

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

January 28, 2022

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled quarterly report submission date: February 14, 2022

Scheduled date of commencement of dividend payments: --

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 nine months of the fiscal year ending March 31, 2022

(From April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative totals)

(Figures in percentages denote the year-on-year change.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine months of the fiscal year ending March 31, 2022	72,271	70.0	15,302	162.1	15,351	168.9	10,281	156.7
First nine months of the fiscal year ended March 31, 2021	42,503	8.4	5,839	47.0	5,708	51.9	4,005	69.5

	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
First nine months of the fiscal year ending March 31, 2022	7,747	166.8	12,901	105.0	155.97	152.75
First nine months of the fiscal year ended March 31, 2021	2,904	64.0	6,293	154.2	56.07	54.83

(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	%
First nine months of the fiscal year ending March 31, 2022	100,602	53,387	42,545	42.3 (53.1)
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)

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

	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 December 2021	50,000,000 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 December 2021	1,201,778 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):

First nine months of FY2021	49,673,926 shares	First nine months of FY2020	51,794,753 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 nine months.

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 nine months of the fiscal year under review, the Group posted revenue of ¥72,271 million (up 70.0% year on year), operating profit of ¥15,302 million (up 162.1% year on year) and profit attributable to owners of parent of ¥7,747 million (up 166.8% year on year), reflecting strong performances on every market including the Chinese market.

Segment performance is as follows.

- a. In Japan, revenue increased 82.9%, to ¥26,216 million, and segment profit amounted to ¥1,852 million compared to segment loss of ¥79 million in the first nine months of the previous fiscal year.
- b. In China, revenue increased 84.4%, to ¥61,850 million, and segment profit grew 140.5%, to ¥13,152 million.
- c. In India, revenue climbed 82.5%, to ¥1,818 million, and segment loss came to ¥7 million, compared to segment loss of ¥14 million in the same period of the previous fiscal year.
- d. In South Korea, revenue increased 9.8% year on year, to ¥1,483 million, and segment profit grew 8.8% year on year, to ¥170 million.
- e. In other markets, revenue rose 78.4% year on year, to ¥512 million, and the segment loss amounted to ¥28 million, compared to a segment loss of ¥34 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 ¥100,602 million at the end of the third quarter under review, increasing ¥21,324 million from the end of the previous fiscal year.

The increase resulted mainly from increases of ¥3,875 million in cash and cash equivalents, ¥6,827 million in trade and other receivables, and ¥7,581 million in inventories.

Liabilities totaled ¥47,215 million at the end of the third quarter under review, growing ¥14,773 million from the end of the previous fiscal year.

The increase was chiefly attributable to increases of ¥11,080 million in trade and other payables, ¥2,284 million in borrowings, ¥1,432 million in income taxes payable and ¥676 million in deferred tax liabilities, offsetting a decrease of ¥1,121 million in contract liabilities.

Equity totaled ¥53,387 million at the end of the third quarter under review, increasing ¥6,551 million from the end of the previous fiscal year.

This was largely due to increases of ¥7,747 million in retained earnings from profit attributable to owners of parent, ¥1,879 million in other components of equity and ¥2,234 million in non-controlling interests, partly offset by decreases in cash of ¥1,599 million due to dividend payment and ¥3,715 million due to the purchase of treasury shares, etc.

During the first nine months of the fiscal year under review, the Company retired 5,000,000 shares of its treasury stock, which amounted to ¥6,355 million through the reduction of retained earnings.

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

Cash and cash equivalents at the end of the first nine months under review increased ¥3,875 million from the end of the previous fiscal year, to ¥21,083 million.

(Cash flows from operating activities)

Cash generated through operating activities was ¥9,319 million.

The result principally reflected an increase in cash due to profit before tax of ¥15,351 million and growth in trade and other payables of ¥9,116 million, offsetting a decrease in cash attributable to an increase in inventories of ¥8,539 million, income taxes paid of ¥3,337 million, and a growth in trade and other receivables of ¥5,742 million.

(Cash flows from investing activities)

Cash used for investing activities was ¥2,629 million.

The cash outflow was primarily attributable to decrease in cash for the purchase of property, plant and equipment of ¥2,061 million.

(Cash flows from financing activities)

Cash used in financing activities was ¥3,711 million.

The result largely reflected an increase in cash due to an increase of ¥2,268 million in short-term borrowings, more than offset by the decrease of ¥3,808 million and ¥1,599 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 nine months under review (As of December 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	17,207	21,083
Trade and other receivables	20,428	27,255
Other financial assets	30	30
Inventories	20,774	28,356
Other current assets	1,582	2,602
Total current assets	60,023	79,327
Non-current assets		
Property, plant and equipment	11,808	13,444
Right-of-use assets	1,302	1,803
Intangible assets	1,116	932
Retirement benefit asset	91	80
Other financial assets	4,420	4,526
Deferred tax assets	253	284
Other non-current assets	261	204
Total non-current assets	19,254	21,275
Total assets	79,278	100,602

(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 nine months under review (As of December 31, 2021)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	14,797	25,878
Borrowings	9,579	11,864
Other financial liabilities	210	168
Income taxes payable	1,332	2,764
Provisions	384	571
Contract liabilities	3,161	2,040
Other current liabilities	737	866
Total current liabilities	30,204	44,153
Non-current liabilities		
Other financial liabilities	123	79
Retirement benefit liability	893	907
Deferred tax liabilities	887	1,563
Other non-current liabilities	333	510
Total non-current liabilities	2,237	3,061
Total liabilities	32,441	47,215
Equity		
Share capital	12,345	12,345
Capital surplus	3,332	3,222
Treasury shares	-4,371	-1,532
Other components of equity	2,560	4,440
Retained earnings	24,362	24,069
Equity attributable to owners of parent	38,229	42,545
Non-controlling interests	8,607	10,841
Total equity	46,836	53,387
Total liabilities and net equity	79,278	100,602

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

(Million yen)

	Consolidated first nine months previous year (From April 1, 2020 to December 31, 2020)	Consolidated first nine months under review (From April 1, 2021 to December 31, 2021)
Revenue	42,503	72,271
Cost of sales	-31,016	-49,588
Gross profit	11,486	22,683
Selling, general and administrative expenses	-6,124	-7,729
Other income	507	2,472
Other expenses	-30	-2,124
Operating profit	5,839	15,302
Finance income	293	309
Finance costs	-424	-259
Profit before tax	5,708	15,351
Income tax expense	-1,702	-5,070
Profit	4,005	10,281
Profit for the year attributable to:		
Owners of parent	2,904	7,747
Non-controlling interests	1,101	2,533
Profit	4,005	10,281
Earnings per share		
Basic earnings per share (yen)	56.07	155.97
Diluted earnings per share (yen)	54.83	152.75

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first nine months previous year (From April 1, 2020 to December 31, 2020)	Consolidated first nine months under review (From April 1, 2021 to December 31, 2021)
Profit	4,005	10,281
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,316	67
Remeasurement of defined benefit pension plans	--	--
Total items that will not be reclassified to profit or loss	1,316	67
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	971	2,552
Total items that may be reclassified to profit or loss	971	2,552
Total other comprehensive income	2,287	2,620
Comprehensive income	6,293	12,901
Total comprehensive income for the year attributable to:		
Owners of parent	4,921	9,627
Non-controlling interests	1,372	3,274
Comprehensive income	6,293	12,901

(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				700	1,316
Total comprehensive income for the quarter	--	--	--	700	1,316
Purchase of treasury shares			-119		
Disposal of treasury shares		-57	119		
Dividends					
Changes in share-based payment transactions		77			
Transfer to retained earnings					-1,952
Equity transactions with non-controlling interests		-5		-1	
Total transactions with owners	--	14	-0	-1	-1,952
Balance As of December 31, 2020	12,345	3,321	-2,994	-836	1,938

	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			2,904	2,904	1,101	4,005
Other comprehensive income		2,017		2,017	270	2,287
Total comprehensive income for the quarter	--	2,017	2,904	4,921	1,372	6,293
Purchase of treasury shares				-119		-119
Disposal of treasury shares			-61	0		0
Dividends			-1,242	-1,242	-454	-1,697
Changes in share-based payment transactions				77		77
Transfer to retained earnings		-1,952	1,952	--		--
Equity transactions with non-controlling interests		-1		-7	-28	-35
Total transactions with owners	--	-1,953	647	-1,291	-483	-1,775
Balance As of December 31, 2020	--	1,102	22,336	36,110	7,481	43,591

(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				1,811	67
Total comprehensive income for the quarter	--	--	--	1,811	67
Purchase of treasury shares			-3,804		
Disposal of treasury shares		-113	288		
Cancellation of treasury shares			6,355		
Dividends					
Changes in share-based payment transactions		3			
Total transactions with owners	--	-109	2,838	--	--
Balance As of December 31, 2021	12,345	3,222	-1,532	2,290	2,149

	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, 2021	--	2,560	24,362	38,229	8,607	46,836
Profit			7,747	7,747	2,533	10,281
Other comprehensive income		1,879		1,879	740	2,620
Total comprehensive income for the quarter	--	1,879	7,747	9,627	3,274	12,901
Purchase of treasury shares				-3,804		-3,804
Disposal of treasury shares			-85	89		89
Cancellation of treasury shares			-6,355	--		--
Dividends			-1,599	-1,599	-1,039	-2,639
Changes in share-based payment transactions				3		3
Total transactions with owners	--	--	-8,039	-5,310	-1,039	-6,350
Balance As of December 31, 2021	--	4,440	24,069	42,545	10,841	53,387

(4) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated first nine months previous year (From April 1, 2020 to December 31, 2020)	Consolidated first nine months under review (From April 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit before tax	5,708	15,351
Depreciation and amortization	1,091	1,316
Impairment losses	--	182
Casualty loss	--	1,895
Finance income	-293	-309
Finance costs	72	81
Loss on retirement of fixed assets	8	16
Loss (gain) on sale of fixed assets	-0	1
Insurance income	-50	-1,937
Decrease (increase) in trade and other receivables	-4,495	-5,742
Decrease (increase) in inventories	-602	-8,539
Increase (decrease) in trade and other payables	2,619	9,116
Increase (decrease) in contract liabilities	993	-1,266
Increase (decrease) in provisions	-51	189
Increase or decrease in retirement benefit asset or liability	-10	25
Other	-9	-348
Subtotal	4,978	10,033
Interest and dividends received	292	346
Government grant income	267	470
Proceeds from subsidy income	104	--
Insurance received	50	1,937
Interest paid	-72	-81
Payments of casualty losses	--	-56
Income taxes paid	-1,097	-3,337
Income taxes refund	134	6
Net cash provided by (used in) operating activities	4,656	9,319
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	-1,843	-2,061
Proceeds from sale of property, plant and equipment	1	38
Payments for retirement of property, plant and equipment	-4	--
Purchase of intangible assets	-212	-60
Purchase of right-of-use assets	--	-538
Purchase of investment securities	-1	-1
Proceeds from sale of investment securities	3,887	--
Other	2	-6
Net cash provided by (used in) investing activities	1,829	-2,629

	Consolidated first nine months previous year (From April 1, 2020 to December 31, 2020)	Consolidated first nine months under review (From April 1, 2021 to December 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	313	2,268
Payments for acquisition of interests in subsidiaries from non-controlling interests	-35	--
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	-119	-3,808
Dividends paid	-1,242	-1,599
Payment of dividends to non-controlling shareholders	-228	-389
Repayments of lease obligations	-204	-182
Net cash provided by (used in) financing activities	-1,517	-3,711
Effect of exchange rate changes on cash and cash equivalents	251	897
Net increase (decrease) in cash and cash equivalents	5,219	3,875
Cash and cash equivalents at the beginning of the term	10,921	17,207
Cash and cash equivalents at the end of the term	16,141	21,083

(5) Notes relating to 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 nine months previous year (From April 1, 2020 to December 31, 2020)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	10,737	29,241	996	1,319	208	42,503	--	42,503
Intersegment revenue	3,596	4,297	--	31	78	8,003	-8,003	--
Total	14,334	33,538	996	1,350	287	50,506	-8,003	42,503
Segment profit (loss)	-79	5,469	-14	156	-34	5,497	-134	5,362
Other income and expenses, net	--	--	--	--	--	--	--	476
Operating profit	--	--	--	--	--	--	--	5,839
Finance income and expenses, net	--	--	--	--	--	--	--	-130
Profit before tax	--	--	--	--	--	--	--	5,708

(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 ¥-134 million is the adjustment of unrealized income.

Consolidated first nine months under review (From April 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	16,163	52,382	1,814	1,429	482	72,271	--	72,271
Intersegment revenue	10,053	9,467	3	54	30	19,608	-19,608	--
Total	26,216	61,850	1,818	1,483	512	91,880	-19,608	72,271
Segment profit (loss)	1,852	13,152	-7	170	-28	15,140	-186	14,954
Other income and expenses, net	--	--	--	--	--	--	--	348
Operating profit	--	--	--	--	--	--	--	15,302
Finance income and expenses, net	--	--	--	--	--	--	--	49
Profit before tax	--	--	--	--	--	--	--	15,351

(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 ¥-186 million is the adjustment of unrealized income.

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first nine months previous year (From April 1, 2020 to December 31, 2020)	Consolidated first nine months under review (From April 1, 2021 to December 31, 2021)
China	28,812	51,114
Asia	6,022	10,006
America	2,254	3,054
Europe	935	2,443
Overseas revenue	38,025	66,618
Consolidated revenue	42,503	72,271
Ratio of overseas revenue to consolidated net sales (%)	89.5	92.2

(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 nine months previous year (From April 1, 2020 to December 31, 2020)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	7,701	25,078	963	1,275	121	35,139
Grinding machines	805	1,121	--	5	10	1,943
Machining centers, rolling machines and specialized machines	747	2,338	3	5	8	3,104
Other	1,483	702	29	32	67	2,315
Total	10,737	29,241	996	1,319	208	42,503

(Note) "Other" in main product lines include components and services.

Consolidated first nine months under review (From April 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	12,492	45,684	1,689	1,369	402	61,639
Grinding machines	799	2,382	40	--	--	3,222
Machining centers, rolling machines and specialized machines	912	3,192	27	--	--	4,132
Other	1,958	1,122	56	60	79	3,277
Total	16,163	52,382	1,814	1,429	482	72,271

(Note) "Other" in main product lines include components and services.