

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2023

November 8, 2022

TSUGAMI CORPORATION

Stock code: 6101

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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, 2023

(From April 1, 2022 to September 30, 2022)

(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, 2023	47,965	-2.5	8,604	-20.4	8,786	-18.0	5,850	-18.9
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

	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, 2023	4,270	-21.6	8,618	6.6	88.31	86.95
H1 of the fiscal year ended March 31, 2022	5,445	325.5	8,084	169.2	108.80	106.52

(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, 2023	111,587	64,083	50,202	45.0(57.4)
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

(Base date)	Dividends per share				
	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	--	22.00			
Fiscal year ending March 31, 2023 (forecast)			--	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
Full-year	95,000	2.0	17,000	-9.9	8,400	-11.5	173.91

(Note) Revision of consolidated business performance forecasts for the quarter under review: Yes

* 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 2022	50,000,000 shares	As of March 2022	50,000,000 shares
(ii) Numbers of treasury shares at the end of the terms:			
As of September 2022	1,554,099 shares	As of March 2022	1,603,995 shares
(iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):			
H1 of FY2022	48,359,914 shares	H1 of FY2021	50,049,221 shares

* 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 ¥47,965 million (down 2.5% year on year), operating profit of ¥8,604 million (down 20.4% year on year) and profit attributable to owners of parent of ¥4,270 million (down 21.6% year on year), reflecting the protracted adjustment in the Chinese market, but maintained a strong profit structure.

Segment performance is as follows.

- a. In Japan, revenue decreased 1.5%, to ¥17,235 million, and segment profit decreased 63.4%, to ¥519 million.
- b. In China, revenue increased 8.1%, to ¥43,834 million, and segment profit decreased 12.7%, to ¥7,856 million.
- c. In India, revenue climbed 86.6% year on year, to ¥2,162 million, and segment profit was ¥1 million compared to a segment loss of ¥0 million in the same period of the previous fiscal year.
- d. In South Korea, revenue decreased 36.7%, to ¥729 million, and segment profit decreased 85.8%, ¥23 million.
- e. Revenue in "Other" increased 59.3%, to ¥511 million, and segment profit came to ¥62 million (compared to a segment loss of ¥11 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 ¥111,587 million at the end of the first half under review, increasing ¥7,826 million from the end of the previous fiscal year.

The increase resulted mainly from increases of ¥6,966 million in inventories and ¥571 million in property, plant and equipment.

Liabilities totaled ¥47,503 million at the end of the first half under review, rising ¥1,583 million from the end of the previous fiscal year.

The increase was chiefly attributable to increases of ¥1,690 million in borrowings, ¥353 million in deferred tax liabilities, ¥219 million in trade and other liabilities, and ¥207 million in income taxes payable, offsetting decreases of ¥1,337 million in contract liabilities.

Equity totaled ¥64,083 million at the end of the first half under review, increasing ¥6,242 million from the end of the previous fiscal year.

This was largely due to growth of ¥1,973 million in other components of equity, ¥2,757 million in retained earnings and ¥1,621 million in non-controlling interests, offsetting a decrease of ¥200 million in capital surplus. The increase in other components of equity includes an increase of ¥2,005 million in exchange differences on the translation of foreign operations and a decrease of ¥31 million in financial assets measured at fair value through other comprehensive income.

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

Cash and cash equivalents at the end of the first half under review decreased ¥167 million from the end of the previous fiscal year, to ¥18,677 million.

(Cash flows from operating activities)

Cash generated through operating activities was ¥117 million.

The result principally reflected an increase in cash due to profit before tax of ¥8,786 million, a decrease in trade and other receivables of ¥1,088 million and income taxes refund of ¥437 million, more than offset by a decrease in cash attributable to an increase in inventories of ¥5,688 million (an increase in the consolidated statement of financial position of ¥6,966 million and foreign currency translation adjustment of -¥1,278 million: total ¥5,688 million), a decrease in contract liabilities of ¥1,514 million and income taxes paid of ¥3,069 million.

(Cash flows from investing activities)

Cash used for investing activities was ¥504 million.

The cash outflow was primarily attributable to decrease in cash for the purchase of property, plant and equipment of ¥436 million.

(Cash flows from financing activities)

Cash used in financing activities was ¥758 million.

The result largely reflected an increase in cash due to an increase of ¥1,820 million in short-term borrowings, more than offset by the decreases of ¥1,064 million, ¥753 million, and ¥621 million in cash due to the payment of dividends, the payment of dividends to non-controlling shareholders and the purchase of treasury shares, respectively.

(3) Information Relating to Consolidated Business Performance Forecasts

Our consolidated business performance forecasts for the full year of the fiscal year ending March 31, 2023 are still strong as revenue is expected to reach a new record high, but profit is revised slightly downward partly due to foreign exchange and other factors. For details, see the "Notice of Revisions to Business Performance Forecasts" released today.

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, 2022)	Figures at the end of the consolidated first half under review (As of September 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	18,844	18,677
Trade and other receivables	27,614	27,511
Other financial assets	30	30
Inventories	32,618	39,585
Other current assets	2,928	3,143
Total current assets	82,036	88,947
Non-current assets		
Property, plant and equipment	14,191	14,762
Right-of-use assets	1,915	2,091
Intangible assets	903	758
Retirement benefit asset	64	59
Other financial assets	4,130	4,138
Deferred tax assets	308	600
Other non-current assets	210	228
Total non-current assets	21,724	22,639
Total assets	103,761	111,587

(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 half under review (As of September 30, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	22,234	22,453
Borrowings	13,313	15,004
Other financial liabilities	170	206
Income taxes payable	1,390	1,597
Provisions	585	613
Contract liabilities	4,421	3,084
Other current liabilities	757	1,052
Total current liabilities	42,873	44,012
Non-current liabilities		
Other financial liabilities	106	156
Retirement benefit liability	924	945
Provisions	5	5
Deferred tax liabilities	1,460	1,813
Other non-current liabilities	550	571
Total non-current liabilities	3,046	3,491
Total liabilities	45,920	47,503
Equity		
Share capital	12,345	12,345
Capital surplus	3,222	3,022
Treasury shares	-2,040	-1,948
Other components of equity	6,256	8,230
Retained earnings	25,795	28,552
Equity attributable to owners of parent	45,580	50,202
Non-controlling interests	12,260	13,881
Total equity	57,840	64,083
Total liabilities and net equity	103,761	111,587

(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, 2021 to September 30, 2021)	Consolidated first half under review (From April 1, 2022 to September 30, 2022)
Revenue	49,176	47,965
Cost of sales	-33,665	-34,479
Gross profit	15,511	13,485
Selling, general and administrative expenses	-4,963	-5,615
Other income	2,359	783
Other expenses	-2,099	-49
Operating profit	10,808	8,604
Finance income	168	301
Finance costs	-260	-120
Profit before tax	10,716	8,786
Income tax expense	-3,501	-2,936
Profit	7,214	5,850
Profit for the year attributable to:		
Owners of parent	5,445	4,270
Non-controlling interests	1,769	1,579
Profit	7,214	5,850
Earnings per share		
Basic earnings per share (yen)	108.80	88.31
Diluted earnings per share (yen)	106.52	86.95

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first half previous year (From April 1, 2021 to September 30, 2021)	Consolidated first half under review (From April 1, 2022 to September 30, 2022)
Profit	7,214	5,850
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	-17	-31
Remeasurements of defined benefit plans	--	--
Total of items that will not be reclassified to profit or loss	-17	-31
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	887	2,800
Total of items that may be reclassified to profit or loss	887	2,800
Total other comprehensive income	869	2,768
Comprehensive income	8,084	8,618
Total comprehensive income for the year attributable to:		
Owners of parent	6,043	6,244
Non-controlling interests	2,041	2,374
Comprehensive income	8,084	8,618

(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, 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					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements 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

(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				2,005	-31
Total comprehensive income for the quarter	--	--	--	2,005	-31
Purchase of treasury shares			-620		
Disposal of treasury shares		-200	711		
Dividends					
Changes in share-based remuneration transactions					
Total transactions with owners	--	-200	91	--	--
Balance As of September 30, 2022	12,345	3,022	-1,948	6,389	1,840

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2022	--	6,256	25,795	45,580	12,260	57,840
Profit		--	4,270	4,270	1,579	5,850
Other comprehensive income		1,973		1,973	794	2,768
Total comprehensive income for the quarter	--	1,973	4,270	6,244	2,374	8,618
Purchase of treasury shares		--		-620		-620
Disposal of treasury shares		--	-448	62		62
Dividends		--	-1,064	-1,064	-753	-1,817
Total transactions with owners	--	--	-1,513	-1,622	-753	-2,375
Balance As of September 30, 2022	--	8,230	28,552	50,202	13,881	64,083

(4) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated first half previous year (From April 1, 2021 to September 30, 2021)	Consolidated first half under review (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before tax	10,716	8,786
Depreciation and amortization	847	1,048
Impairment losses	182	--
Casualty loss	1,887	--
Finance income	-168	-201
Finance costs	55	66
Loss on retirement of fixed assets	13	8
Government grant income	-428	-720
Insurance income	-1,890	-3
Decrease (increase) in inventories	-5,100	-5,688
Decrease (increase) in trade and other receivables	-2,099	1,088
Increase (decrease) in trade and other payables	5,701	-782
Increase (decrease) in contract liabilities	-821	-1,514
Increase or decrease in retirement benefit asset or liability	29	26
Increase (decrease) in provisions	121	-1
Other	56	-210
Subtotal	9,104	1,902
Interest and dividends received	211	190
Interest paid	-55	-66
Government grant income	428	720
Insurance received	787	3
Income taxes paid	-2,589	-3,069
Income taxes refund	6	437
Net cash provided by (used in) operating activities	7,893	117
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	-714	-436
Proceeds from sale of property, plant and equipment	0	3
Purchase of intangible assets	-13	-9
Purchase of investment securities	-1	-1
Payments for investments in capital	--	-56
Other	-2	-5
Net cash provided by (used in) investing activities	-731	-504

Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	537	1,820
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	-3,049	-621
Dividends paid	-712	-1,064
Dividends paid to non-controlling interests	-389	-753
Repayments of lease liabilities	-116	-140
Net cash provided by (used in) financing activities	<u>-3,730</u>	<u>-758</u>
Effect of exchange rate changes on cash and cash equivalents	286	978
Net increase (decrease) in cash and cash equivalents	<u>3,718</u>	<u>-167</u>
Cash and cash equivalents at the beginning of the term	17,207	18,844
Cash and cash equivalents at the end of the term	<u>20,925</u>	<u>18,677</u>

(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, 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.

Consolidated first half under review (From April 1, 2022 to September 30, 2022)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	11,277	33,374	2,162	705	445	47,965	--	47,965
Intersegment revenue	5,957	10,460	--	23	65	16,506	-16,506	--
Total	17,235	43,834	2,162	729	511	64,472	-16,506	47,965
Segment profit (loss)	519	7,856	1	23	62	8,463	-592	7,870
Other income and expenses, net	--	--	--	--	--	--	--	734
Operating profit	--	--	--	--	--	--	--	8,604
Finance income and expenses, net	--	--	--	--	--	--	--	181
Profit before tax	--	--	--	--	--	--	--	8,786

(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 ¥-592 million is the adjustment of unrealized income.

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first half previous year (From April 1, 2021 to September 30, 2021)	Consolidated first half under review (From April 1, 2022 to September 30, 2022)
China	35,036	33,086
Asia	6,735	4,347
America	2,057	2,974
Europe	1,566	3,339
Overseas revenue	45,396	43,747
Consolidated revenue	49,176	47,965
Ratio of overseas revenue to consolidated net sales (%)	92.3	91.2

(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 main product lines and reportable segments is as follows.

Consolidated first half previous year (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.

Consolidated first half under review (From April 1, 2022 to September 30, 2022)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	9,106	27,902	2,029	660	358	40,057
Grinding machines	422	1,511	65	--	--	1,999
Machining centers, rolling machines and specialized machines	316	2,986	5	--	--	3,308
Other	1,432	972	61	45	87	2,599
Total	11,277	33,374	2,162	705	445	47,965

(Note) "Other" include components and services.