

Fiscal Year 2022 First Half Financial Results



November 8, 2022

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(TSE: 6101)

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1. Business Performance for the First Half of FY2022 and Outlook for FY2022

(1) Business Results

[1H results]

Revenue: 47.9 billion yen (down 2.1% from Previous outlook)

Maintained a high level (the second highest half year in the past) despite a prolonged adjustment in the Chinese and other markets, resulting in sales slightly below the previous outlook.

Profits:

Operating profit: 8.6 billion yen (down 9.5% from Previous outlook)

Profit attributable to owners of parent: 4.2 billion yen (down 11.0% from Previous outlook)

Maintained a high level of earnings structure despite falling short of the previous outlook (due to the impact of foreign exchange in addition to factors of a decrease in revenue)

[Full-year outlook]

Revenue: 95.0 billion yen (down 3.1% from Previous outlook)

The highest revenue (93.1 billion yen) is expected to be renewed despite falling below the previous outlook due to the uncertain recovery of the Chinese market.

Profits:

Operating profit: 17.0 billion yen (down 10.5% from Previous outlook)

Profit attributable to owners of parent: 8.4 billion yen (down 11.6% from Previous outlook)

Profit is expected to fall due in part to foreign exchange despite the earnings structure remaining strong, and the above is forecast.

Billion yen

	Results for 1H				
	Previous outlook	FY22	Changes from previous outlook (%)	FY21	Year-on-year(%)
Revenue	49.0	47.9	-2.1	49.1	-2.5
Operating profit (to revenue ratio)	9.5 (19.4%)	8.6 (17.9%)	-9.5 --	10.8 (21.9%)	-20.4 --
Profit attributable to owners of parent (to revenue ratio)	4.8 (9.8%)	4.2 (8.9%)	-11.0 --	5.4 (11.0%)	-21.6 --
Basic earnings per share	99.4 yen	88.3yen	--	108.8yen	--

Full-year Outlook				
Previous outlook for FY22	Revised outlook for FY22	Changes from previous outlook (%)	FY21	Year-on-year(%)
98.0	95.0	-3.1	93.1	2.0
19.0 (19.4%)	17.0 (17.9%)	-10.5 --	18.8 (20.2%)	-9.9 --
9.5 (9.6%)	8.4 (8.8%)	-11.6 --	9.4 (10.1%)	-11.5 --
196.8 yen	173.9 yen	--	191.9 yen	--

(2) Financial position

RMB/JPY March-end/22 19.26 → Sep.-end/22 20.37
 INR /JPY March-end/22 1.63 → Sep.-end/22 1.79

Billion yen

	Sep-2021	Mar-2022	Sep-2022	Variance from Sep-2021	Variance from Mar-2022
Total assets	90.5	103.7	111.5	21.0	7.8
Current assets	71.3	82.0	88.9	17.5	6.9
Cash and cash equivalents	20.9	18.8	18.6	-2.2	-0.1
Trade and other receivables	24.0	27.6	27.5	3.4	-0.1
Inventories	24.2	32.6	39.5	15.3	6.9
Other	2.1	2.9	3.1	1.0	0.2
Non-current assets	19.1	21.7	22.6	3.4	0.9
Property, plant and equipment	12.0	14.1	14.7	2.7	0.5
Right-of-use assets	1.2	1.9	2.0	0.8	0.1
Intangible assets	0.9	0.9	0.7	-0.2	-0.1
Other	4.9	4.7	5.0	0.1	0.3
Total liabilities	39.7	45.9	47.5	7.7	1.5
Current liabilities	37.0	42.8	44.0	6.9	1.1
Trade and other payables	20.9	22.2	22.4	1.5	0.2
Borrowings	10.1	13.3	15.0	4.8	1.6
Other	6.0	7.3	6.5	0.5	-0.7
Non-current liabilities	2.6	3.0	3.4	0.8	0.4
Deferred tax liabilities	1.1	1.4	1.8	0.6	0.3
Other	1.4	1.5	1.6	0.1	0.0
Total equity	50.8	57.8	64.0	13.2	6.2
Share capital	12.3	12.3	12.3	—	—
Capital surplus	3.2	3.2	3.0	-0.2	-0.2
Treasury shares	-7.1	-2.0	-1.9	5.1	0.0
Other components of equity	3.1	6.2	8.2	5.0	1.9
Retained earnings	28.9	25.7	28.5	-0.4	2.7
Equity attributable to owners of parent	40.5	45.5	50.2	9.6	4.6
Non-controlling interests	10.2	12.2	13.8	3.6	1.6

- Total assets increased.
 - Impact of an increase in inventories(maintaining a high inventory level to respond to confusion in supply chains)
 - Impact of the weak yen
- The financial position is stable.
 - Percentage of equity attributable to owners of parent: 45.0%
 - (Equity attributable to owners of parent + non- controlling interests: 57.4%)

(3) Cash flows

Billion yen

	FY2021 1H	FY2022 1H
Cash flows from operating activities	7.9	0.1
Profit before tax	10.7	8.8
Depreciation	0.8	1.0
Increase/decrease in working capital	-2.3	*1 -6.9
Other	-1.4	-2.9
Cash flows from investing activities	-0.7	-0.5
Capital investment in factories	-0.7	*2 -0.4
Other	—	-0.1
Cash flows from financing activities	-3.7	-0.8
Short-term borrowings	0.5	1.8
Treasury shares	-3.0	-0.6
Dividends paid	-0.7	-1.0
Dividends paid to non-controlling interests	-0.4	-0.8
Other	-0.1	-0.2
Effect of exchange rate change on cash and cash equivalents	0.3	1.0
Net increase (decrease) in cash and cash equivalents	3.7	-0.2
Cash and cash equivalents at the end of the term	20.9	18.6

*1

Decrease in trade receivables	1.1
Increase in inventories	-5.7
B/S in Increased (-6.9)	
foreign currency changed (1.2) Total (-5.7)	
Decrease in trade payables	-0.8
Decrease in contract liabilities	-1.5

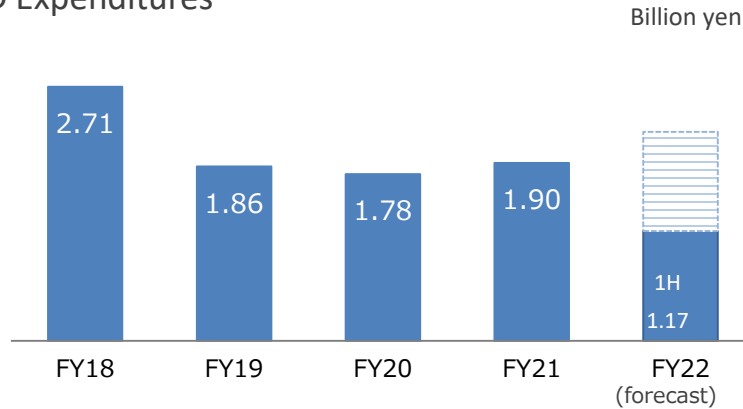
The difference from variances in BS was caused by the adjustment of foreign exchange differences, etc.

*2

Factory in China	-0.3
New Factory in India	-0.1

2. R&D Expenditures, Capital Investment and Depreciation

R&D Expenditures



1. Efforts for new product development continued.
2. Investments for increasing production continued.
(in China and India)

[Major capital investments]

China: New factories in Zhejiang

Extension and repair work of the factory acquired are scheduled to start in the second half of FY22.

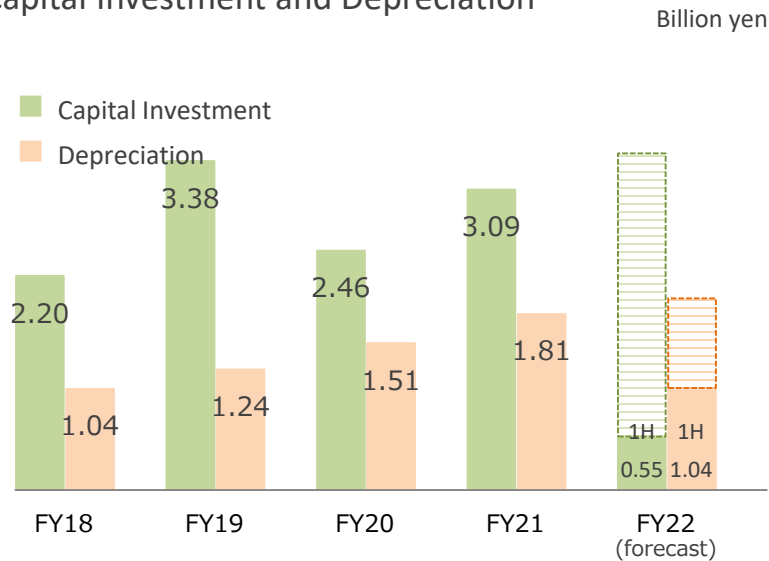
Total amount of investment: 3.8 billion yen (Including 1.45 billion yen for land and building acquisition)
Land area: about 50,000m²

India: New Vallam Vadagal Factory

The casting plant is expected to begin operating in July 2023

Total amount of investment: 3.3 billion yen
Land area: 58,400m²
Production capacity:
Casting production: 500 tons/month
Assembly building and others: System to increase production as needed according to market conditions

Capital Investment and Depreciation

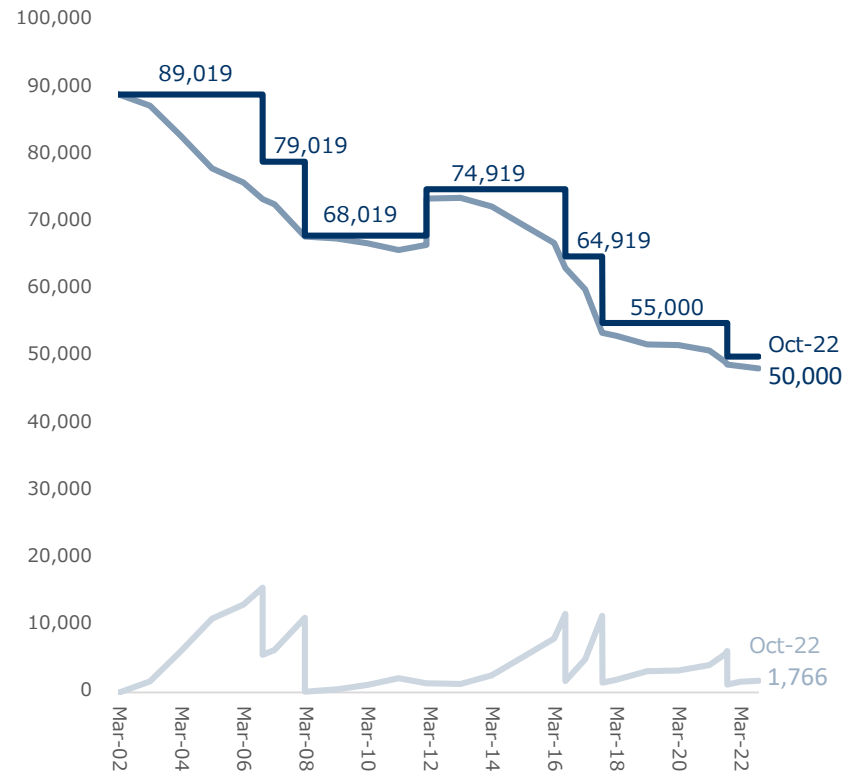


3. Transition of main indicators

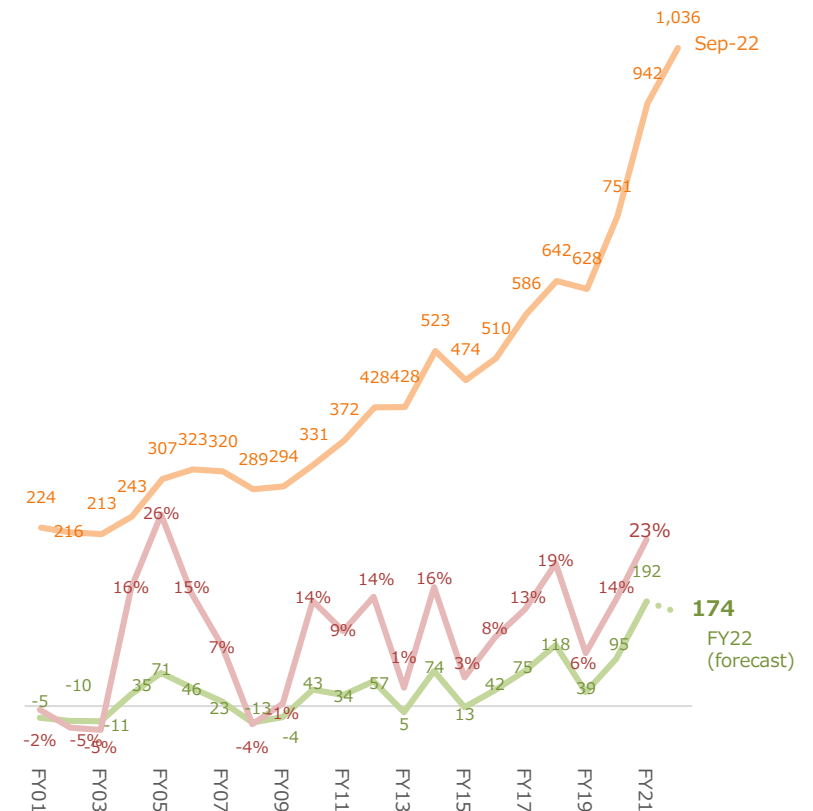
- Outstanding shares
- Treasury shares
- Outstanding shares (excluding treasury shares)

- BPS (Book-value per share, excluding treasury shares)
- EPS (Earnings per share, excluding treasury shares)
- ROE (Return on equity)

Thousand shares



Yen



(2) Shareholder Returns

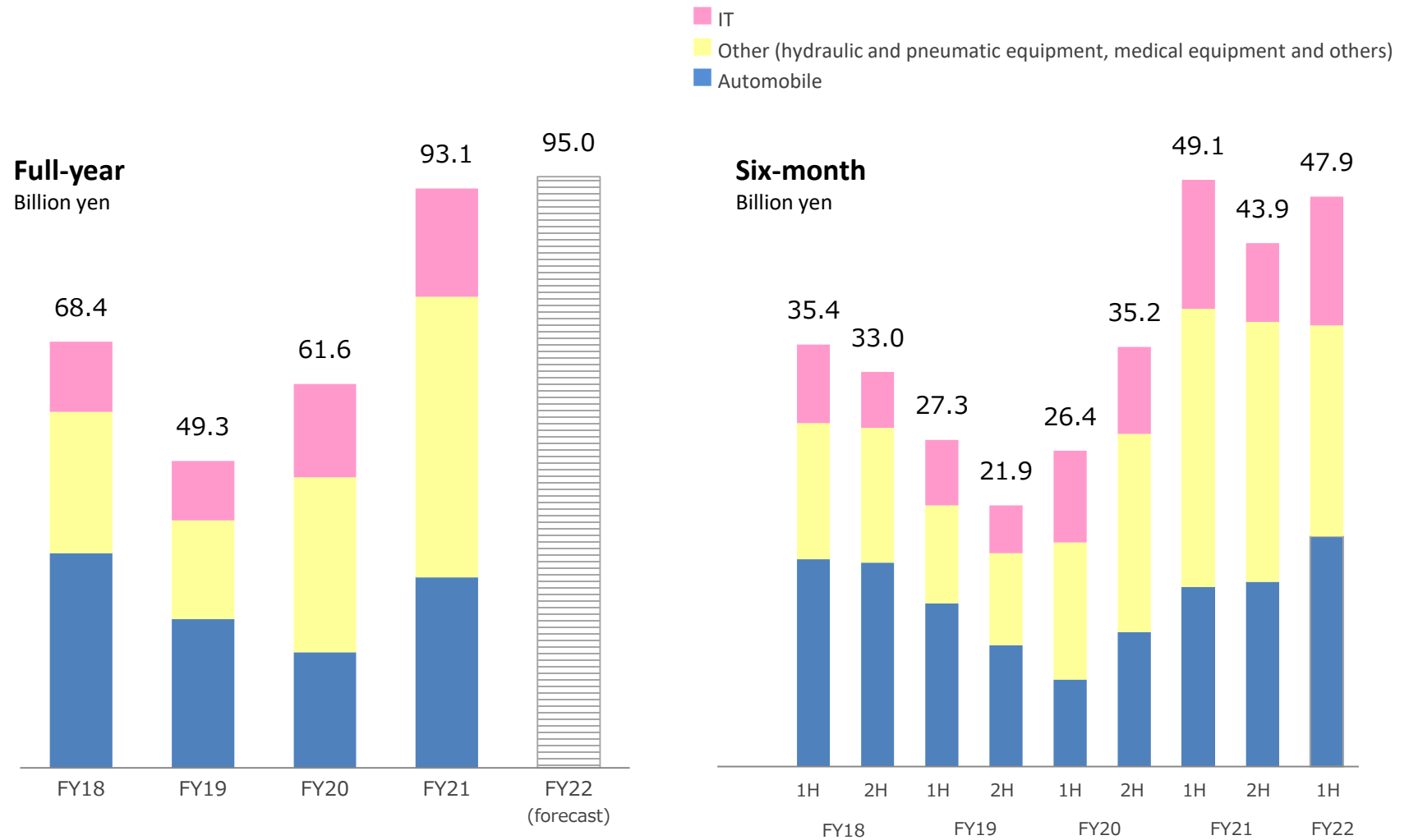
1. While the basic policy is stable dividend payment, the weight of direct returns (dividends) will be gradually raised.
2. Treasury shares are flexibly purchased.

	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023 (forecast)
Dividends paid (Full-year, yen/share)	21	24	26	40	44
(Interim, yen/share)	9	12	12	18	22
EPS (yen)	117.9	38.6	95.2	191.9	173.9
Dividend payout ratio	17.8%	62.2%	27.3%	20.8%	25.3%

Total dividends (Billion yen)	1.09	1.24	1.33	1.95	2.13
Purchase of treasury shares (Billion yen)	1.83	0.12	1.49	4.31	—
Total return (Billion yen)	2.92	1.36	2.82	6.26	—
Profit attributable to owners of parent (Billion yen)	6.19	2.00	4.91	9.48	8.40
Total return ratio	47.2%	68.2%	57.5%	66.0%	—

4. Reference

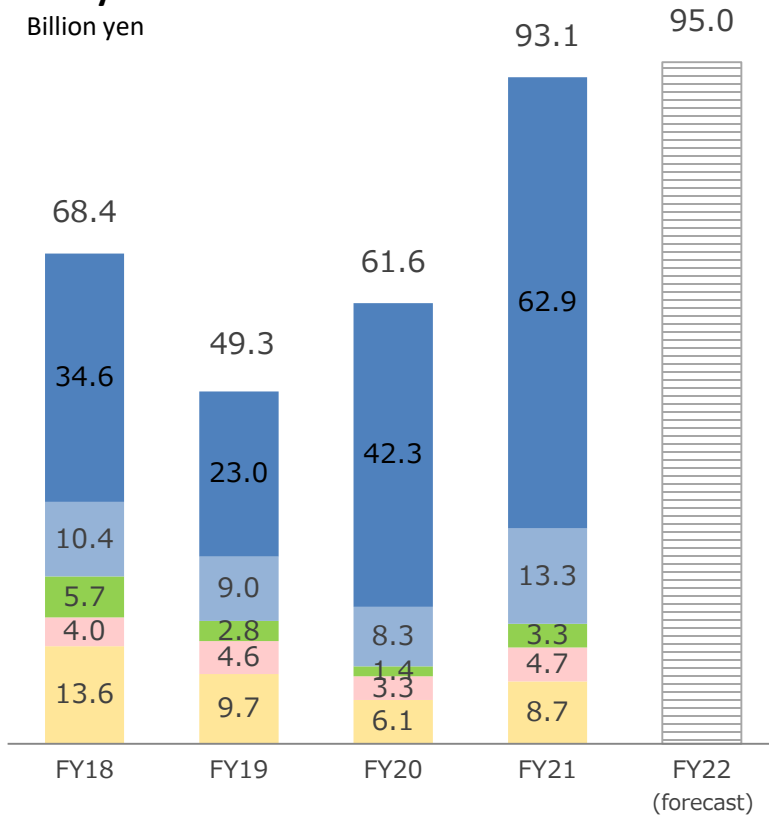
(1) Revenue by Business Segment



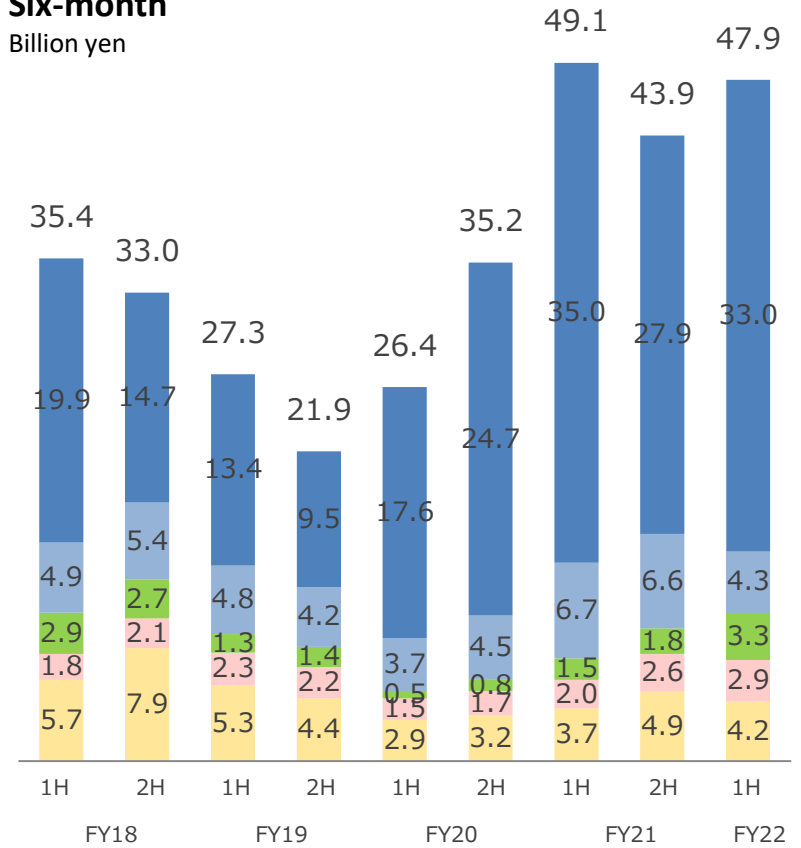
(2) Revenue by Geographic Segment

■ China ■ Asia ■ Europe ■ U.S.A ■ Domestic demand

Full-year
Billion yen



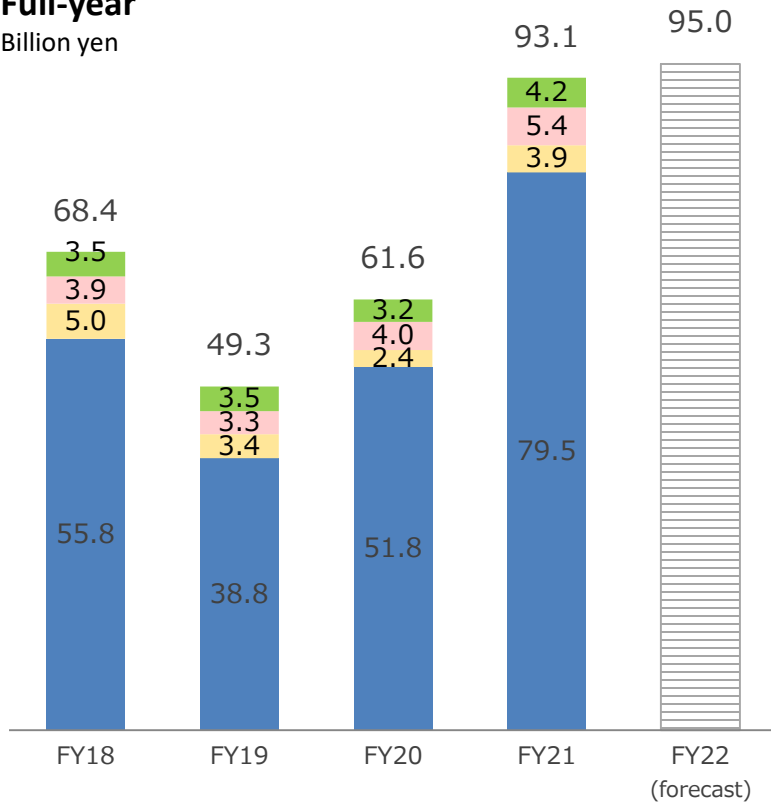
Six-month
Billion yen



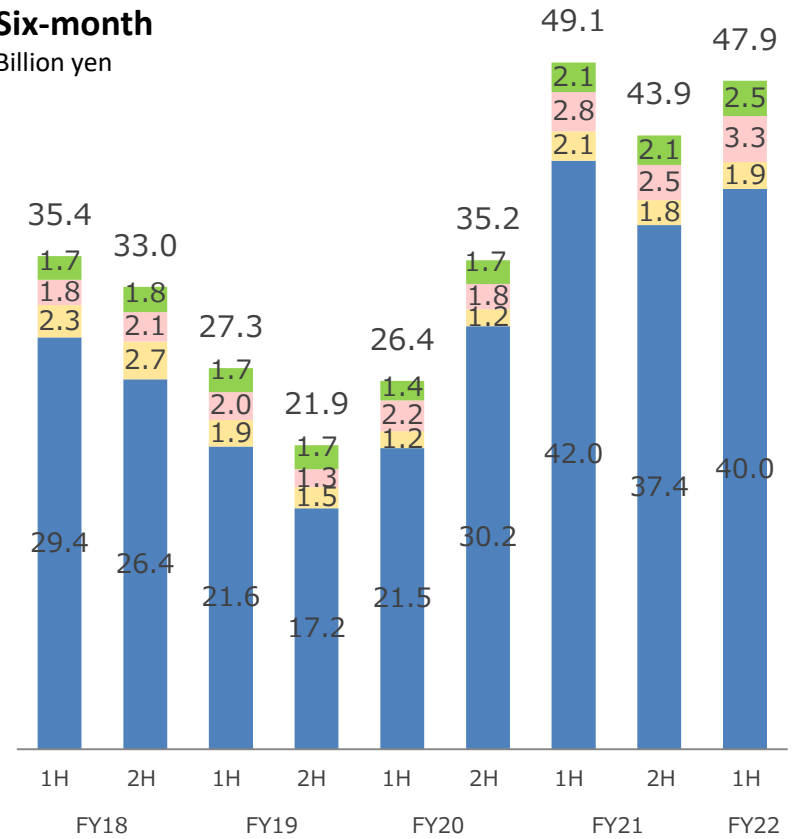
(3) Revenue by Machinery Category

- Automatic lathes
- Grinding machines
- Machining centers, Rolling machines and specialized machines
- Other

Full-year
Billion yen



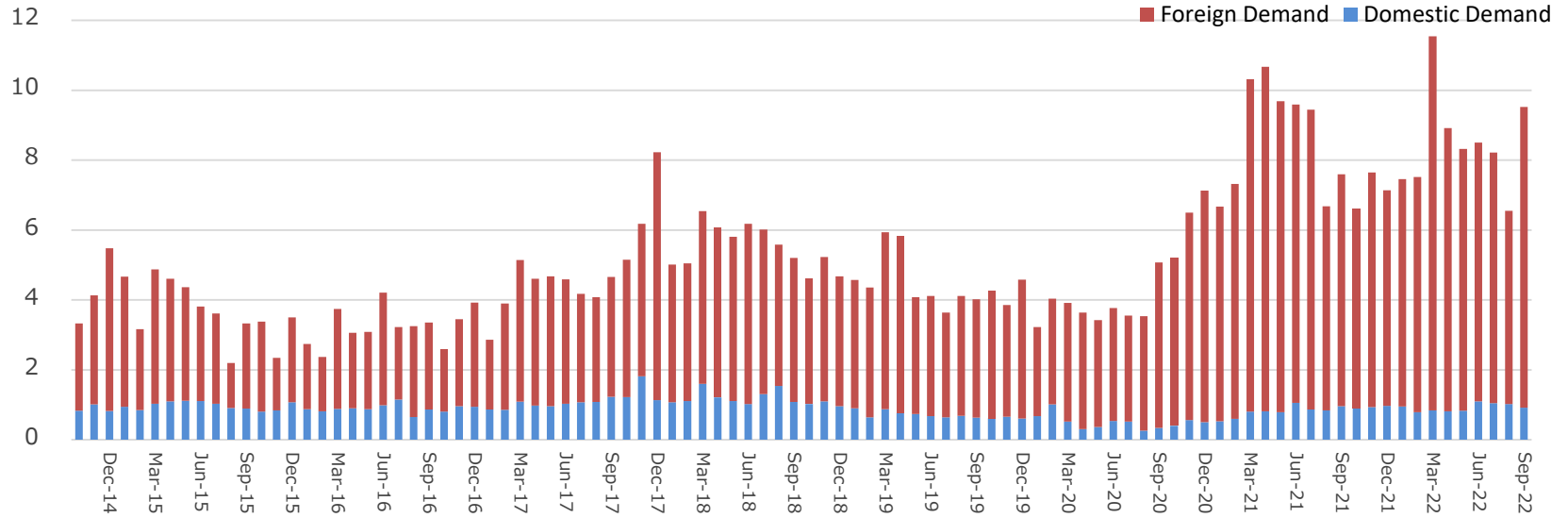
Six-month
Billion yen



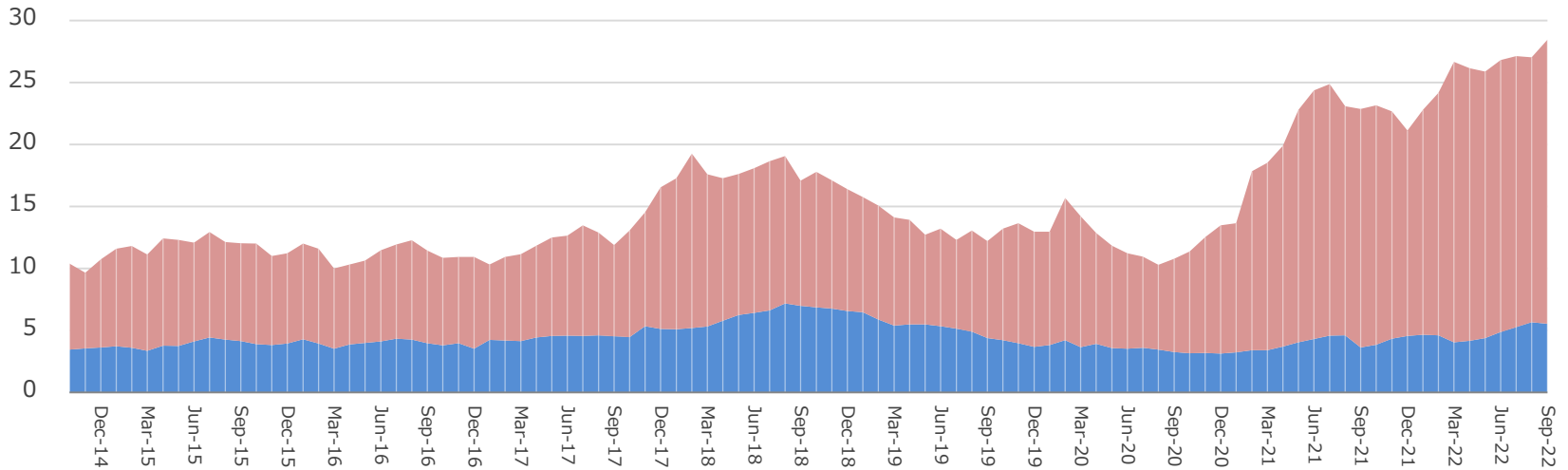
(4) Orders Received and Order Backlogs

Billion yen

Orders



Order backlogs



(5) Efforts to achieve sustainability

- April 2021 Placed Sustainability Committee
- Positioned sustainability as an important management issue, for which a basic policy, targets, etc. were established and monitored
- May 2021 Signed the United Nations Global Compact (UNGC)
- Supporting and implementing 10 principles in four areas, including human rights, labor, environment, and anti-corruption, with the aim of achieving both growth for the Group and a sustainable society
- June 2021 Established medium- to long-term targets to achieve carbon neutrality by 2050
- Set targets to reduce emissions of greenhouse gases causing global warming and improve activities
 - Medium-term target: reduce CO₂ emissions by 55% from FY2013 emissions
 - Long-term target: achieve carbon neutrality by 2050
- February 2022 Changed all of electricity used at Nagaoka Factory to power derived from renewable energy
- CO₂ emissions of electricity used at Nagaoka Factory were made effectively zero by changing to power supplied by Orix Corporation, which operates a retail electricity business.
 - Approximately 2,000 tons per year of CO₂ emissions are expected to be reduced.

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.