

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

January 30, 2023

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 nine months of the fiscal year ending March 31, 2023

(From April 1, 2022 to December 31, 2022)

(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, 2023	72,428	0.2	12,985	-15.1	12,829	-16.4	8,498	-17.3
First nine months of the fiscal year ended March 31, 2022	72,271	70.0	15,302	162.1	15,351	168.9	10,281	156.7
	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, 2023	6,079	-21.5	7,847	-39.2	125.84		124.10	
First nine months of the fiscal year ended March 31, 2022	7,747	166.8	12,901	105.0	155.97		152.75	

(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, 2023	107,189		61,147		48,214	45.0 (57.0)
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)

(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	95,000	2.0	17,000	-9.9	8,400	-11.5	173.99

(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 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 December 2022	1,824,628 shares	As of March 2022	1,603,995 shares
(iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):			
First nine months of FY2022	48,310,316 shares	First nine months of FY2021	49,673,926 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 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 ¥72,428 million (up 0.2% year on year), operating profit of ¥12,985 million (down 15.1% year on year) and profit attributable to owners of parent of ¥6,079 million (down 21.5% 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 increased 3.3%, to ¥27,070 million, and segment profit decreased 71.6%, to ¥527 million.
- b. In China, revenue increased 3.6%, to ¥64,053 million, and segment profit decreased 10.1%, to ¥11,829 million.
- c. In India, revenue climbed 78.1%, to ¥3,239 million, and segment profit was ¥63 million compared to a segment loss of ¥7 million in the same period of the previous fiscal year.
- d. In South Korea, revenue decreased 10.3%, to ¥1,329 million, and segment profit decreased 25.4%, to ¥127 million.
- e. Revenue in "Other" increased 73.6%, to ¥888 million, and segment profit came to ¥110 million compared to a segment loss of ¥28 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 ¥107,189 million at the end of the third quarter under review, increasing ¥3,428 million from the end of the previous fiscal year.

The increase resulted mainly from increases of ¥4,132 million in cash and cash equivalents and ¥4,859 million in inventories, offsetting a decrease of ¥4,876 million in trade and other receivables.

Liabilities totaled ¥46,041 million at the end of the third quarter under review, growing ¥121 million from the end of the previous fiscal year.

The result was chiefly attributable to increases of ¥3,962 million in borrowings and ¥553 million in deferred tax liabilities, which more than offset falls of ¥2,720 in trade and other payables and ¥1,901 million in contract liabilities.

Equity totaled ¥61,147 million at the end of the third quarter under review, increasing ¥3,307 million from the end of the previous fiscal year.

This was largely due to growth of ¥3,526 million in retained earnings and ¥672 million in non-controlling interests, offsetting decreases of ¥485 million in other components of equity and ¥200 million in capital surplus.

(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 ¥4,132 million from the end of the previous fiscal year, to ¥22,976 million.

(Cash flows from operating activities)

Cash generated through operating activities was ¥4,982 million.

The result principally reflected an increase in cash due to profit before tax of ¥12,829 million and a decrease in trade and other receivables of ¥4,651 million, offsetting a decrease in cash attributable to an increase in inventories of ¥5,231 million, income taxes paid of ¥4,361 million, and a decrease in trade and other payables of ¥3,455 million.

(Cash flows from investing activities)

Cash used for investing activities was ¥792 million.

The cash outflow was primarily attributable to decrease in cash for the purchase of property, plant and equipment of ¥713 million.

(Cash flows from financing activities)

Cash generated through financing activities was ¥86 million.

The result largely reflected an increase in cash due to an increase of ¥4,092 million in short-term borrowings, offsetting the decreases of ¥2,130 million, ¥753 million, and ¥920 million in cash due to the payment of dividends, the payment of dividends to non-controlling interests and the purchase of treasury shares, respectively.

(3) Information Relating to Consolidated Business Performance Forecasts

The Company made no change to consolidated business performance forecasts for the fiscal year ending March 31, 2023, which it had announced in the Notice of Revisions to Business Performance Forecasts dated November 8, 2022.

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 nine months under review (As of December 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	18,844	22,976
Trade and other receivables	27,614	22,738
Other financial assets	30	30
Inventories	32,618	37,478
Other current assets	2,928	2,691
Total current assets	82,036	85,914
Non-current assets		
Property, plant and equipment	14,191	13,776
Right-of-use assets	1,915	1,930
Intangible assets	903	688
Retirement benefit asset	64	57
Investments accounted for using equity method	--	52
Other financial assets	4,130	4,059
Deferred tax assets	308	492
Other non-current assets	210	217
Total non-current assets	21,724	21,275
Total assets	103,761	107,189

(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 nine months under review (As of December 31, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	22,234	19,514
Borrowings	13,313	17,275
Other financial liabilities	170	204
Income taxes payable	1,390	1,395
Provisions	585	561
Contract liabilities	4,421	2,520
Other current liabilities	757	919
Total current liabilities	42,873	42,391
Non-current liabilities		
Other financial liabilities	106	134
Retirement benefit liability	924	956
Provisions	5	5
Deferred tax liabilities	1,460	2,013
Other non-current liabilities	550	540
Total non-current liabilities	3,046	3,649
Total liabilities	45,920	46,041
Equity		
Share capital	12,345	12,345
Capital surplus	3,222	3,022
Treasury shares	-2,040	-2,246
Other components of equity	6,256	5,771
Retained earnings	25,795	29,322
Equity attributable to owners of parent	45,580	48,214
Non-controlling interests	12,260	12,933
Total equity	57,840	61,147
Total liabilities and net equity	103,761	107,189

(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, 2021 to December 31, 2021)	Consolidated first nine months under review (From April 1, 2022 to December 31, 2022)
Revenue	72,271	72,428
Cost of sales	-49,588	-51,856
Gross profit	22,683	20,571
Selling, general and administrative expenses	-7,729	-8,432
Other income	2,472	1,050
Other expenses	-2,124	-204
Operating profit	15,302	12,985
Finance income	309	360
Finance costs	-259	-515
Share of profit (loss) of investments accounted for using equity method	--	-1
Profit before tax	15,351	12,829
Income tax expense	-5,070	-4,330
Profit	10,281	8,498
Profit for the year attributable to:		
Owners of parent	7,747	6,079
Non-controlling interests	2,533	2,419
Profit	10,281	8,498
Earnings per share		
Basic earnings per share (yen)	155.97	125.84
Diluted earnings per share (yen)	152.75	124.10

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first nine months previous year (From April 1, 2021 to December 31, 2021)	Consolidated first nine months under review (From April 1, 2022 to December 31, 2022)
Profit	10,281	8,498
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	67	-40
Remeasurement of defined benefit pension plans	--	--
Total items that will not be reclassified to profit or loss	67	-40
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,552	-608
Share of other comprehensive income of investments accounted for using equity method	--	-3
Total items that may be reclassified to profit or loss	2,552	-611
Total other comprehensive income	2,620	-651
Comprehensive income	12,901	7,847
Total comprehensive income for the year attributable to:		
Owners of parent	9,627	5,593
Non-controlling interests	3,274	2,253
Comprehensive income	12,901	7,847

(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				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	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	

(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				-445	-40
Total comprehensive income for the quarter	--	--	--	-445	-40
Purchase of treasury shares			-918		
Disposal of treasury shares		-200	711		
Dividends					
Total transactions with owners	--	-200	-206	--	--
Balance As of December 31, 2022	12,345	3,022	-2,246	3,938	1,832

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity		Retained earnings	Total	Total		
	Remeasurements of defined benefit plans	Total					
Balance as of April 1, 2022	--	6,256	25,795	45,580	12,260	57,840	
Profit		--	6,079	6,079	2,419	8,498	
Other comprehensive income		-485		-485	-166	-651	
Total comprehensive income for the quarter	--	-485	6,079	5,593	2,253	7,847	
Purchase of treasury shares		--		-918		-918	
Disposal of treasury shares		--	-421	89		89	
Dividends		--	-2,130	-2,130	-1,580	-3,711	
Total transactions with owners	--	--	-2,552	-2,959	-1,580	-4,539	
Balance As of December 31, 2022	--	5,771	29,322	48,214	12,933	61,147	

(4) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated first nine months previous year (From April 1, 2021 to December 31, 2021)	Consolidated first nine months under review (From April 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before tax	15,351	12,829
Depreciation and amortization	1,316	1,547
Impairment losses	182	--
Casualty loss	1,895	--
Finance income	-309	-360
Finance costs	81	105
Share of loss (profit) of investments accounted for using equity method	--	1
Loss on retirement of fixed assets	16	149
Loss (gain) on sale of fixed assets	1	1
Government grant income	-470	-922
Insurance income	-1,937	-47
Decrease (increase) in inventories	-8,539	-5,231
Decrease (increase) in trade and other receivables	-5,742	4,651
Increase (decrease) in trade and other payables	9,116	-3,455
Increase (decrease) in contract liabilities	-1,266	-1,936
Increase or decrease in retirement benefit asset or liability	25	38
Increase (decrease) in provisions	189	-22
Other	121	351
Subtotal	10,033	7,698
Interest and dividends received	346	342
Interest paid	-81	-105
Government grant income	470	922
Insurance received	1,937	47
Payments of casualty losses	-56	--
Income taxes paid	-3,337	-4,361
Income taxes refund	6	437
Net cash provided by (used in) operating activities	9,319	4,982
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	-2,061	-713
Proceeds from sale of property, plant and equipment	38	7
Purchase of intangible assets	-60	-24
Purchase of right-of-use assets	-538	--
Purchase of investment securities	-1	-1
Payments for investments in capital	--	-56
Other	-6	-4
Net cash provided by (used in) investing activities	-2,629	-792

	Consolidated first nine months previous year (From April 1, 2021 to December 31, 2021)	Consolidated first nine months under review (From April 1, 2022 to December 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,268	4,092
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	-3,808	-920
Dividends paid	-1,599	-2,130
Payment of dividends to non-controlling shareholders	-389	-753
Repayments of lease obligations	-182	-202
Net cash provided by (used in) financing activities	-3,711	86
Effect of exchange rate changes on cash and cash equivalents	897	-143
Net increase (decrease) in cash and cash equivalents	3,875	4,132
Cash and cash equivalents at the beginning of the term	17,207	18,844
Cash and cash equivalents at the end of the term	21,083	22,976

(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, 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.

Consolidated first nine months under review (From April 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	18,316	48,806	3,239	1,297	767	72,428	--	72,428
Intersegment revenue	8,753	15,246	--	32	120	24,154	-24,154	--
Total	27,070	64,053	3,239	1,329	888	96,582	-24,154	72,428
Segment profit (loss)	527	11,829	63	127	110	12,657	-518	12,139
Other income and expenses, net	--	--	--	--	--	--	--	846
Operating profit	--	--	--	--	--	--	--	12,985
Finance income and expenses, net	--	--	--	--	--	--	--	-155
Share of profit (loss) of investments accounted for using equity method	--	--	--	--	--	--	--	-1
Profit before tax	--	--	--	--	--	--	--	12,829

(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 ¥-518 million is the adjustment of unrealized income.

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first nine months previous year (From April 1, 2021 to December 31, 2021)	Consolidated first nine months under review (From April 1, 2022 to December 31, 2022)
China	51,114	48,662
Asia	10,006	8,633
America	3,054	3,875
Europe	2,443	4,189
Overseas revenue	66,618	65,361
Consolidated revenue	72,271	72,428
Ratio of overseas revenue to consolidated net sales (%)	92.2	90.2

(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, 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.

Consolidated first nine months under review (From April 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	14,848	40,862	3,064	1,232	647	60,656
Grinding machines	793	2,298	65	--	--	3,157
Machining centers, rolling machines and specialized machines	509	4,269	16	--	--	4,795
Other	2,165	1,375	93	64	120	3,819
Total	18,316	48,806	3,239	1,297	767	72,428

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