

Briefing on Financial Statements for the First Half of the Year Ending March 2020



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1. Briefing on Financial Statements for the First Half of the Year Ending March 2020

(1) Business Results

【1H results】

Entering 1H, adjustments to market conditions advanced in Japan and overseas and revenue declined 11.6% compared to the forecast. This was the main reason for lower operating profit, down 33.6% from the forecast.

In addition, for 1H, a loss of 307 million yen was posted as other expenses due to defect liability, and foreign exchange losses (related to assets denominated in local currencies) of 296 million yen was posted as finance costs.

【Full-year outlook】

An adjustment phase remains in Japan and overseas and the timing of the market recovery is unclear. Therefore, the full-year results forecast (announced on May 14, 2019) has been revised downward.

Billion yen

	Results for 1H					Full-year forecasts				
	FY2019/3	FY2020/3	Year-on-year (%)	Initial forecasts	Changes from initial forecasts (%)	Results for FY2019/3	Revised forecasts for FY2020/3	Year-on-year (%)	Initial forecasts For FY2020/3	Changes from initial forecasts (%)
Revenue	35.4	27.4	-22.7	31.0	-11.6	68.5	52.0	-24.1	61.0	-14.8
Operating profit (to revenue ratio)	5.6 (15.7%)	2.9 (10.5%)	-48.0 —	4.4 (14.0%)	-33.6 —	10.2 (14.9%)	5.0 (9.6%)	-51.1 —	8.5 (13.9%)	-41.2 —
Profit attributable to owners of Parent (to revenue ratio)	3.1 (8.9%)	1.3 (4.7%)	-58.8 —	2.6 (8.2%)	-49.2 —	6.2 (9.0%)	3.0 (5.8%)	-51.6 —	5.0 (8.2%)	-40.0 —
Basic earnings per share	59.59 yen	24.97 yen	—	49.19 yen	—	117.98 yen	57.83 yen	—	96.44 yen	—

(2) Financial position

RMB/JPY March-end/19 16.49 → Sep.-end/19 15.13
 INR /JPY March-end/19 1.61 → Sep.-end/19 1.54

	Billion yen			
	2018/9E	2019/3E	2019/9E	Difference from 2019/3E
Total assets	70.3	69.7	63.5	-6.2
Current assets	52.1	52.5	44.4	-8.1
Cash and cash equivalents	8.7	11.1	9.9	-1.2
Trade and other receivables	18.4	17.2	14.4	-2.8
Inventories	23.5	22.5	19.0	-3.5
Other	1.5	1.7	1.1	-0.7
Non-current assets	18.1	17.2	19.1	1.9
Property, plant and equipment	9.4	8.9	9.6	※1 0.8
Right-of-use assets	-	-	1.2	1.2
Intangible assets	0.3	0.6	1.0	※2 0.4
Other	8.4	7.8	7.3	-0.5
Total liabilities	32.0	29.6	24.1	-5.5
Current liabilities	30.2	27.9	22.1	-5.8
Trade and other payables	17.9	13.5	9.9	-3.6
Borrowings	8.3	11.1	9.4	-1.7
Other	4.0	3.3	2.8	-0.5
Non-current liabilities	1.7	1.7	2.0	0.3
Deferred tax liabilities	0.8	0.5	0.7	0.2
Other	0.9	1.2	1.3	0.1
Total equity	38.3	40.1	39.4	-0.7
Share capital	12.3	12.3	12.3	0.0
Capital surplus	3.2	3.2	3.3	0.1
Treasury shares	-2.4	-2.9	-2.9	0.1
Other components of equity	3.2	2.6	1.4	※3 -1.2
Retained earnings	15.6	18.1	18.7	0.7
Equity attributable to owners of parent	31.9	33.2	32.9	-0.4
Non-controlling interests	6.4	6.8	6.5	-0.3
Percentage of equity attributable to owners of the parent	45.4%	47.7%	51.7%	4.0%
(Equity attributable to owners of parent + non-controlling interests)	(54.5%)	(57.5%)	(62.0%)	(4.5%)

1. Both assets and liabilities contracted due to adjustment to the market environment.

2. Overall, a favorable financial position was maintained.

※1
 Japan, Korea and India 0.1
 China 1.8
 (Machinery and equipment 0.1)
 (Construction in progress 1.7)
 Depreciation, sale and retirement -0.5
 Effect of exchange rate -0.6

※2
 Introduction of new ERP system (SAP) 0.4

※3
 Conversion valuation difference of assets/ liabilities denominated in local currencies. -1.42

(3) Cash flows

Billion yen

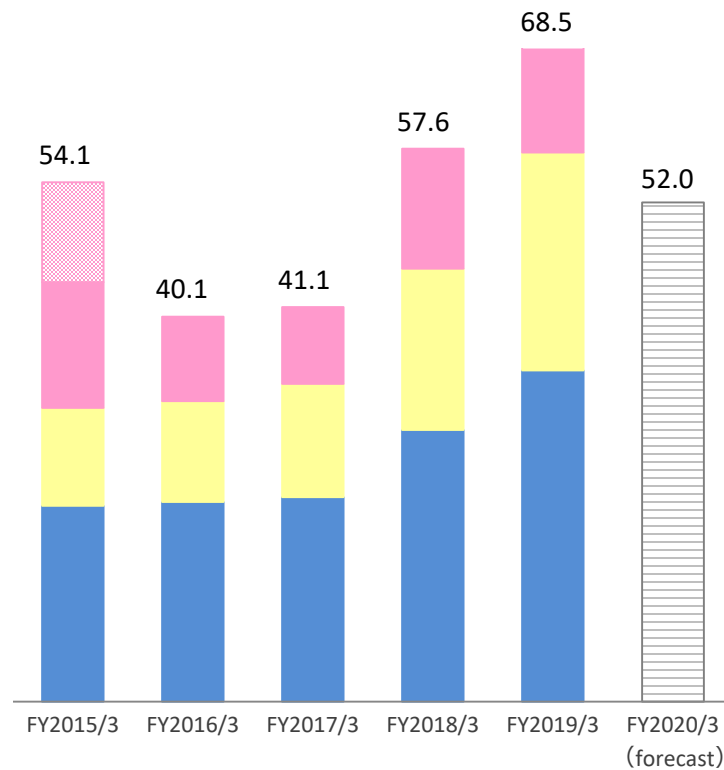
	FY2018 1H (2018/4 - 2018/9)	FY2018 2H (2018/10 - 2019/3)	FY2019 1H (2019/4 - 2019/9)	
Cash flows from operating activities	0.6	1.0	4.5	
Profit before taxes, depreciation and amortization (Before taxes)	6.1	5.3	※1 3.3	※1 Profit before tax: 2.7 Depreciation and amortization: 0.6
Increase/decrease of working capital	-3.9	-2.8	※2 1.4	
Other	-1.6	-1.4	※3 -0.1	※2 Decrease (increase) in inventories: 2.4 Decrease (increase) in trade and other receivables: 2.4 Increase (decrease) in trade and other payables: -2.8 Increase (decrease) in contract liabilities: -0.6
Cash flows from investing activities	-1.3	-0.1	-2.5	
Capital investment in factories	-1.2	-0.4	※4 -2.1	
Introduction of new ERP system	-0.2	-0.3	※5 -0.4	
Other	0.1	0.6	0.0	
Cash flows from financing activities	-1.1	1.4	-2.6	
Short-term borrowings	0.8	2.9	-1.7	
Dividends paid	-0.5	-0.5	-0.6	
Treasury shares	-1.2	-0.6	0.0	
Dividends paid to non-controlling interests	-0.2	-0.3	-0.2	
Other	0.0	0.0	-0.1	※3 Income taxes paid: -0.6 ※4 China Anhui factory: -1.7 China: -0.2 India: -0.2 ※5 Japan: -0.4
Effect of exchange rate change on cash and cash equivalents	-0.0	0.0	-0.6	
Net increase (decrease) in cash and cash equivalents	-1.8	2.4	-1.2	
Cash and cash equivalents at the end of the term	8.7	11.1	9.9	

(4) Revenue by Business Segment

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

Full-year

Billion yen

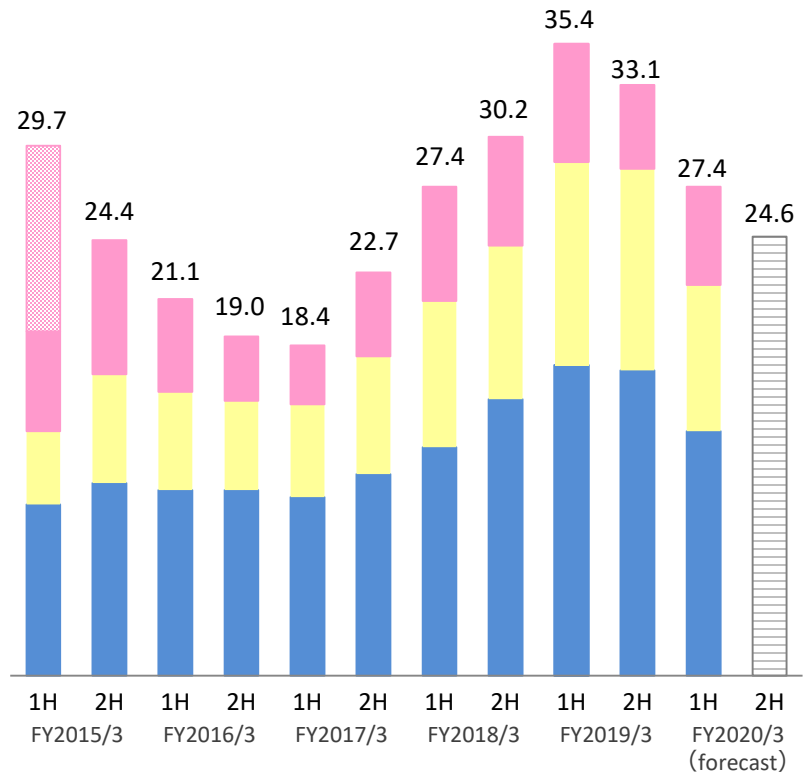


Japanese GAAP

IFRS

Six-month

Billion yen



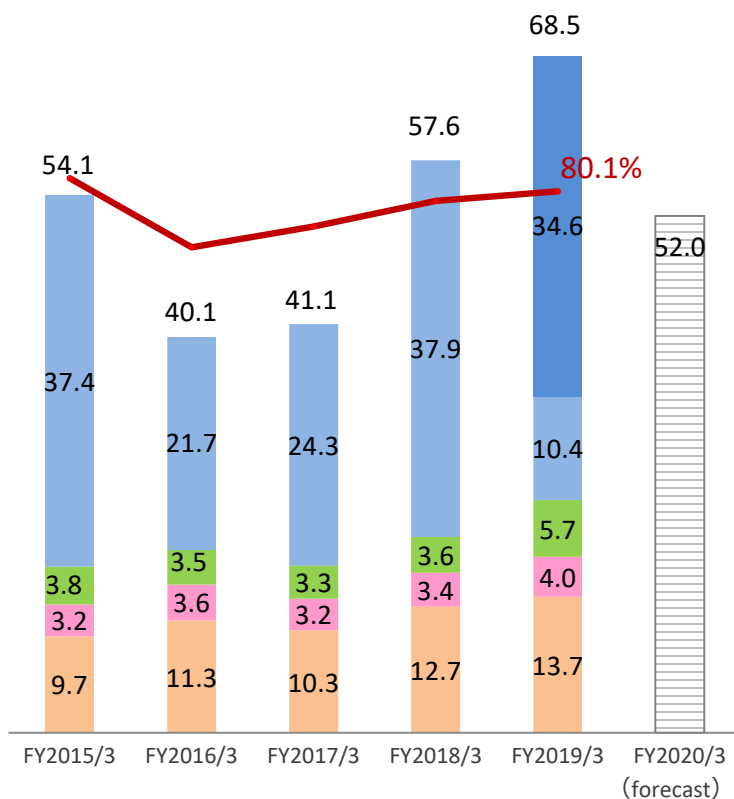
Japanese GAAP

IFRS

(5) Revenue by Geographic Segment

Full-year

Billion yen

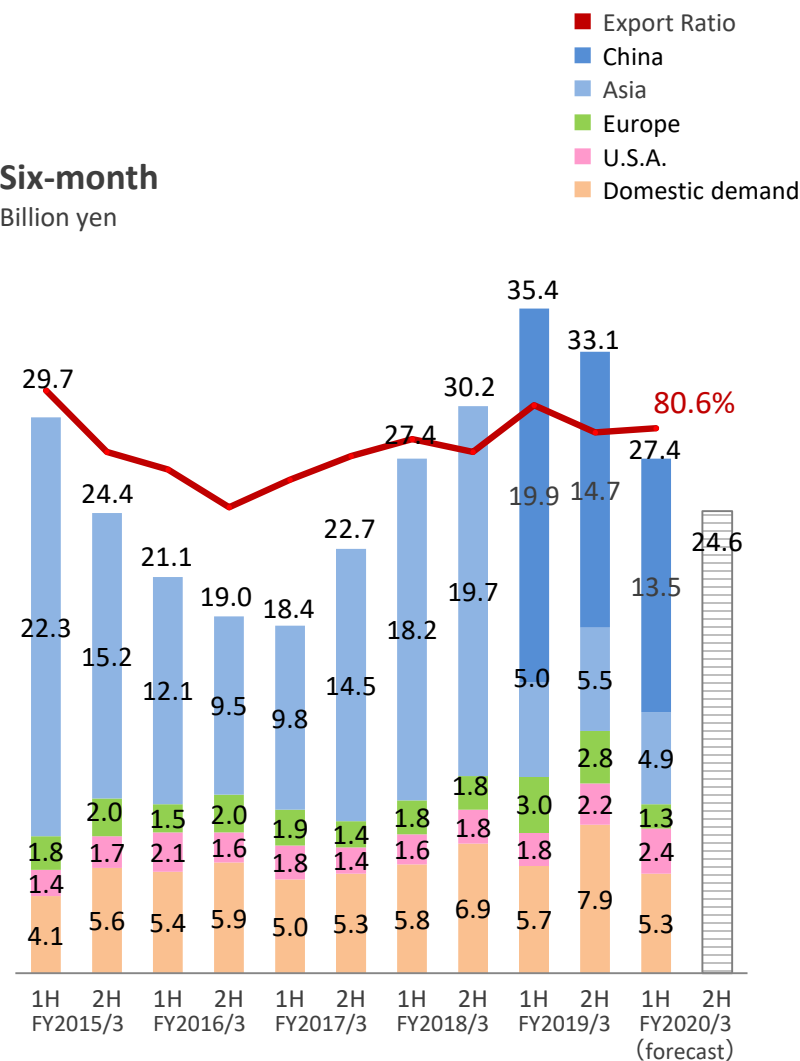


Japanese GAAP

IFRS

Six-month

Billion yen



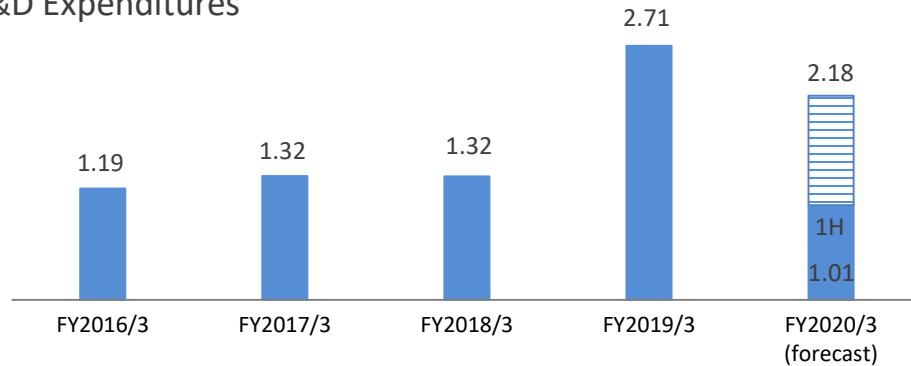
Japanese GAAP

IFRS

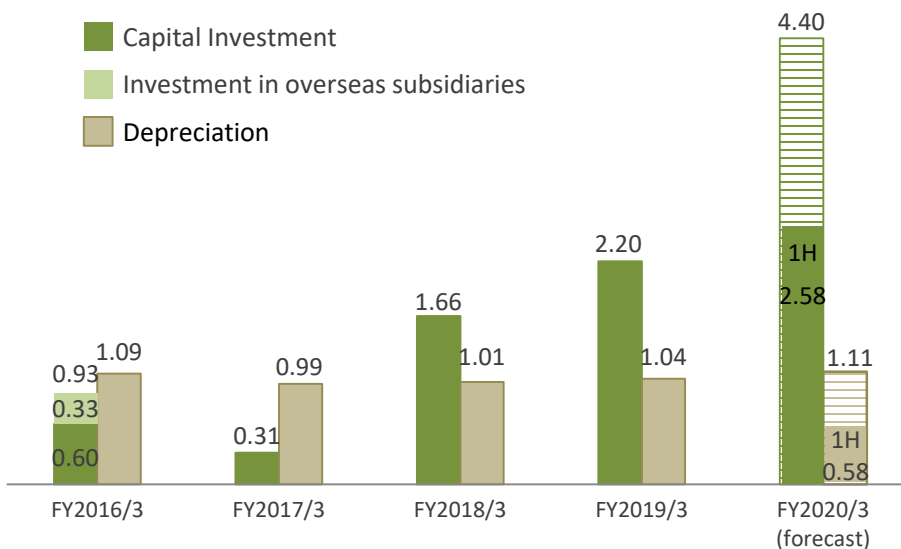
(6) R&D Expenditures, Capital Investment and Depreciation

Billion yen

R&D Expenditures



Capital Investment and Depreciation



	For FY2019/3	For FY2020/3 (forecast)
Capital Investment Total	2.2	4.4
Introduction of new system	0.5	0.8
Rebuilding of factory No.4 in China	0.8	-
New factory in Anhui province, China	0.2	1.8
Factory No.2, Foundry in India	0.1	1.1
Renewal capital investment (Japan and China)	0.6	0.7

Capital Investment: Factory in China

PRECISION TSUGAMI (CHINA) CORPORATION

Expected to start production at the end of 2021

Capex: ¥4.1bn

Results for FY2019/3 ¥0.2bn

Forecast for FY2020/3 ¥1.8bn

Plan for FY2021/3 ¥2.1bn

Capacity - Metal castings: 1,500 tons / month

Assembly building, other: Production can be increased at any time in accordance with market conditions.

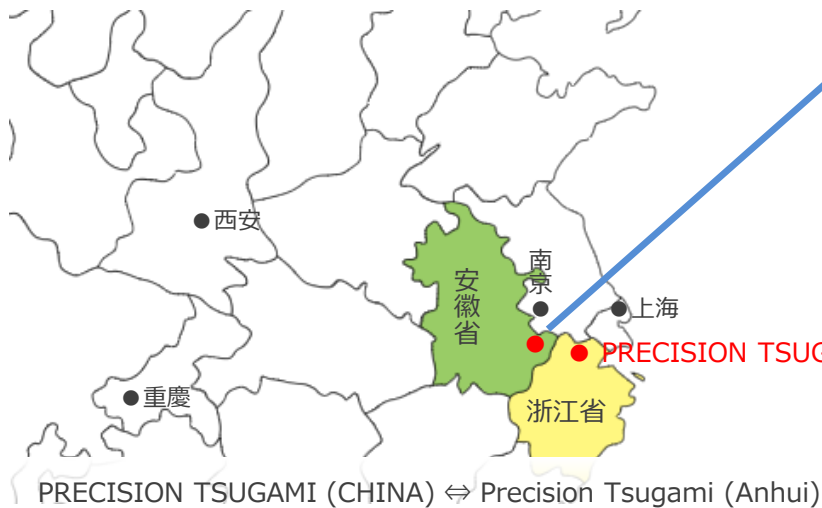
Conceptual Drawing



Bówàng, Maanshan, Anhui Land: 68,195m²

To increase production capacity and maintain strong output of metal castings

PRECISION TSUGAMI (CHINA) Land: 141,921m²



PRECISION TSUGAMI (CHINA) ⇔ Precision Tsugami (Anhui)

About 4 hours by car on expressway.

Capital Investment: Factory in India

TSUGAMI PRECISION ENGINEERING INDIA Pvt. Ltd.

Vallam Vadagal Factory (Assembly/parts in-house production factory + cast iron factory)

Expected to start production in the year ending March 2021

Capex: ¥2.0bn

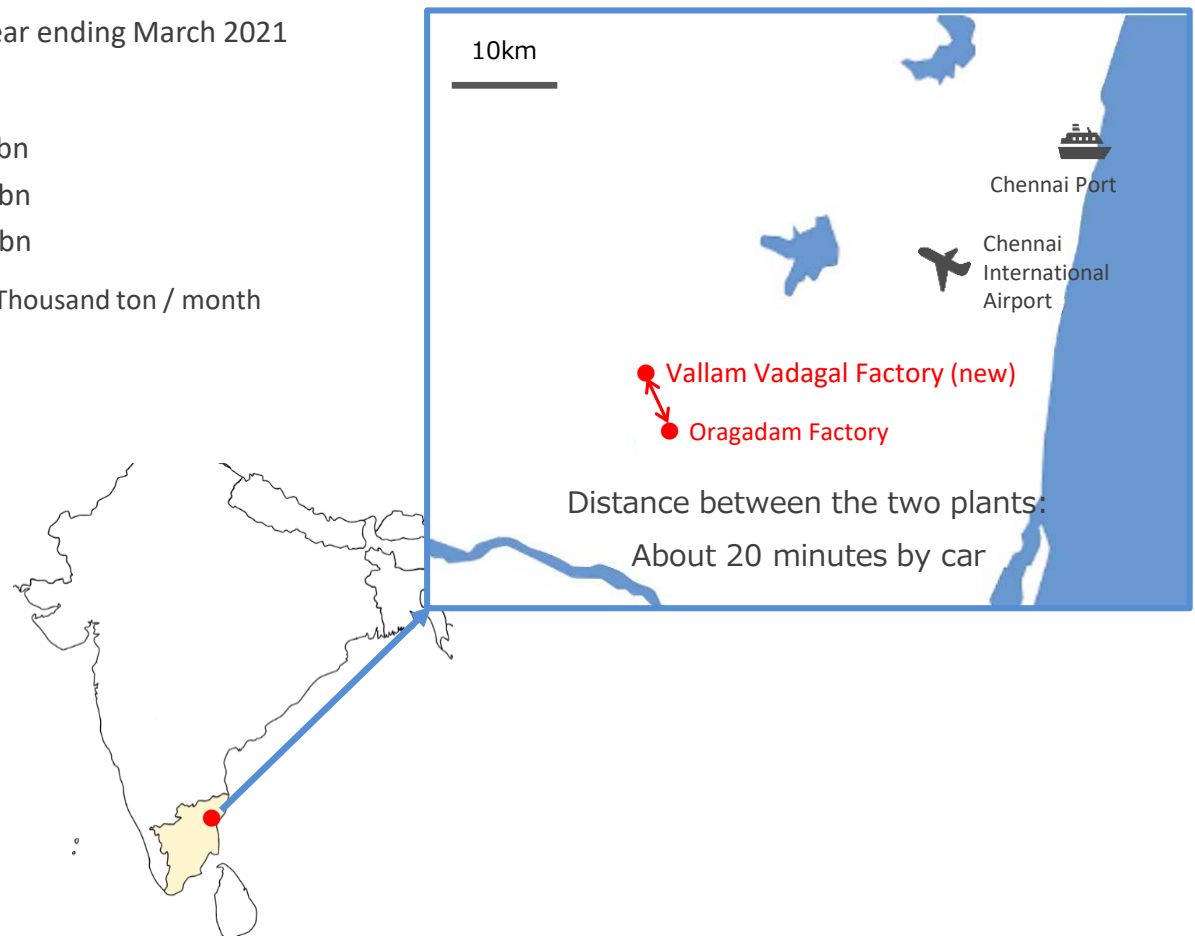
Results for FY2019/3 ¥0.1bn

Forecast for FY2020/3 ¥1.1bn

Plan for FY2021/3 ¥0.8bn

Production capacity: Casting production Thousand ton / month

Land: 14,363m²



2. Transition of main indicators

1. Based on providing stable dividends, we are steadily increasing dividends.
2. Other indicators, including EPS, are also favorable.

IFRS applies from the year ending March 2019

	2011/3E	2012/3E	2013/3E	2014/3E	2015/3E	2016/3E	2017/3E	2018/3E	2019/3E	2020/3E (forecast)
Dividends paid (Full-year per share) (Interim per share)	10 (5 yen)	10 (5 yen)	12 (6 yen)	12 (6 yen)	14 (6 yen)	16 (8 yen)	16 (8 yen)	18 (9 yen)	21 (9 yen)	24 (12 yen)
EPS (yen)	42.7	33.9	57.2	4.7	74.4	13.0	41.9	74.7	118.0	57.83
Dividend payout ratio (%)	23.4	29.5	21.0	254.2	18.8	122.7	38.2	24.1	17.8	※41.5
BPS (yen)	331.4	372.2	427.9	428.2	522.9	473.8	510.4	585.6	641.7	—
ROE (%) Return on equity attributable to owners of the parent (Including non- controlling interests)	13.7	9.3	14.3	1.1	15.7	2.6	8.4	13.5 (13.9)	19.1 (20.4)	—

※Annual dividend (24.0 yen) ÷ March 2020 Basic earnings per share (57.83 yen)

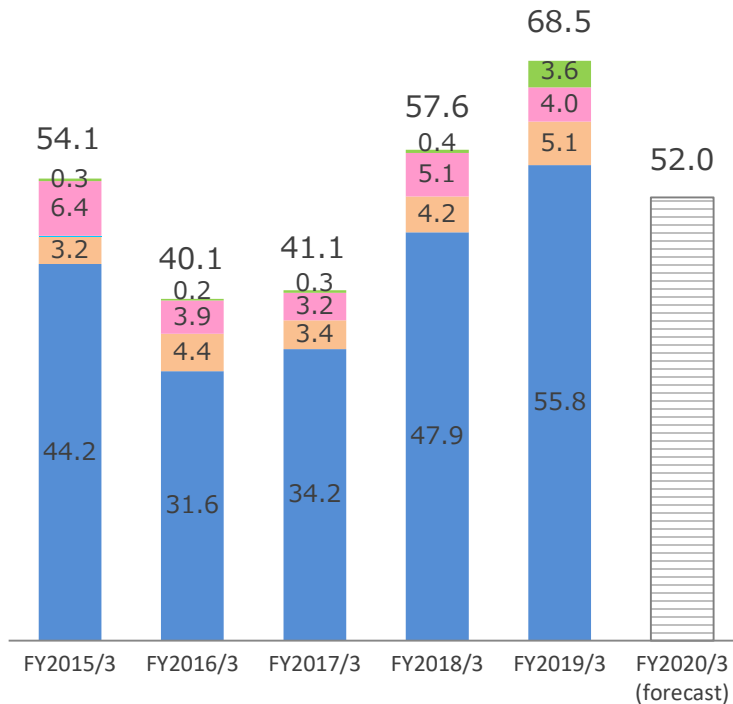
3. Reference

(1) Revenue by Machinery Category

- Export Ratio
- Machining centers, Rolling machines and specialized machines
- Grinding machines
- Automatic lathes

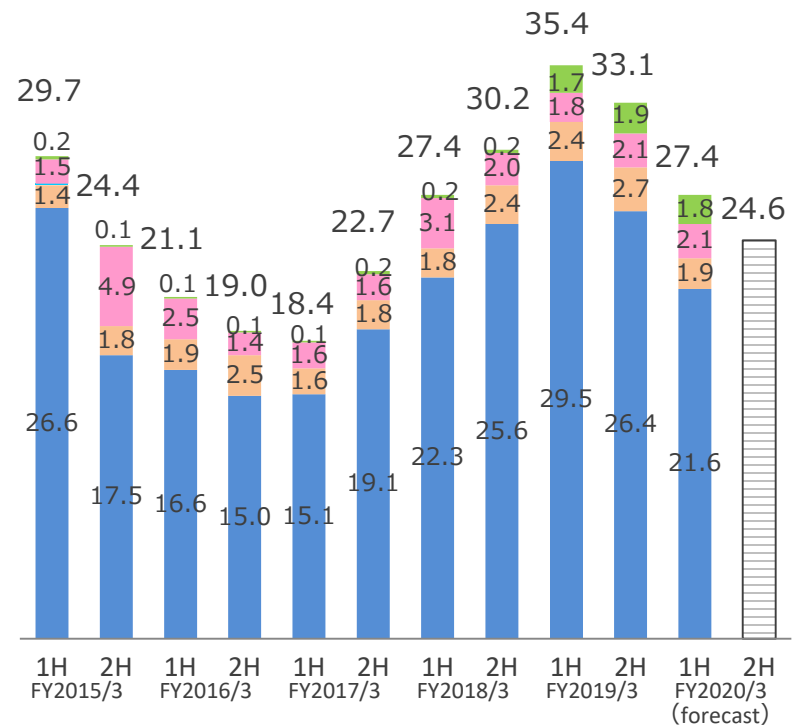
Full-year

Billion yen



Six-month

Billion yen



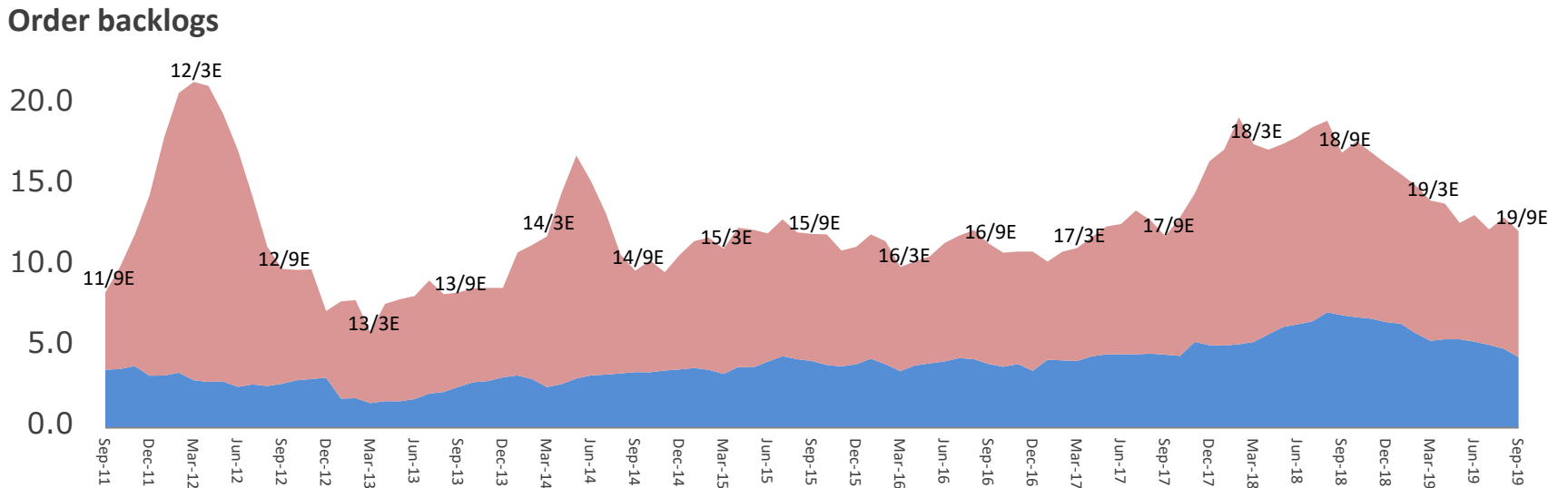
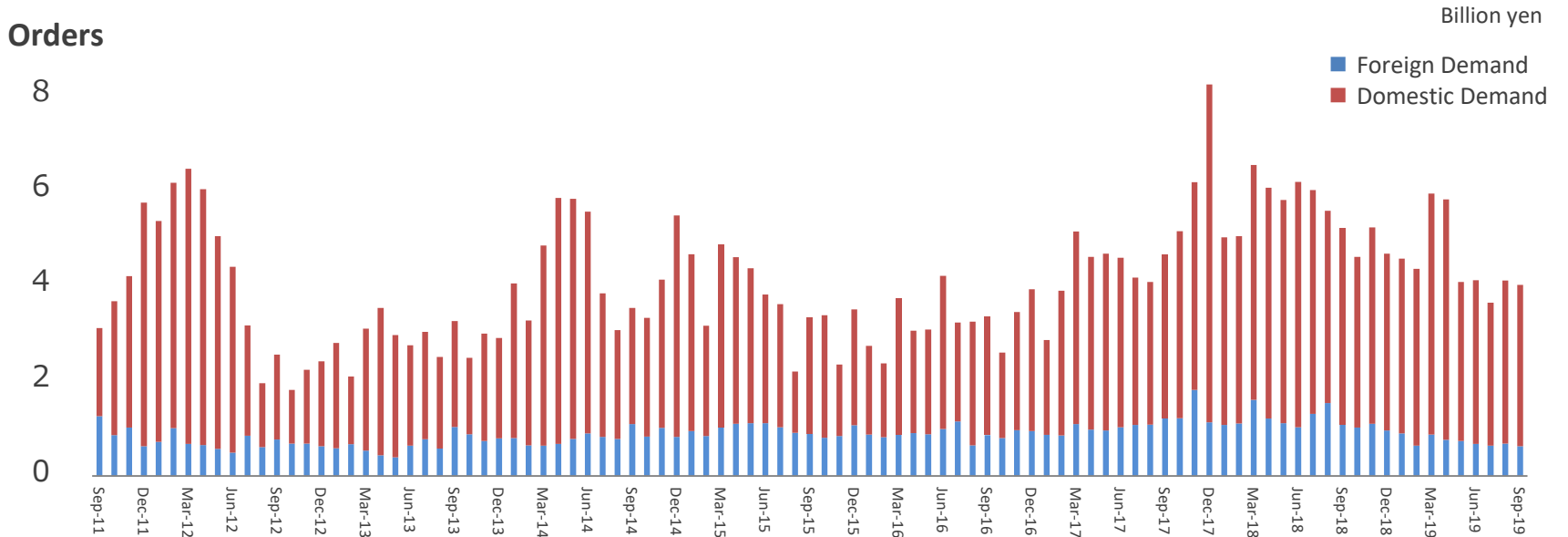
Japanese GAAP

IFRS

Japanese GAAP

IFRS

(2) 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.