

Summary of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2024

January 30, 2024

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: No

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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, 2024

(From April 1, 2023 to December 31, 2023)

(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, 2024	62,839	-13.2	9,750	-24.9	10,100	-21.3	5,721	-32.7
First nine months of the fiscal year ended March 31, 2023	72,428	0.2	12,985	-15.1	12,829	-16.4	8,498	-17.3
	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, 2024	3,633	-40.2	7,539	-3.9	75.92		74.91	
First nine months of the fiscal year ended March 31, 2023	6,079	-21.5	7,847	-39.2	125.84		124.10	

(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		%	
As of December 31, 2023	112,503		67,916		53,106		47.2(60.4)	
As of March 31, 2023	112,364		64,922		50,953		45.3(57.8)	

(Reference) The figures in parentheses are the ratios of total equity (sum of equity attributable to owners of parent and non-controlling interests).

2. 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, 2023	--	22.00	--	24.00	46.00
Fiscal year ending March 31, 2024	--	24.00	--		
Fiscal year ending March 31, 2024 (forecast)				24.00	48.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2024

(From April 1, 2023 to March 31, 2024)

(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	82,000	-13.7	13,400	-20.0	4,800	-37.6	100.21	

(Note) Revision to the financial results forecasts announced most recently: No

* Notes

(1) Important changes in subsidiaries during the quarter under review (changes in specified subsidiaries that caused the scope of consolidation to change): No

(2) Changes in accounting policy and in accounting estimates, and restatements

(i) Changes in accounting policies required by IFRS: No

(ii) Changes in accounting policy other than those stated in item (i) above: No

(iii) Changes in accounting estimates: No

(3) Numbers of outstanding shares (common shares)

(i) Numbers of outstanding shares at the end of the terms (including treasury stock):

As of December 2023	50,000,000 shares	As of March 2023	50,000,000 shares
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(ii) Numbers of treasury shares at the end of the terms:

As of December 2023	2,172,945 shares	As of March 2023	1,824,788 shares
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(iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):

First nine months of FY2023	47,860,360 shares	First nine months of FY2022	48,310,316 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 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 ¥62,839 million (down 13.2% year on year), operating profit of ¥9,750 million (down 24.9%) and profit attributable to owners of parent of ¥3,633 million (down 40.2%), mainly reflecting an overall adjustment phase that included the Chinese market. However, the Company considers that there is no change in the overall profit structure of the Group.

Segment performance is as follows.

- a. In Japan, revenue decreased 11.2%, to ¥24,051 million, and segment loss amounted to ¥784 million compared to segment profit of ¥527 million in the first nine months of the previous fiscal year.
- b. In China, revenue decreased 25.5%, to ¥47,747 million, and segment profit decreased 21.4%, to ¥9,300 million.
- c. In India, revenue climbed 9.1% year on year, to ¥3,533 million, and segment loss was ¥54 million compared to a segment profit of ¥63 million in the same period of the previous fiscal year.
- d. In South Korea, revenue decreased 12.0%, to ¥1,170 million, and segment profit decreased 48.4%, to ¥65 million.
- e. Revenue in "Other" decreased 36.7%, to ¥562 million, and the segment loss came to ¥42 million (compared to a segment profit of ¥110 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 revenue.

(2) Information Relating to the Consolidated Financial Position

(i) State of assets, liabilities and net assets

Assets totaled ¥112,503 million at the end of the third quarter under review, increasing ¥139 million from the end of the previous fiscal year.

The increase resulted mainly from rises of ¥5,865 million in cash and cash equivalents and ¥1,668 million in property, plant and equipment, despite falls of ¥5,647 million in inventories and ¥1,417 million in other current assets.

Liabilities totaled ¥44,587 million at the end of the third quarter under review, decreasing ¥2,855 million from the end of the previous fiscal year.

The result was chiefly attributable to falls of ¥3,457 million in trade and other payables and ¥989 million in contract liabilities, which more than offset an increase of ¥1,410 million in deferred tax liabilities.

Equity totaled ¥67,916 million at the end of the third quarter under review, increasing ¥2,994 million from the end of the previous fiscal year.

This was largely due to growth of ¥1,338 million in other components of equity and ¥1,282 million in retained earnings. The increase in other components of equity included rises of ¥1,160 million in exchange differences on translation of foreign operations and ¥178 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 nine months under review increased ¥5,865 million from the end of the previous fiscal year, to ¥31,644 million.

(Cash flows from operating activities)

Cash generated through operating activities was ¥11,809 million.

The result principally reflected an increase in cash, including profit before tax of ¥10,100 million, a fall of ¥6,221 million in inventories and a decrease of ¥2,196 million in trade and other receivables, and a decrease in cash due to a drop of ¥4,521 million in trade and other payables, a decline of ¥3,220 million in income tax paid and a decrease of ¥1,063 million in contract liabilities.

(Cash flows from investing activities)

Cash used for investing activities was ¥2,423 million.

The cash outflow was primarily attributable to decrease in cash for the purchase of property, plant and equipment of ¥2,246 million.

(Cash flows from financing activities)

Cash used in financing activities was ¥4,389 million.

The decrease in cash was primarily attributable to dividends paid of ¥2,310 million, dividends paid to non-controlling interests of ¥825 million, purchase of treasury shares of ¥599 million and a decrease in short-term borrowings of ¥406 million.

(3) Information Relating to Consolidated Business Performance Forecasts

The Company made no change to full-year consolidated business performance forecasts for the fiscal year ending March 31, 2024, which it had announced in the Notice of Revisions to Business Performance Forecasts dated October 17, 2023.

With respect to a year-end dividend for the fiscal year ending March 31, 2024, 24 yen per share will be paid according to the initial plan, making an annual dividend 48 yen per share which includes the interim dividend.

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, 2023)	Figures at the end of the consolidated first nine months under review (As of December 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	25,779	31,644
Trade and other receivables	23,117	22,442
Other financial assets	30	140
Inventories	38,500	32,852
Other current assets	2,943	1,525
Total current assets	90,370	88,605
Non-current assets		
Property, plant and equipment	14,154	15,822
Right-of-use assets	1,957	2,020
Intangible assets	615	428
Retirement benefit asset	17	13
Other financial assets	4,569	4,819
Deferred tax assets	455	482
Other non-current assets	225	310
Total non-current assets	21,994	23,897
Total assets	112,364	112,503

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2023)	Figures at the end of the consolidated first nine months under review (As of December 31, 2023)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	20,384	16,926
Borrowings	17,698	17,264
Other financial liabilities	196	199
Income taxes payable	1,447	1,746
Provisions	503	433
Contract liabilities	2,721	1,732
Other current liabilities	737	983
Total current liabilities	43,689	39,286
Non-current liabilities		
Other financial liabilities	145	179
Retirement benefit liability	918	936
Provisions	5	5
Deferred tax liabilities	2,123	3,534
Other non-current liabilities	559	644
Total non-current liabilities	3,752	5,300
Total liabilities	47,442	44,587
Equity		
Share capital	12,345	12,345
Capital surplus	3,022	2,979
Treasury shares	-2,247	-2,672
Other components of equity	6,887	8,226
Retained earnings	30,945	32,228
Equity attributable to owners of parent	50,953	53,106
Non-controlling interests	13,968	14,810
Total equity	64,922	67,916
Total liabilities and net equity	112,364	112,503

(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, 2022 to December 31, 2022)	Consolidated first nine months under review (From April 1, 2023 to December 31, 2023)
Revenue	72,428	62,839
Cost of sales	-51,856	-45,257
Gross profit	20,571	17,582
Selling, general and administrative expenses	-8,432	-8,789
Other income	1,050	1,060
Other expenses	-204	-102
Operating profit	12,985	9,750
Finance income	360	619
Finance costs	-515	-269
Share of profit (loss) of investments accounted for using equity method	-1	--
Profit before tax	12,829	10,100
Income tax expense	-4,330	-4,378
Profit	8,498	5,721
Profit for the year attributable to:		
Owners of parent	6,079	3,633
Non-controlling interests	2,419	2,088
Profit	8,498	5,721
Earnings per share		
Basic earnings per share (yen)	125.84	75.92
Diluted earnings per share (yen)	124.10	74.91

(Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first nine months previous year (From April 1, 2022 to December 31, 2022)	Consolidated first nine months under review (From April 1, 2023 to December 31, 2023)
Profit	8,498	5,721
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	-40	178
Remeasurement of defined benefit pension plans	--	--
Total items that will not be reclassified to profit or loss	-40	178
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-608	1,639
Share of other comprehensive income of investments accounted for using equity method	-3	--
Total items that may be reclassified to profit or loss	-611	1,639
Total other comprehensive income	-651	1,817
Comprehensive income	7,847	7,539
Total comprehensive income for the year attributable to:		
Owners of parent	5,593	4,967
Non-controlling interests	2,253	2,571
Comprehensive income	7,847	7,539

(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, 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	

(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, 2023	12,345	3,022	-2,247	4,726	2,161
Profit					
Other comprehensive income				1,155	178
Total comprehensive income for the quarter	--	--	--	1,155	178
Purchase of treasury shares			-598		
Disposal of treasury shares		-35	172		
Dividends					
Capital transactions with non-controlling interests		-7		4	
Total transactions with owners	--	-42	-425	4	--
Balance As of December 31, 2023	12,345	2,979	-2,672	5,886	2,339

	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, 2023	--	6,887	30,945	50,953	13,968	64,922	
Profit		--	3,633	3,633	2,088	5,721	
Other comprehensive income		1,333		1,333	483	1,817	
Total comprehensive income for the quarter	--	1,333	3,633	4,967	2,571	7,539	
Purchase of treasury shares		--		-598		-598	
Disposal of treasury shares		--	-40	96		96	
Dividends		--	-2,310	-2,310	-1,684	-3,994	
Capital transactions with non-controlling interests		4		-2	-45	-48	
Total transactions with owners	--	4	-2,350	-2,814	-1,730	-4,545	
Balance As of December 31, 2023	--	8,226	32,228	53,106	14,810	67,916	

(4) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated first nine months previous year (From April 1, 2022 to December 31, 2022)	Consolidated first nine months under review (From April 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before tax	12,829	10,100
Depreciation and amortization	1,547	1,544
Impairment losses and reversal of impairment losses (gains)	--	-93
Finance income	-360	-619
Finance costs	105	159
Share of loss (profit) of investments accounted for using equity method	1	--
Loss on retirement of fixed assets	149	8
Loss (gain) on sale of fixed assets	1	18
Government grant income	-922	-840
Insurance income	-47	-31
Decrease (increase) in inventories	-5,231	6,221
Decrease (increase) in trade and other receivables	4,651	2,196
Increase (decrease) in trade and other payables	-3,455	-4,521
Increase (decrease) in contract liabilities	-1,936	-1,063
Increase or decrease in retirement benefit asset or liability	38	22
Increase (decrease) in provisions	-22	-80
Other	351	191
Subtotal	7,698	13,212
Interest and dividends received	342	491
Interest paid	-105	-159
Government grant income	922	840
Insurance received	47	31
Income taxes paid	-4,361	-3,220
Income taxes refund	437	612
Net cash provided by (used in) operating activities	4,982	11,809
Cash flows from investing activities		
Payments into time deposits	-20	-130
Proceeds from withdrawal of time deposits	20	20
Purchase of property, plant and equipment	-713	-2,246
Proceeds from sale of property, plant and equipment	7	8
Purchase of intangible assets	-24	-45
Purchase of investment securities	-1	-1
Payments for investments in capital	-56	-19
Other	-4	-8
Net cash provided by (used in) investing activities	-792	-2,423

	Consolidated first nine months previous year (From April 1, 2022 to December 31, 2022)	Consolidated first nine months under review (From April 1, 2023 to December 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,092	-406
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	-920	-599
Dividends paid	-2,130	-2,310
Payment of dividends to non-controlling shareholders	-753	-825
Payments for acquisition of interests in subsidiaries from non-controlling interests	--	-48
Repayments of lease obligations	-202	-199
Net cash provided by (used in) financing activities	<u>86</u>	<u>-4,389</u>
Effect of exchange rate changes on cash and cash equivalents	<u>-143</u>	<u>869</u>
Net increase (decrease) in cash and cash equivalents	4,132	5,865
Cash and cash equivalents at the beginning of the term	<u>18,844</u>	<u>25,779</u>
Cash and cash equivalents at the end of the term	<u><u>22,976</u></u>	<u><u>31,644</u></u>

(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

Amounts of transactions of parts and materials for value with subsidiaries are included in inter-segment revenues. 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, 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	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 profit of ¥-518 million is the adjustment of unrealized profit.

Consolidated first nine months under review (From April 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	17,337	40,367	3,525	1,135	474	62,839	--	62,839
Intersegment revenue	6,714	7,380	8	35	88	14,226	-14,226	--
Total	24,051	47,747	3,533	1,170	562	77,066	-14,226	62,839
Segment profit (loss)	-784	9,300	-54	65	-42	8,485	307	8,792
Other income and expenses, net	--	--	--	--	--	--	--	958
Operating profit	--	--	--	--	--	--	--	9,750
Finance income and expenses, net	--	--	--	--	--	--	--	349
Profit before tax	--	--	--	--	--	--	--	10,100

(Notes) 1. Segment profit is calculated by deducting cost of sales and selling, general and administrative expenses from sales revenue.

2. "Adjustment" of segment profit of ¥307 million is the adjustment of unrealized profit.

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first nine months previous year (From April 1, 2022 to December 31, 2022)	Consolidated first nine months under review (From April 1, 2023 to December 31, 2023)
China	48,662	40,371
Asia	8,633	7,544
America	3,875	3,835
Europe	4,189	4,710
Overseas revenue	65,361	56,461
Consolidated revenue	72,428	62,839
Ratio of overseas revenue to consolidated revenue (%)	90.2	89.8

(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, 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.

Consolidated first nine months under review (From April 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Main product lines						
Automatic lathes	13,718	34,284	3,262	1,043	382	52,691
Grinding machines	758	2,240	--	30	--	3,028
Machining centers, rolling machines and specialized machines	872	2,659	36	--	--	3,569
Other	1,987	1,182	225	61	92	3,550
Total	17,337	40,367	3,525	1,135	474	62,839

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