables of ¥2,099 million.

(Cash flows from investing activities)

Cash used for investing activities was ¥731 million.

The cash outflow was primarily attributable to decrease in cash for the purchase of property, plant and equipment of ¥714 million.

(Cash flows from financing activities)

Cash used for financing activities was ¥3,730 million.

The result largely reflected an increase in cash due to an increase of ¥537 million in short-term borrowings, more than offset by the decrease of ¥3,049 million and ¥712 million in cash due to the purchase of treasury shares and payment of dividends, respectively.

(3) Information Relating to Consolidated Business Performance Forecasts

The Company made no change to consolidated business performance forecasts and dividend forecast for the fiscal year ending March 31, 2022, which it had announced in the Notice of Revisions to Business Performance Forecasts and Dividend Forecast dated October 22, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Statement of Financial Position

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2021)	Figures at the end of the consolidated first half under review (As of September 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	17,207	20,925
Trade and other receivables	20,428	24,034
Other financial assets	30	30
Inventories	20,774	24,271
Other current assets	1,582	2,103
Total current assets	60,023	71,364
Non-current assets		
Property, plant and equipment	11,808	12,003
Right-of-use assets	1,302	1,241
Intangible assets	1,116	995
Retirement benefit asset	91	81
Other financial assets	4,420	4,410
Deferred tax assets	253	255
Other non-current assets	261	194
Total non-current assets	19,254	19,183
Total assets	79,278	90,548

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2021)	Figures at the end of the consolidated first half under review (As of September 30, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	14,797	20,933
Borrowings	9,579	10,117
Other financial liabilities	210	185
Income taxes payable	1,332	2,173
Provisions	384	488
Contract liabilities	3,161	2,400
Other current liabilities	737	769
Total current liabilities	30,204	37,069
Non-current liabilities		
Other financial liabilities	123	85
Retirement benefit liability	893	912
Deferred tax liabilities	887	1,159
Other non-current liabilities	333	483
Total non-current liabilities	2,237	2,641
Total liabilities	32,441	39,710
Equity		
Share capital	12,345	12,345
Capital surplus	3,332	3,222
Treasury shares	-4,371	-7,129
Other components of equity	2,560	3,158
Retained earnings	24,362	28,981
Equity attributable to owners of parent	38,229	40,578
Non-controlling interests	8,607	10,258
Total equity	46,836	50,837
Total liabilities and net equity	79,278	90,548

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

(Million yen)

	Consolidated first half previous year (From April 1, 2020 to September 30, 2020)	Consolidated first half under review (From April 1, 2021 to September 30, 2021)
Revenue	26,457	49,176
Cost of sales	-19,536	-33,665
Gross profit	6,921	15,511
Selling, general and administrative expenses	-4,020	-4,963
Other income	119	2,359
Other expenses	-24	-2,099
Operating profit	2,995	10,808
Finance income	159	168
Finance costs	-131	-260
Profit before tax	3,023	10,716
Income tax expense	-1,091	-3,501
Profit	1,932	7,214
Profit for the year attributable to:		
Owners of parent	1,279	5,445
Non-controlling interests	652	1,769
Profit	1,932	7,214
Earnings per share		
Basic earnings per share (yen)	24.71	108.80
Diluted earnings per share (yen)	24.17	106.52

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first half previous year (From April 1, 2020 to September 30, 2020)	Consolidated first half under review (From April 1, 2021 to September 30, 2021)
Profit	1,932	7,214
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	680	-17
Remeasurements of defined benefit plans	--	--
Total of items that will not be reclassified to profit or loss	680	-17
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	390	887
Total of items that may be reclassified to profit or loss	390	887
Total other comprehensive income	1,071	869
Comprehensive income	3,003	8,084
Total comprehensive income for the year attributable to:		
Owners of parent	2,242	6,043
Non-controlling interests	761	2,041
Comprehensive income	3,003	8,084

(3) Quarterly Consolidated Statement of Changes in Equity

(Million yen)

	Equity attributable to owners of 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				281	680
Total comprehensive income	--	--	--	281	680
Purchase of treasury shares			-0		
Disposal of treasury shares		-57	119		
Dividends					
Changes in share-based remuneration transactions		54			
Transfer to retained earnings					-286
Equity transactions with non-controlling interests		-5		-1	
Total transactions with owners	--	-8	119	-1	-286
Balance As of September 30, 2020	12,345	3,298	-2,875	-1,255	2,968

	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, 2020	--	1,038	18,784	32,480	6,593	39,073
Profit		--	1,279	1,279	652	1,932
Other comprehensive income		962		962	108	1,071
Total comprehensive income	--	962	1,279	2,242	761	3,003
Purchase of treasury shares		--		-0		-0
Disposal of treasury shares		--	-61	0		0
Dividends		--	-620	-620	-228	-849
Changes in share-based remuneration transactions		--		54		54
Transfer to retained earnings		-286	286	--		--
Equity transactions with non-controlling interests		-1		-7	-28	-35
Total transactions with owners	--	-287	-396	-572	-257	-830
Balance As of September 30, 2020	--	1,713	19,668	34,149	7,096	41,246

(Million yen)

	Equity attributable to owners of 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, 2021	12,345	3,332	-4,371	478	2,081
Profit					
Other comprehensive income				615	-17
Total comprehensive income for the quarter	--	--	--	615	-17
Purchase of treasury shares			-3,046		
Disposal of treasury shares		-113	288		
Dividends					
Changes in share-based remuneration transactions		3			
Total transactions with owners	--	-109	-2,757	--	--
Balance As of September 30, 2021	12,345	3,222	-7,129	1,094	2,063

	Equity attributable to owners of parent				Non- controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasureme nts of defined benefit plans	Total				
Balance as of April 1, 2021	--	2,560	24,362	38,229	8,607	46,836
Profit		--	5,445	5,445	1,769	7,214
Other comprehensive income		598		598	271	869
Total comprehensive income for the quarter	--	598	5,445	6,043	2,041	8,084
Purchase of treasury shares		--		-3,046		-3,046
Disposal of treasury shares		--	-113	61		61
Dividends		--	-712	-712	-389	-1,102
Changes in share-based remuneration transactions		--		3		3
Total transactions with owners	--	--	-826	-3,693	-389	-4,083
Balance As of September 30, 2021	--	3,158	28,981	40,578	10,258	50,837

(4) Quarterly Consolidated Statement of Cash Flows

	(Million yen)	
	Consolidated first half previous year (From April 1, 2020 to September 30, 2020)	Consolidated first half under review (From April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before tax	3,023	10,716
Depreciation and amortization	710	847
Impairment losses	--	182
Casualty loss	--	1,887
Finance income	-159	-168
Finance costs	48	55
Loss on retirement of fixed assets	7	13
Insurance income	-3	-1,890
Decrease (increase) in trade and other receivables	-2,343	-2,099
Decrease (increase) in inventories	75	-5,100
Increase (decrease) in trade and other payables	518	5,701
Increase (decrease) in contract liabilities	253	-821
Increase (decrease) in provisions	-40	121
Increase or decrease in retirement benefit asset or liability	-15	29
Other	79	-371
Subtotal	2,158	9,104
Interest and dividends received	157	211
Government grant income	8	428
Proceeds from subsidy income	20	--
Insurance received	3	787
Interest paid	-48	-55
Income taxes paid	-932	-2,589
Income taxes refund	134	6
Net cash provided by (used in) operating activities	1,501	7,893
Cash flows from investing activities		
Payments into time deposits	-20	-20
Proceeds from withdrawal of time deposits	20	20
Purchase of property, plant and equipment	-1,008	-714
Payments for retirement of property, plant and equipment	-4	--
Purchase of intangible assets	-188	-13
Purchase of investment securities	-1	-1
Proceeds from sale of investment securities	471	--
Other	-0	-2
Net cash provided by (used in) investing activities	-730	-731

Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,284	537
Payments for acquisition of interests in subsidiaries from non-controlling interests	-35	--
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	-0	-3,049
Dividends paid	-620	-712
Dividends paid to non-controlling interests	-228	-389
Repayments of lease liabilities	-137	-116
Net cash provided by (used in) financing activities	261	-3,730
Effect of exchange rate changes on cash and cash equivalents	115	286
Net increase (decrease) in cash and cash equivalents	1,148	3,718
Cash and cash equivalents at the beginning of the term	10,921	17,207
Cash and cash equivalents at the end of the term	12,070	20,925

(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 half previous year (From April 1, 2020 to September 30, 2020)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	7,257	17,759	473	841	126	26,457	--	26,457
Intersegment revenue	2,434	3,381	--	25	27	5,868	-5,868	--
Total	9,691	21,140	473	867	154	32,326	-5,868	26,457
Segment profit (loss)	-201	3,291	-38	125	-33	3,144	-243	2,900
Other income and expenses, net	--	--	--	--	--	--	--	94
Operating profit	--	--	--	--	--	--	--	2,995
Finance income and expenses, net	--	--	--	--	--	--	--	28
Profit before tax	--	--	--	--	--	--	--	3,023

(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 ¥-243 million is the adjustment of unrealized income.

Consolidated first half under review (From April 1, 2021 to September 30, 2021)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	10,797	35,812	1,154	1,111	300	49,176	--	49,176
Intersegment revenue	6,708	4,742	3	40	20	11,516	-11,516	--
Total	17,506	40,555	1,158	1,151	320	60,692	-11,516	49,176
Segment profit (loss)	1,420	8,997	0	165	-11	10,573	-25	10,547
Other income and expenses, net	--	--	--	--	--	--	--	260
Operating profit	--	--	--	--	--	--	--	10,808
Finance income and expenses, net	--	--	--	--	--	--	--	-91
Profit before tax	--	--	--	--	--	--	--	10,716

(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 ¥-25 million is the adjustment of unrealized income.

(Important post-balance sheet events)

(Retirement of treasury stock)

The Company retired its treasury stock according to a resolution of the meeting of the Board of Directors held on October 22, 2021 in accordance with Article 178 of the Companies Act. Details are as follows:

- | | |
|--|---|
| (i) Type of stock retired: | Common stock of the Company |
| (ii) Number of shares retired: | 5,000,000 shares
(representing 9.09% of issued shares before the retirement) |
| (iii) Date of retirement: | October 28, 2021 |
| (iv) Total number of issued shares after the retirement: | 50,000,000 shares |

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first half previous year (From April 1, 2020 to September 30, 2020)	Consolidated first half under review (From April 1, 2021 to September 30, 2021)
China	17,659	35,036
Asia	3,732	6,735
America	1,573	2,057
Europe	584	1,566
Overseas revenue	23,550	45,396
Consolidated revenue	26,457	49,176
Ratio of overseas revenue to consolidated net sales (%)	89.0	92.3

(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 main product lines and reportable segments is as follows.

Consolidated first half previous year (From April 1, 2020 to September 30, 2020)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	5,026	15,160	455	812	73	21,529
Grinding machines	604	645	--	5	--	1,255
Machining centers, rolling machines and specialized machines	652	1,539	--	5	8	2,206
Other	973	413	17	18	44	1,466
Total	7,257	17,759	473	841	126	26,457

(Note) "Other" include components and services.

Consolidated first half under review (From April 1, 2021 to September 30, 2021)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	8,252	31,423	1,062	1,070	251	42,059
Grinding machines	556	1,518	40	--	--	2,115
Machining centers, rolling machines and specialized machines	683	2,140	15	--	1	2,841
Other	1,304	730	36	40	48	2,160
Total	10,797	35,812	1,154	1,111	300	49,176

(Note) "Other" include components and services.