

Summary of Financial Results for the First Quarter of the Fiscal year ending March 31, 2023

July 29, 2022

TSUGAMI CORPORATION

Stock code: 6101

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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 quarter of the fiscal year ending March 31, 2023

(From April 1, 2021 to June 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	%
Q1 of the fiscal year ending March 31, 2023	25,536	6.2	5,285	4.0	5,436	7.7	3,623	4.1
Q1 of the fiscal year ended March 31, 2022	24,038	72.2	5,081	194.0	5,050	184.3	3,480	223.0

	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
Q1 of the fiscal year ending March 31, 2023	2,707	0.9	6,426	64.8	56.07	54.94
Q1 of the fiscal year ended March 31, 2022	2,684	301.7	3,899	149.4	53.16	51.97

(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	%
Q1 of the fiscal year ending March 31, 2023	111,309	62,585	48,619	43.7 (56.2)
Fiscal year ended March 31, 2022	103,761	57,840	45,580	43.9 (55.7)

(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, 2022	--	18.00	--	22.00	40.00
Fiscal year ending March 31, 2023	--				
Fiscal year ending March 31, 2023 (forecast)		22.00	--	22.00	44.00

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

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2023

(From April 1, 2022 to March 31, 2023)

(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
First half	49,000	-0.4	9,500	-12.1	4,800	-11.8	99.43
Full-year	98,000	5.2	19,000	0.7	9,500	0.1	196.82

(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 2022	50,000,000 shares	As of March 2022	50,000,000 shares
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(ii) Numbers of treasury shares at the end of the terms:

As of June 2022	1,646,890 shares	As of March 2022	1,603,995 shares
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(iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):

Q1 of FY2022	48,295,394 shares	Q1 of FY2021	50,497,809 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 ¥25,536 million (up 6.2% year on year), operating profit of ¥5,285 million (up 4.0% year on year) and profit attributable to owners of parent of ¥2,707 million (up 0.9% year on year), reflecting firm demand in markets including the Chinese market.

Segment performance is as follows.

- a. In Japan, revenue decreased 6.3%, to ¥8,278 million, and segment profit decreased 32.8%, to ¥515 million.
- b. In China, revenue increased 19.3%, to ¥23,514 million, and segment profit grew 8.6%, to ¥4,572 million.
- c. In India, revenue climbed 73.8% year on year, to ¥878 million, and segment profit was ¥0 million compared to a segment loss of ¥8 million in the same period of the previous fiscal year.
- d. In South Korea, revenue fell 22.5%, to ¥471 million, and segment profit decreased 65.9%, to ¥24 million.
- e. Revenue in "Other" increased 2.1%, to ¥164 million, and segment profit came to ¥9 million (compared to a segment profit of ¥0 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 ¥111,309 million at the end of the first quarter under review, increasing ¥7,548 million from the end of the previous fiscal year.

The increase resulted mainly from increases of ¥3,323 million in cash and cash equivalents and ¥4,693 million in inventories.

Liabilities totaled ¥48,723 million at the end of the first quarter under review, increasing ¥2,803 million from the end of the previous fiscal year.

The increase was chiefly attributable to increases of ¥3,350 million in trade and other payables and ¥590 million in income taxes payable, offsetting decreases of ¥1,361 million in contract liabilities and ¥753 million in borrowings.

Equity totaled ¥62,585 million at the end of the first quarter under review, rising ¥4,744 million from the end of the previous fiscal year.

This was largely due to growth of ¥2,013 million in other components of equity, ¥1,251 million in retained earnings and ¥1,705 million in non-controlling interests, offsetting a decrease of ¥200 million in capital surplus.

The increase in other components of equity was due to rises of ¥1,994 million in exchange differences on translation of foreign operations and ¥18 million in financial assets measured at fair value.

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

Cash and cash equivalents at the end of the first quarter of the fiscal year under review increased ¥3,323 million from the end of the previous fiscal year, to ¥22,168 million.

(Cash flows from operating activities)

Cash generated through operating activities was ¥5,076 million.

The result principally reflected an increase in cash due to profit before tax of ¥5,436 million, a decrease in trade and other receivables of ¥2,734 million and an increase in trade and other payables of ¥2,378 million, offsetting a decrease in cash attributable to an increase in inventories of ¥3,342, a decrease in contract liabilities of ¥1,538 million and income taxes paid of ¥1,017 million.

(Cash flows from investing activities)

Cash used for investing activities was ¥184 million.

The cash outflow was primarily attributable to decrease in cash for the purchase of property, plant and equipment of ¥177 million.

(Cash flows from financing activities)

Cash used in financing activities was ¥2,527 million.

The results largely reflected a decrease in cash due to dividends paid of ¥1,064 million, a decrease in short-term borrowings of ¥761 million and purchase of treasury shares of ¥621 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, 2023, and our dividend forecast remain unchanged from the initial forecasts (announced on May 12, 2022).

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, 2022)	Figures at the end of the consolidated first quarter under review (As of June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	18,844	22,168
Trade and other receivables	27,614	27,528
Other financial assets	30	30
Inventories	32,618	37,312
Other current assets	2,928	1,770
Total current assets	82,036	88,810
Non-current assets		
Property, plant and equipment	14,191	14,730
Right-of-use assets	1,915	2,065
Intangible assets	903	831
Retirement benefit asset	64	61
Other financial assets	4,130	4,153
Deferred tax assets	308	434
Other non-current assets	210	220
Total non-current assets	21,724	22,498
Total assets	103,761	111,309

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2022)	Figures at the end of the consolidated first quarter under review (As of June 30, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	22,234	25,585
Borrowings	13,313	12,559
Other financial liabilities	170	185
Income taxes payable	1,390	1,981
Provisions	585	610
Contract liabilities	4,421	3,060
Other current liabilities	757	1,207
Total current liabilities	42,873	45,190
Non-current liabilities		
Other financial liabilities	106	142
Retirement benefit liability	924	937
Provisions	5	5
Deferred tax liabilities	1,460	1,883
Other non-current liabilities	550	563
Total non-current liabilities	3,046	3,532
Total liabilities	45,920	48,723
Equity		
Share capital	12,345	12,345
Capital surplus	3,222	3,022
Treasury shares	-2,040	-2,065
Other components of equity	6,256	8,269
Retained earnings	25,795	27,047
Equity attributable to owners of parent	45,580	48,619
Non-controlling interests	12,260	13,965
Total equity	57,840	62,585
Total liabilities and net equity	103,761	111,309

(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, 2021 to June 30, 2021)	Consolidated first quarter under review (From April 1, 2022 to June 30, 2022)
Revenue	24,038	25,536
Cost of sales	-16,736	-17,977
Gross profit	7,301	7,559
Selling, general and administrative expenses	-2,301	-2,773
Other income	101	514
Other expenses	-19	-14
Operating profit	5,081	5,285
Finance income	108	215
Finance costs	-139	-65
Profit before tax	5,050	5,436
Income tax expense	-1,569	-1,813
Profit	3,480	3,623
Profit for the year attributable to:		
Owners of parent	2,684	2,707
Non-controlling interests	796	915
Profit	3,480	3,623
Earnings per share		
Basic earnings per share (yen)	53.16	56.07
Diluted earnings per share (yen)	51.97	54.94

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first quarter previous year (From April 1, 2021 to June 30, 2021)	Consolidated first quarter under review (From April 1, 2022 to June 30, 2022)
Profit	3,480	3,623
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	-79	18
Remeasurement of defined benefit pension plans	--	--
Total items that will not be reclassified to profit or loss	-79	18
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	498	2,784
Total items that may be reclassified to profit or loss	498	2,784
Total other comprehensive income	419	2,802
Comprehensive income	3,899	6,426
Total comprehensive income for the year attributable to:		
Owners of parent	2,954	4,720
Non-controlling interests	945	1,705
Comprehensive income	3,899	6,426

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Million yen)

	Equity attributable to owners of parent				
	Share capital			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				349	-79
Total comprehensive income for the quarter	--	--	--	349	-79
Purchase of treasury shares			-1,446		
Disposal of treasury shares		-113	213		
Dividends					
Changes in share-based payment transactions		3			
Share-based payment transactions	--	-109	-1,233	--	--
Balance As of June 30, 2021	12,345	3,222	-5,604	828	2,001

	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		--	2,684	2,684	796	3,480
Other comprehensive income		269		269	149	419
Total comprehensive income for the quarter	--	269	2,684	2,954	945	3,899
Purchase of treasury shares		--		-1,446		-1,446
Disposal of treasury shares		--	-99	0		0
Dividends		--	-712	-712		-712
Changes in share-based payment transactions		--		3		3
Share-based payment transactions	--	--	-812	-2,155	--	-2,155
Balance As of June 30, 2021	--	2,830	26,234	39,027	9,552	48,580

(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, 2022	12,345	3,222	-2,040	4,383	1,872
Profit					
Other comprehensive income				1,994	18
Total comprehensive income for the quarter	--	--	--	1,994	18
Purchase of treasury shares			-620		
Disposal of treasury shares		-200	595		
Dividends					
Share-based payment transactions	--	-200	-24	--	--
Balance As of June 30, 2022	12,345	3,022	-2,065	6,378	1,890

	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, 2022	--	6,256	25,795	45,580	12,260	57,840
Profit		--	2,707	2,707	915	3,623
Other comprehensive income		2,013		2,013	789	2,802
Total comprehensive income for the quarter	--	2,013	2,707	4,720	1,705	6,426
Purchase of treasury shares		--		-620		-620
Disposal of treasury shares		--	-391	3		3
Dividends		--	-1,064	-1,064		-1,064
Share-based payment transactions	--	--	-1,455	-1,681	--	-1,681
Balance As of June 30, 2022	--	8,269	27,047	48,619	13,965	62,585

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated first quarter previous year (From April 1, 2021 to June 30, 2021)	Consolidated first quarter under review (From April 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit before tax	5,050	5,436
Depreciation and amortization	420	526
Finance income	-108	-113
Finance costs	27	33
Loss on retirement of fixed assets	12	5
Insurance claim income	-2	-2
Decrease (increase) in inventories	-1,579	-3,342
Decrease (increase) in trade and other receivables	-2,442	2,734
Increase (decrease) in trade and other payables	5,011	2,378
Increase (decrease) in contract liabilities	914	-1,538
Increase or decrease in retirement benefit asset or liability	18	16
Increase (decrease) in provisions	56	-3
Other	82	-618
Subtotal	7,463	5,511
Interest and dividends received	118	103
Interest paid	-27	-33
Proceeds from subsidy income	84	464
Insurance received	2	2
Income taxes paid	-1,154	-1,017
Income taxes refund	6	44
Net cash provided by (used in) operating activities	6,493	5,076
Cash flows from investing activities		
Purchase of property, plant and equipment	-400	-177
Purchase of intangible assets	-13	-2
Other	-5	-3
Net cash provided by (used in) investing activities	-419	-184
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	269	-761
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	-1,447	-621
Dividends paid	-712	-1,064
Repayments of lease obligations	-64	-80
Net cash provided by (used in) financing activities	-1,955	-2,527
Effect of exchange rate changes on cash and cash equivalents	141	959
Net increase (decrease) in cash and cash equivalents	4,260	3,323
Cash and cash equivalents at the beginning of the term	17,207	18,844
Cash and cash equivalents at the end of the term	21,467	22,168

(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, 2021 to June 30, 2021)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	5,609	17,189	503	589	147	24,038	--	24,038
Intersegment revenue	3,224	2,517	2	19	14	5,779	-5,779	--
Total	8,833	19,707	505	609	161	29,817	-5,779	24,038
Segment profit	766	4,209	-8	72	0	5,041	-41	4,999
Other income and expenses, net	--	--	--	--	--	--	--	81
Operating profit	--	--	--	--	--	--	--	5,081
Finance income and expenses, net	--	--	--	--	--	--	--	-30
Profit before tax	--	--	--	--	--	--	--	5,050

- (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 ¥-41 million is the adjustment of unrealized income.

Consolidated first quarter under review (From April 1, 2022 to June 30, 2022)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	5,308	18,744	878	470	134	25,536	--	25,536
Intersegment revenue	2,970	4,769	--	1	30	7,772	-7,772	--
Total	8,278	23,514	878	471	164	33,308	-7,772	25,536
Segment profit	515	4,572	0	24	9	5,122	-336	4,786
Other income and expenses, net	--	--	--	--	--	--	--	499
Operating profit	--	--	--	--	--	--	--	5,285
Finance income and expenses, net	--	--	--	--	--	--	--	150
Profit before tax	--	--	--	--	--	--	--	5,436

- (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 ¥-336 million is the adjustment of unrealized income.

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first quarter previous year (From April 1, 2021 to June 30, 2021)	Consolidated first quarter under review (From April 1, 2022 to June 30, 2022)
China	16,647	18,564
Asia	3,685	2,537
America	1,119	1,134
Europe	833	1,389
Overseas revenue	22,285	23,626
Consolidated revenue	24,038	25,536
Ratio of overseas revenue to consolidated net sales (%)	92.7	92.5

(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, 2021 to June 30, 2021)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	4,180	15,065	467	573	124	20,410
Grinding machines	238	759	15	--	--	1,013
Machining centers, rolling machines and specialized machines	542	1,025	11	--	--	1,579
Other	647	339	9	16	22	1,034
Total	5,609	17,189	503	589	147	24,038

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

Consolidated first quarter under review (From April 1, 2022 to June 30, 2022)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	4,372	16,251	842	449	104	22,019
Grinding machines	71	751	10	--	--	833
Machining centers, rolling machines and specialized machines	210	1,223	--	--	--	1,434
Other	653	518	26	20	29	1,248
Total	5,308	18,744	878	470	134	25,536

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