

Briefing on Financial Statements for the Year Ended March 2018



May 11, 2018

<http://www.tsugami.co.jp>

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1. Business performance for Fiscal Year Ended March 31, 2018

(1) Business Results

Billion yen

Overview of FY2018/3

[Net sales] +16.5 (+40.3%)YoY; +5.6 (+10.7%) vs. revised forecast

Japanese, European and U.S. markets kept steady growth. The Chinese market remained strong.
Sales expansion to auto parts-related sectors contributed.

[Income] Operating income: +3.8 (+125.1%) YoY; +0.9 (+15.7%) vs. revised forecast

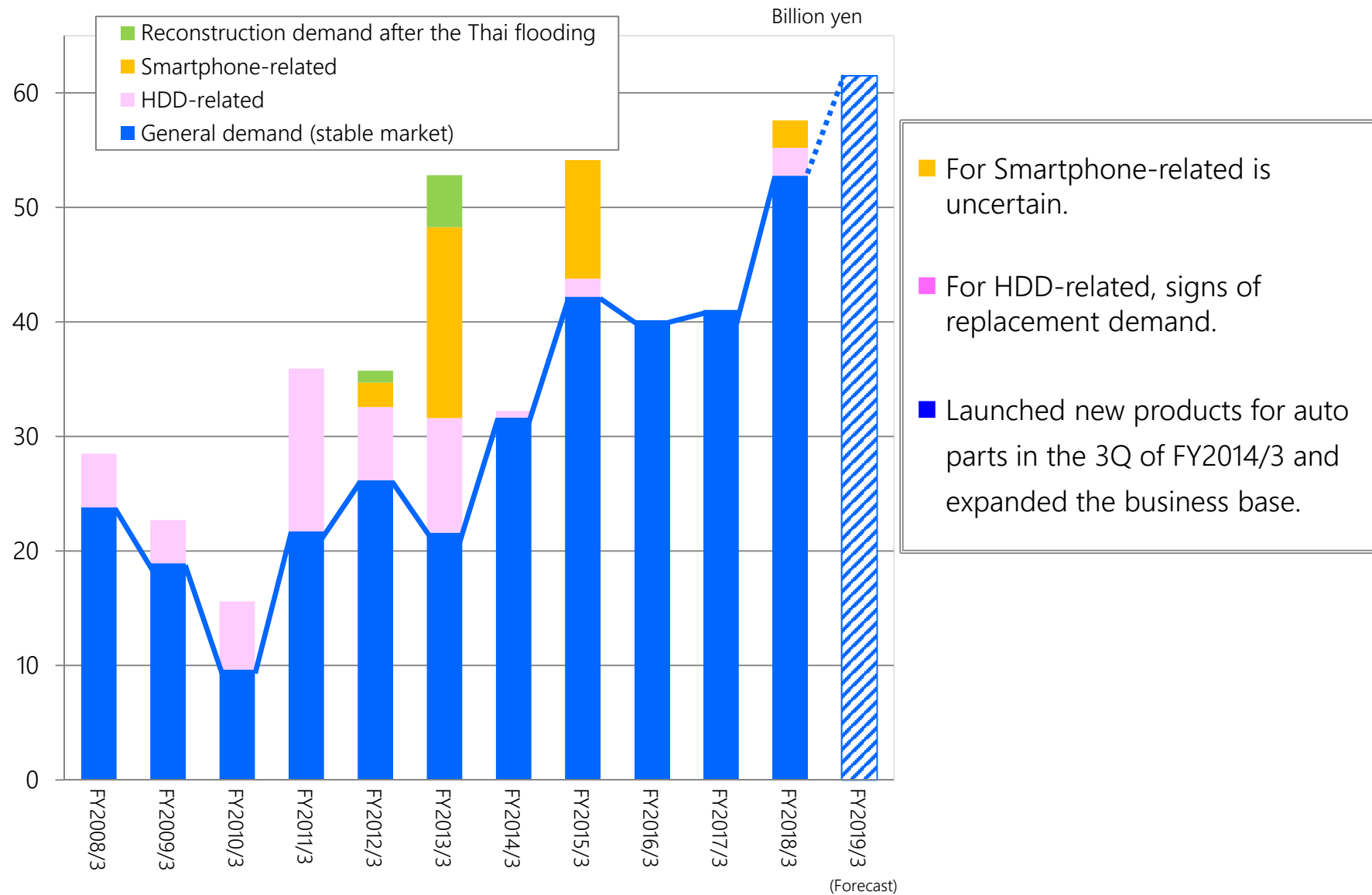
Mainly effects of increased sales (Fixed costs slightly increased.)

Net income attributable to owners of the parent: +1.6 (+58.5%) YoY; +0.6 (+15.9%) vs. revised forecast

0.5 of net income attributable to non-controlling interests because of the listing of the Chinese subsidiary (on Sep. 2017).

	FY2014/3 (2013/4 - 2014/3)	FY2015/3 (2014/4 - 2015/3)	FY2016/3 (2015/4 - 2016/3)	FY2017/3 (2016/4 - 2017/3)	FY2018/3 (2017/4 - 2018/3)		
					Full-year	Year-on-Year	Difference from revised forecasts (on Nov. 13)
Net sales	32.2	54.1	40.1	41.1	57.6	+16.5	+5.6
Gross profit (to sales ratio)	7.1 (22.0%)	14.2 (26.3%)	9.0 (22.3%)	9.6 (23.5%)	14.6 (25.3%)	+5.0 (+1.8%)	
Operating income (to sales ratio)	1.2 (3.7%)	7.3 (13.4%)	2.1 (5.3%)	3.1 (7.5%)	6.9 (12.1%)	+3.8 (+4.6%)	+0.9 (+0.6%)
Ordinary income (to sales ratio)	1.9 (6.0%)	7.7 (14.3%)	1.1 (2.7%)	2.8 (6.9%)	6.5 (11.3%)	+3.7 (+4.4%)	+0.9 (+0.5%)
Net income (to sales ratio)	0.3 (1.1%)	5.3 (9.8%)	0.9 (2.2%)	2.6 (6.4%)	4.7 (8.1%)	+2.1 (+1.7%)	
Net income attributable to owners of the parent (to sales ratio)	0.3 (1.1%)	5.3 (9.8%)	0.9 (2.2%)	2.6 (6.4%)	4.2 (7.2%)	+1.6 (+0.8%)	+0.6 (+0.3%)
Net income per share (excluding treasury shares)	4.7 yen	74.4 yen	13.0 yen	41.9 yen	74.7 yen	+32.8 yen	+10.3 yen

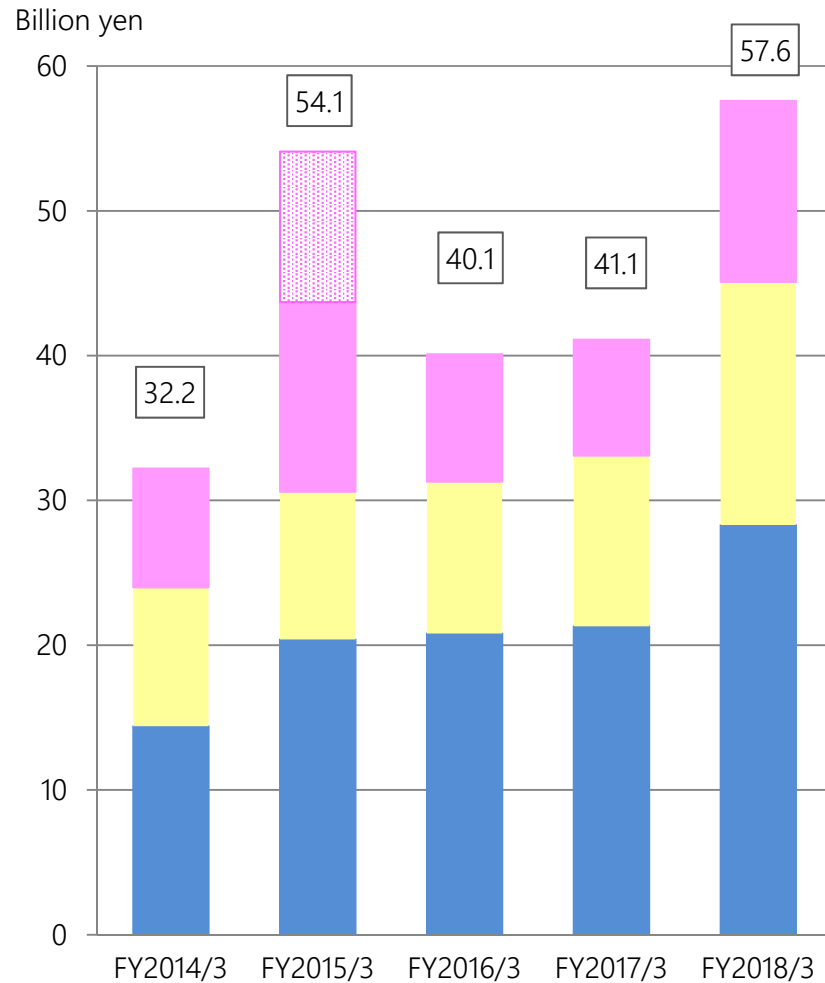
(2) Sales situation breakdown



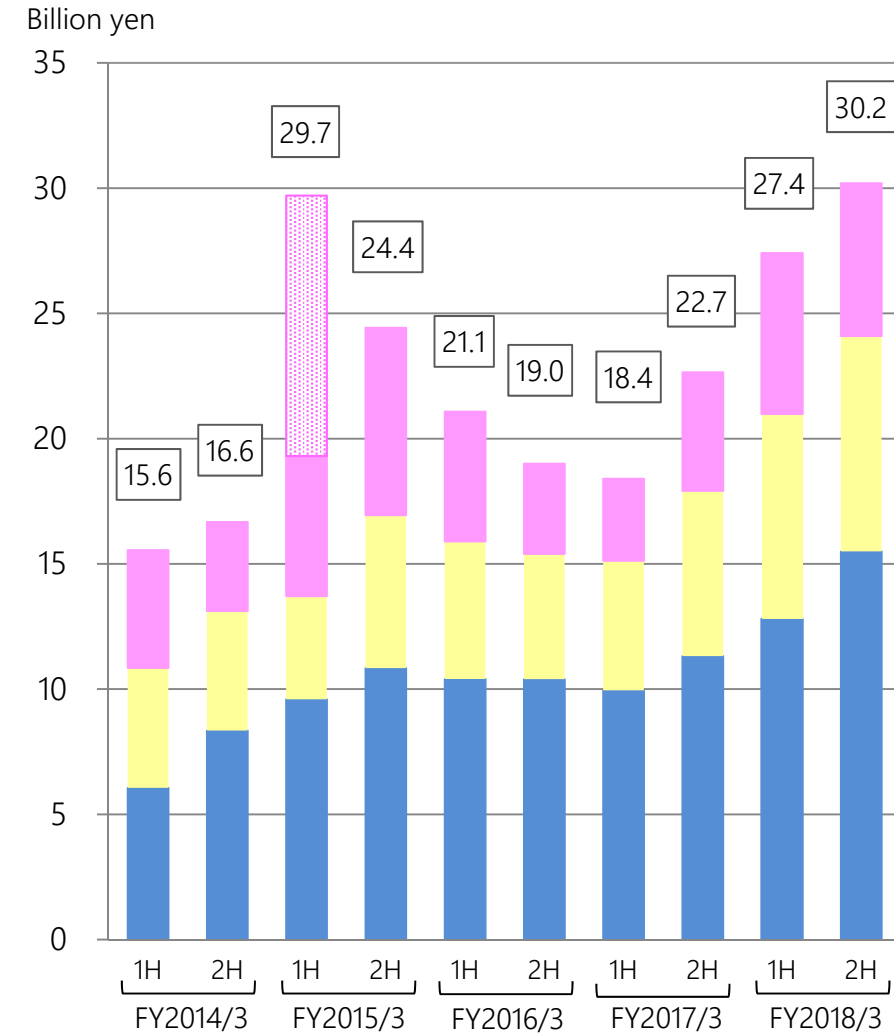
(3) Net Sales by Business Segment

- IT
- Other (hydraulic and pneumatic equipment, medical equipment and others)
- Automobile

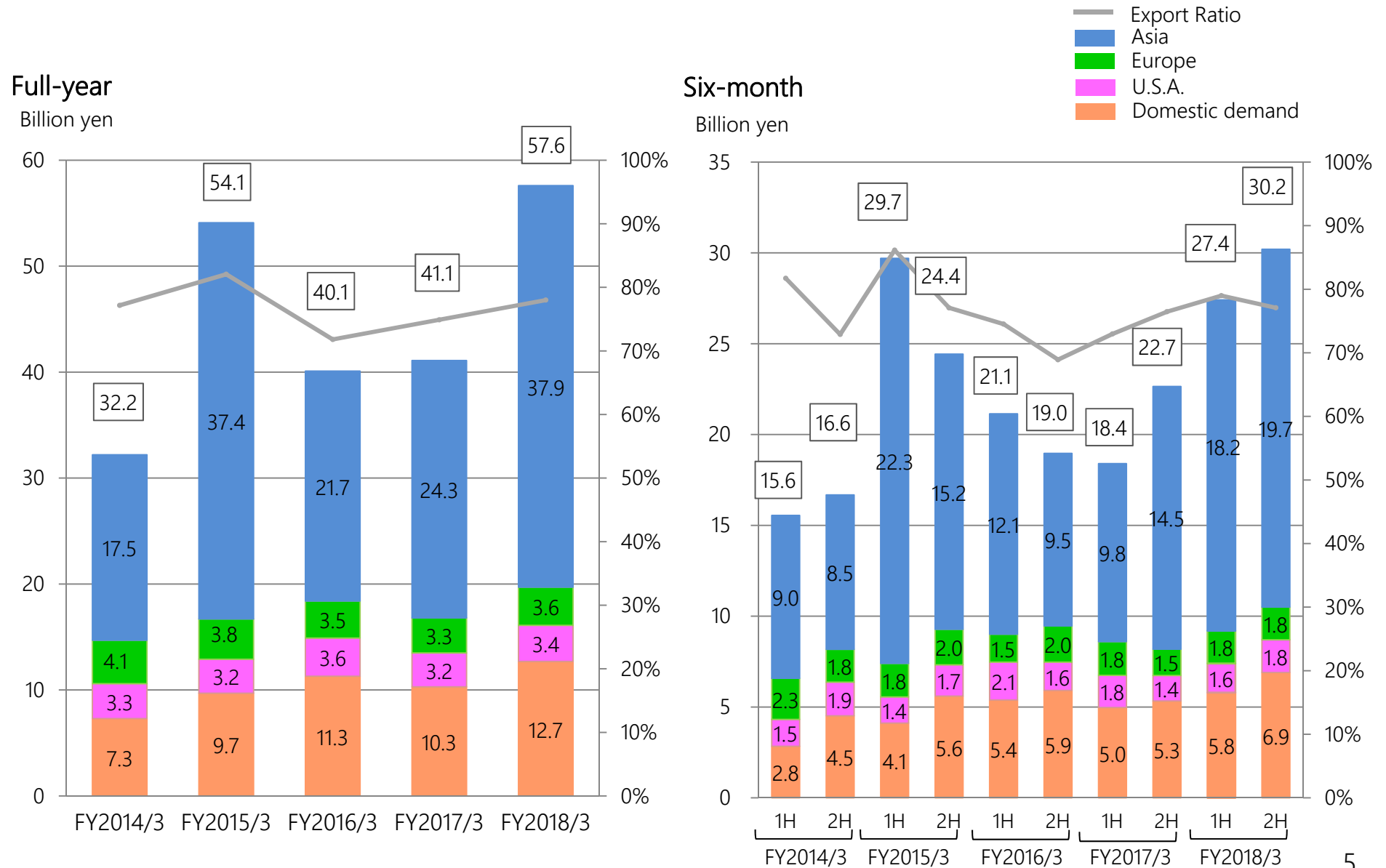
Full-year



Six-month



(4) Net Sales by Geographic Segment



(5) Balance Sheets

Billion yen

	2017/3E	2018/3E	Difference from 2017/3E
Total assets	50.1	62.7	+12.6
Current assets	32.5	44.2	+11.7
Cash and deposits	4.7	10.3	+5.6
Trade notes and accounts receivable	9.8	14.5	*1 +4.7
Inventories	16.1	17.4	+1.3
Other	1.9	2.0	+0.1
Non-current assets	17.6	18.5	+0.9
Property, plant and equipment	8.2	9.1	*2 +0.9
Intangible assets	0.6	0.7	+0.1
Investments and other assets	8.8	8.7	*3 -0.1
Total liabilities	18.7	25.2	+6.5
Current liabilities	16.8	22.9	+6.1
Trade notes and accounts payable	9.6	14.0	+4.4
Short-term loans payable	4.2	3.2	-1.0
Advances received	0.9	2.2	+1.3
Other	2.1	3.4	+1.3
Non-current liabilities	1.9	2.3	+0.4
Total net assets	31.4	37.5	+6.1
Common stock, Capital surplus	12.8	15.1	+2.3
Retained earnings	17.3	13.3	-4.0
Treasury stock	-3.0	-1.8	*4 +1.2
Valuation difference on available-for-sale securities	3.3	4.1	+0.8
Foreign currency translation adjustment and others	1.0	1.0	-0.0
Non-controlling interests	-	5.8	*4 +5.8
(Capital adequacy ratio)	(61.1%)	(49.6%)	*5 (-11.5%)

*1 Bank draft (in China): +2.9
Other: +1.8

*2 Japan: +0.6 (Factory rebuilding etc.)
China: +0.7 (Factory No.4 rebuilding etc.)
Korea: +0.2 (Display machines)
India: +0.5 (Newly consolidated)
Depreciation and others: -1.3
Effect of exchange rate: +0.2

*3 Valuation of investment securities: +1.1
Investments in capital of subsidiaries and associates etc.: -1.2
(Mainly consolidation of Indian subsidiary)

	Listing on HKEX of the Chinese subsidiary		Treasury stock			Net income	Dividend	Con-solidation of Indian subsidiary	Changes
	Sale of shares	Share issuance	Purchase	Retirement	Disposal				
Capital surplus	1.2	1.7		-0.5					2.3
Retained earnings				-7.1	-0.0	4.2	-1.0		-4.0
Treasury stock			-6.8	7.6	0.4				1.2
Non-controlling interests	1.1	4.1				0.5		0.1	5.8

*5 Ratio before non-controlling interest is 58.8%

(6) Cash flows

		Billion yen		
		FY2017/3 (2016/4 - 2017/3)	FY2018/3 (2017/4 - 2018/3)	
Cash flows from operating activities		5.6	6.8	*1
	Income before taxes, depreciation and amortization	4.7	*1 7.5	Income before taxes: 6.5 Depreciation and amortization: 1.0
	Gross working capital	1.7	*2 -0.2	*2
	Other	-0.8	-0.5	Notes and accounts receivable: -4.3 Notes and accounts payable: 3.6 Inventories: -0.7 Other current assets: 1.2
Cash flows from investing activities		0.9	-0.6	
	Capital investment in factories	-0.2	*3 -1.2	*3
	Sales of Shinshu factory	1.3	-	Japan: -0.6 China: -0.5 India: -0.1
	Purchase or sales of investment securities and others	-0.2	0.6	(Besides, -0.3 of machinery facilities by our products)
Cash flows from financing activities		-6.4	-1.0	
	Short-term loans payable	-1.6	-1.1	
	Dividends paid	-1.1	-1.0	*4
	Treasury stock	-3.7	*4 -6.6	Purchase: -6.8 Disposal: 0.2 7,461 thousand shares purchased
	associated with the IPO of the subsidiary			
	Payment for IPO commission fee	-	*5 -0.4	
	Proceeds from sale of shares	-	*5 2.3	*5
	Proceeds from share issuance	-	*5 5.8	attributable to the listing on HKEX of Chinese subsidiary
Effect of exchange rate change on cash and cash equivalents		-0.1	-0.1	
Net increase (decrease) in cash and cash equivalents		-0.0	5.1	
Increase in cash and cash equivalents from newly consolidated subsidiary		-	*6 0.5	*6
Cash and cash equivalents at the end of the term		4.6	10.2	Indian subsidiary has been consolidated

2. Business Conditions and Outlook

(1) Outlook for Fiscal Year Ending March 31, 2019

Outlook for FY2019/3

- Although a sense of uncertainty whether the Chinese market will continue to perform well remain, we expects the overall market including the domestic and overseas markets will remain steady.
- Special demand for smartphone-related is uncertain.

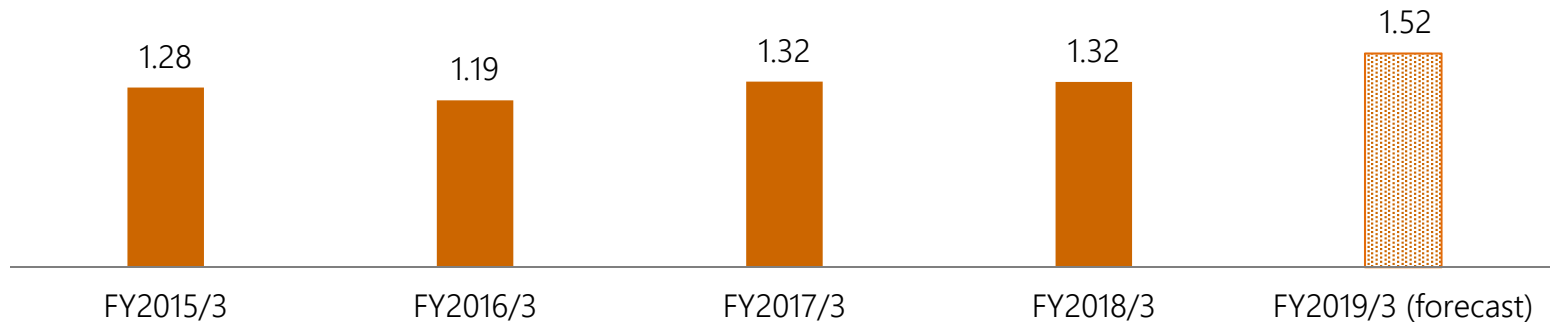
Billion yen

	FY2018/3 (2017/4 - 2018/3)			FY2019/3 (2018/4 - 2019/3) forecasts			
	1H	2H	Full-year	1H	2H	Full-year	Year-on-Year
Net sales	27.4	30.2	57.6	33.5	28.0	61.5	+3.9
Operating income	3.3	3.6	6.9	4.6	3.4	8.0	+1.1
(to sales ratio)	(12.2%)	(11.9%)	(12.1%)	(13.7%)	(12.1%)	(13.0%)	(+0.9%)
Ordinary income	3.0	3.5	6.5	4.5	3.3	7.8	+1.3
(to sales ratio)	(10.8%)	(11.7%)	(11.3%)	(13.4%)	(11.8%)	(12.7%)	(+1.4%)
Net income attributable to owners of the parent	2.3	1.9	4.2	2.5	1.8	4.3	+0.1
(to sales ratio)	(8.4%)	(6.2%)	(7.2%)	(7.5%)	(6.4%)	(7.0%)	(-0.2%)
Net income per share (excluding treasury shares)	39.6 yen	35.1 yen	74.7 yen	47.2 yen	33.9 yen	81.1 yen	+6.4 yen

(2) R&D Expenditures, Capital Investment and Depreciation

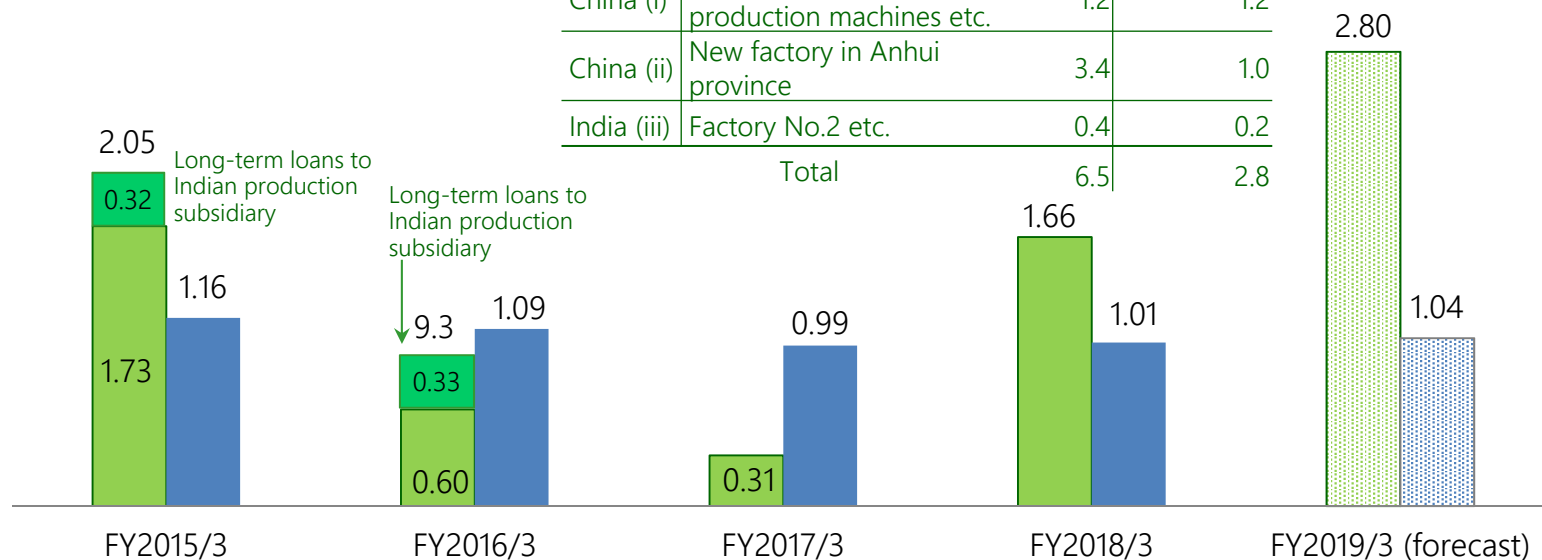
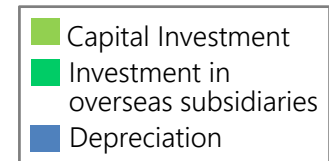
R&D Expenditures

Billion yen



Capital Investment and Depreciation

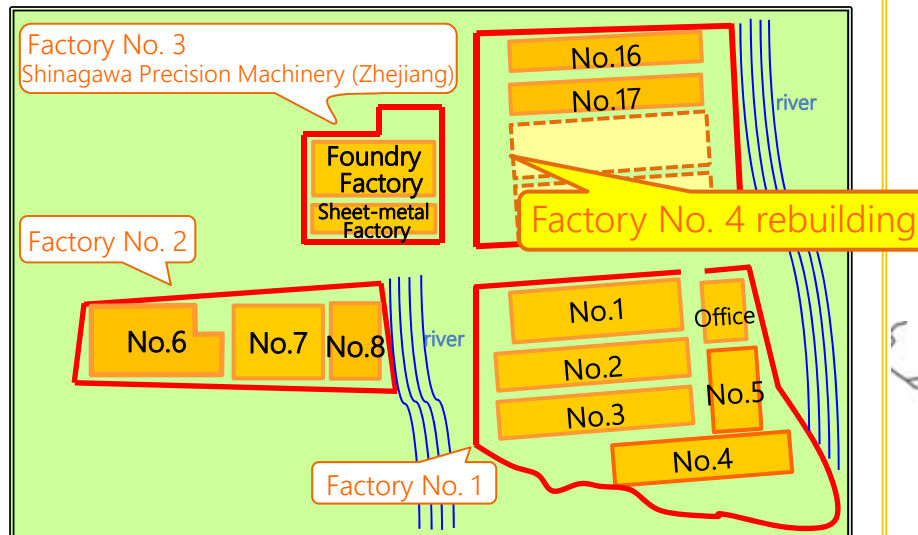
	Capex plan (Total amount)	for FY2019/3	
Japan	Introducing new system etc.	1.5	0.4
China (i)	Rebuilding of factory No.4, production machines etc.	1.2	1.2
China (ii)	New factory in Anhui province	3.4	1.0
India (iii)	Factory No.2 etc.	0.4	0.2
	Total	6.5	2.8



Capital Investment: Factories in China

(i) PRECISION TSUGAMI (CHINA) CORPORATION

Capex : ¥1.2bn (for FY2019/3: ¥1.2bn) - Factory No.4 etc.



(ii) New factory through establishing Precision Tsugami (Anhui) Corporation

Capex: ¥3.4bn (for FY2019/3: ¥1.0bn)

To increase production capacity, maintain strong output of metal castings and expand the PRC market

[Future schedule]

Factory will be completed at the end of 2019.

Production will start at the beginning of 2020.

Metal castings: 1,500 ton/month Machine tools assembly: 100 unit/month



About 4 hours by car on expressway.

PRECISION TSUGAMI (CHINA) CORPORATION ⇔ Precision Tsugami (Anhui) Corporation

Capital Investment: Factory in India

(iii) TSUGAMI PRECISION ENGINEERING INDIA Pvt. Ltd.

Capex : ¥0.4bn (for FY2019/3: ¥0.2bn) – Add Factory No.2 (by lease) and production machines



[Future schedule]

Production will start in FY2019/3

Machine tools assembly:

currently 40 to 50 unit → 80 to 100 unit / month



Factory No.1
assembly building

Sheet-metal
Factory

Sheet-metal
Factory

Factory No.2

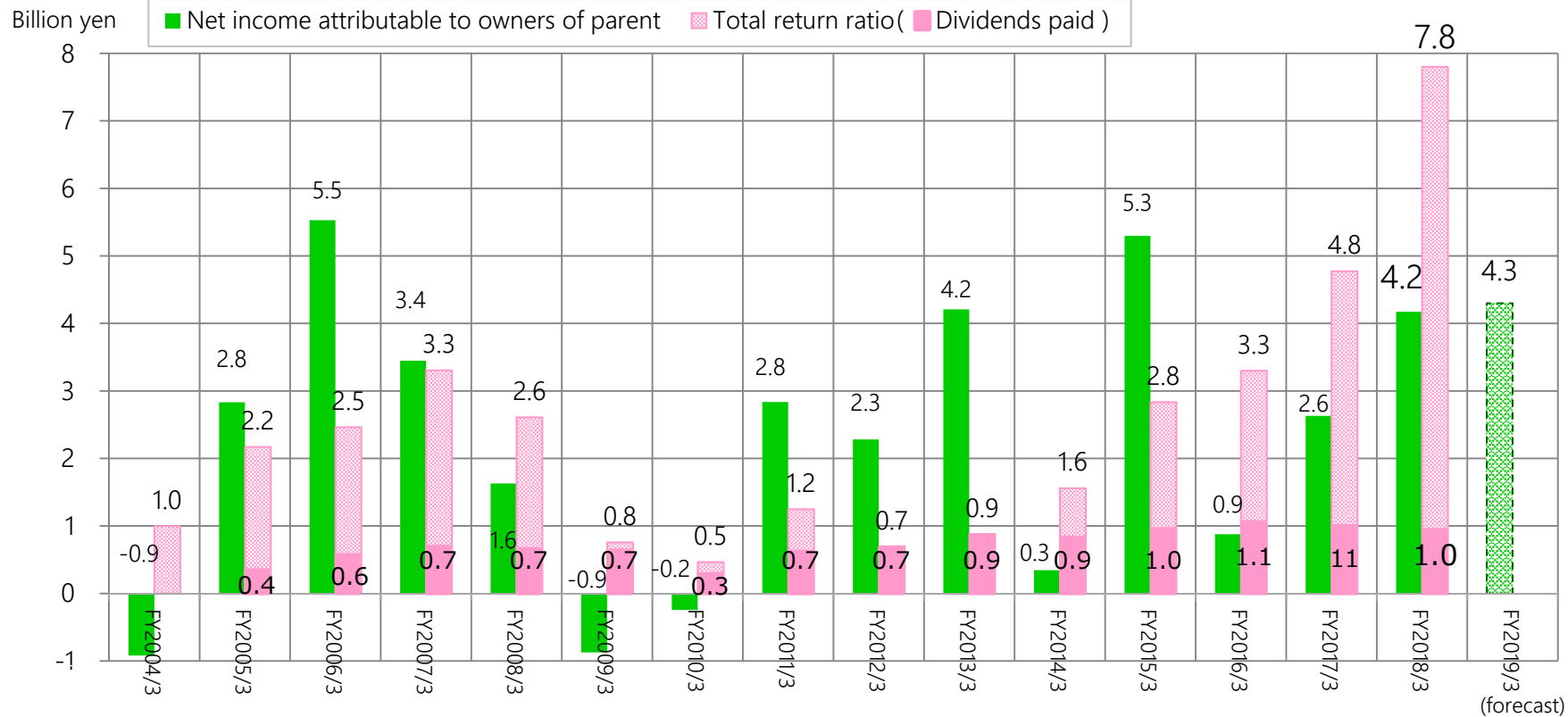


3. Shareholder Returns

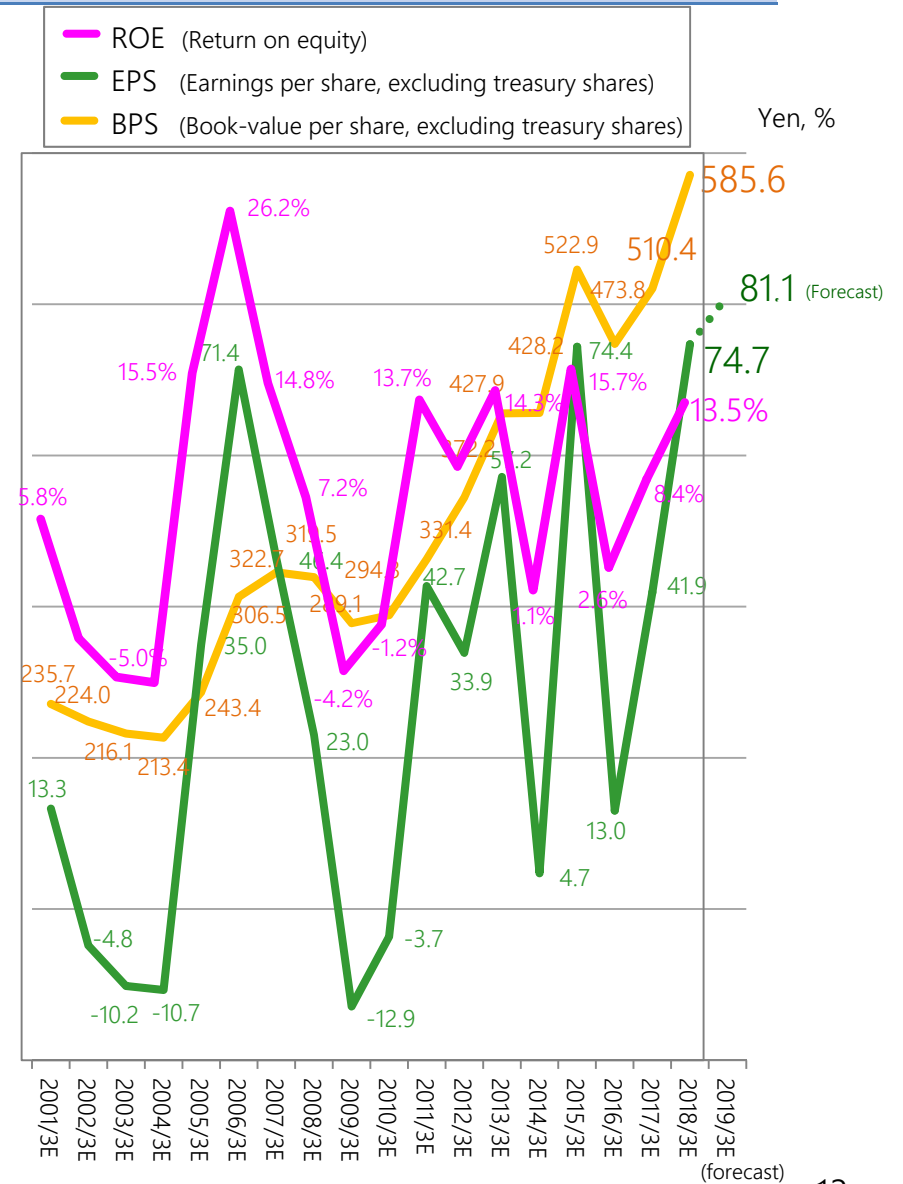
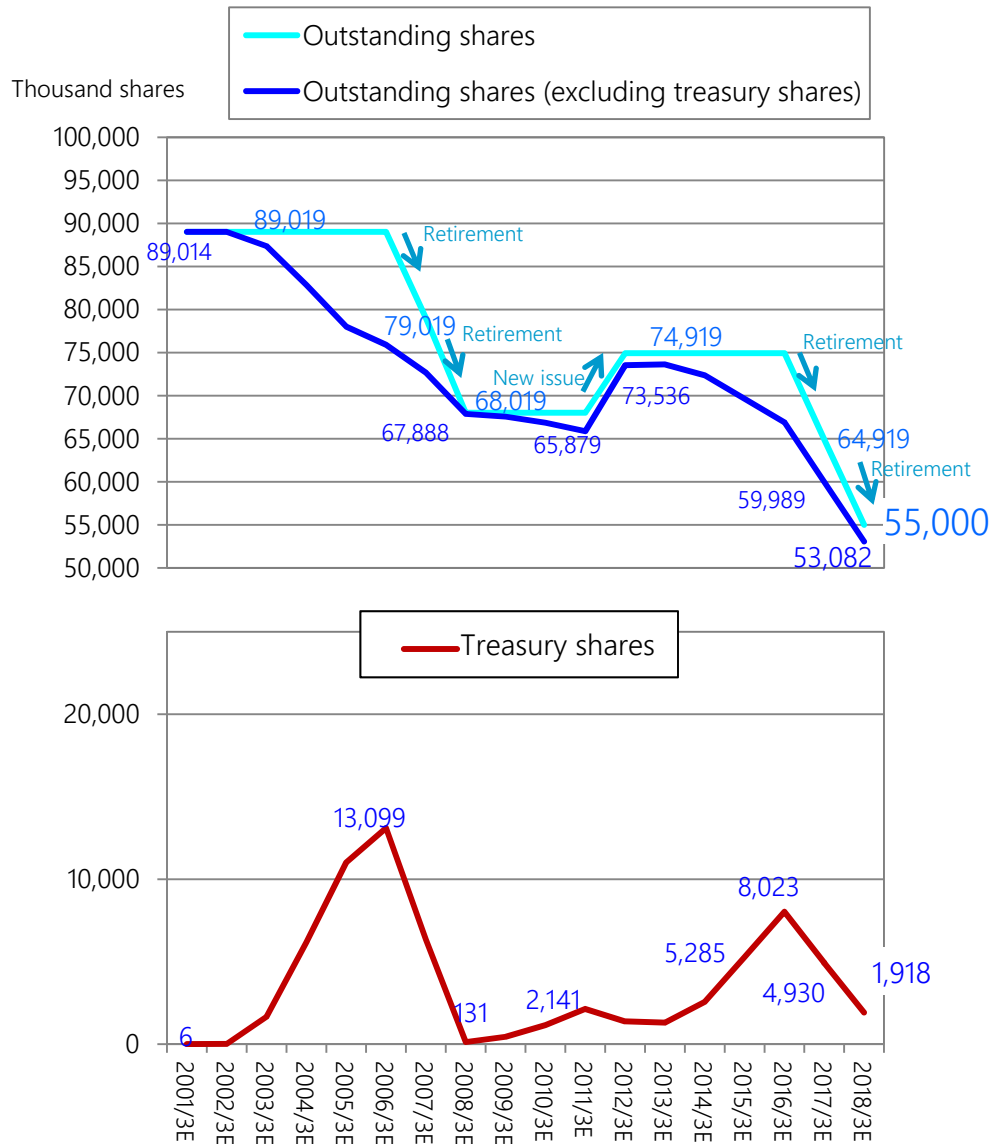
(1) Shareholder Returns

Billion yen

	FY04/3	FY05/3	FY06/3	FY07/3	FY08/3	FY09/3	FY10/3	FY11/3	FY12/3	FY13/3	FY14/3	FY15/3	FY16/3	FY17/3	FY18/3	FY19/3 (forecast)
Dividends paid (Full-year per share)	0.0 (0 yen)	0.4 (5 yen)	0.6 (8 yen)	0.7 (10 yen)	0.7 (10 yen)	0.7 (10 yen)	0.3 (5 yen)	0.7 (10 yen)	0.7 (10 yen)	0.9 (12 yen)	0.9 (12 yen)	1.0 (14 yen)	1.1 (16 yen)	1.1 (16 yen)	1.0 (18 yen)	-- (18 yen)
Purchase of treasury shares	1.0	1.8	1.9	2.6	1.9	0.1	0.1	0.6	0.0	0.0	0.7	1.8	2.2	3.7	6.8	--
Total return	1.0	2.2	2.5	3.3	2.6	0.8	0.4	1.3	0.7	0.9	1.6	2.8	3.3	4.8	7.8	--
Dividend payout ratio	--	14.1%	11.2%	21.6%	43.4%	--	--	23.4%	29.5%	21.0%	254.2%	18.8%	122.7%	38.2%	24.1%	22.2%
Total return ratio	--	76.7%	44.5%	95.9%	160.2%	--	--	44.0%	30.6%	21.0%	453.5%	53.5%	380.2%	181.5%	187.6%	--



(2) Acquisition of Treasury Stock



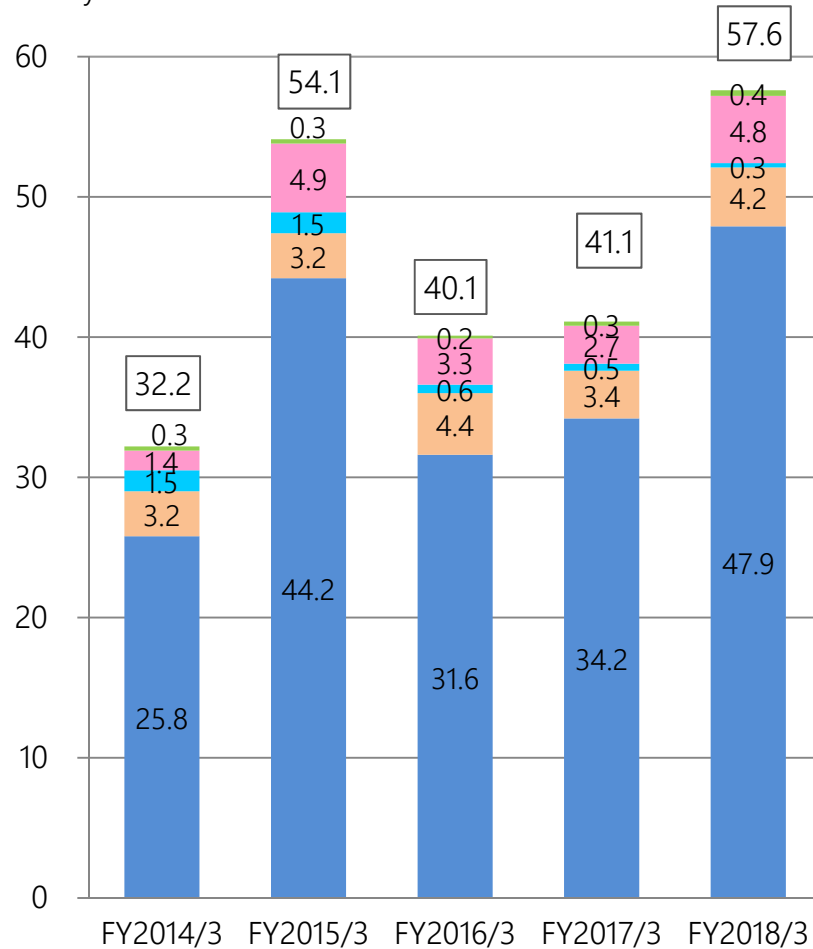
4. Reference

Net Sales by Machinery Category

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

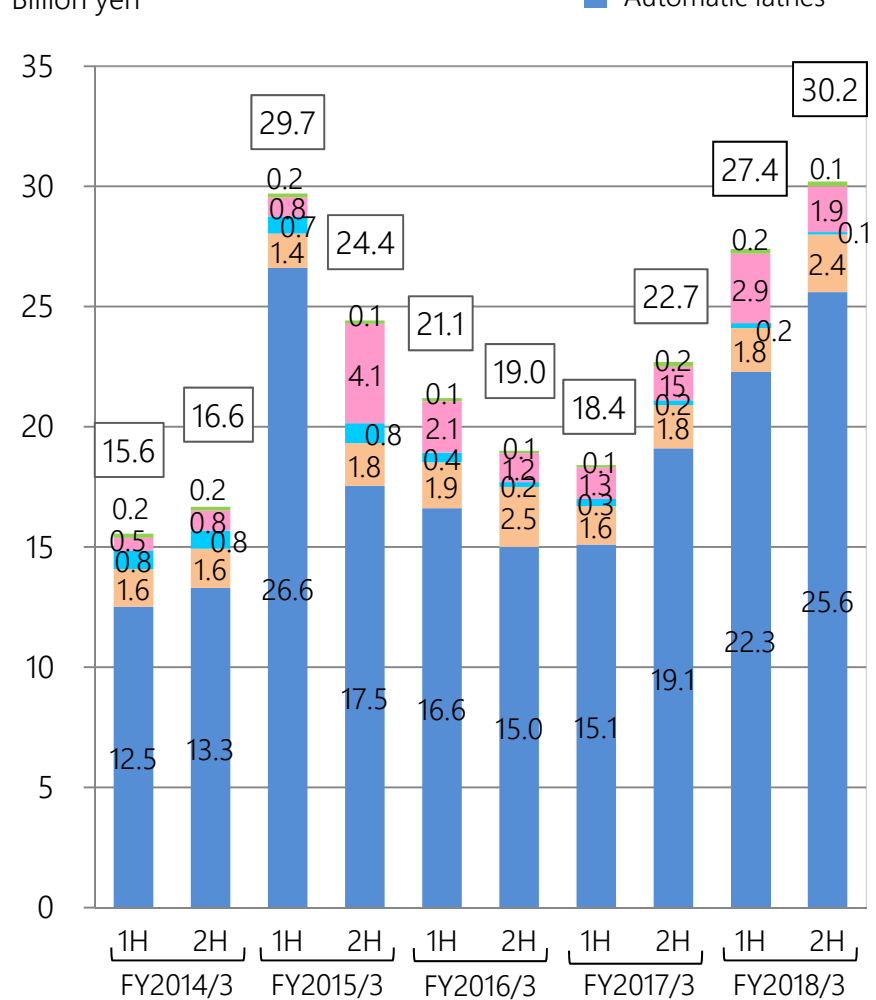
Full-year

Billion yen



Six-month

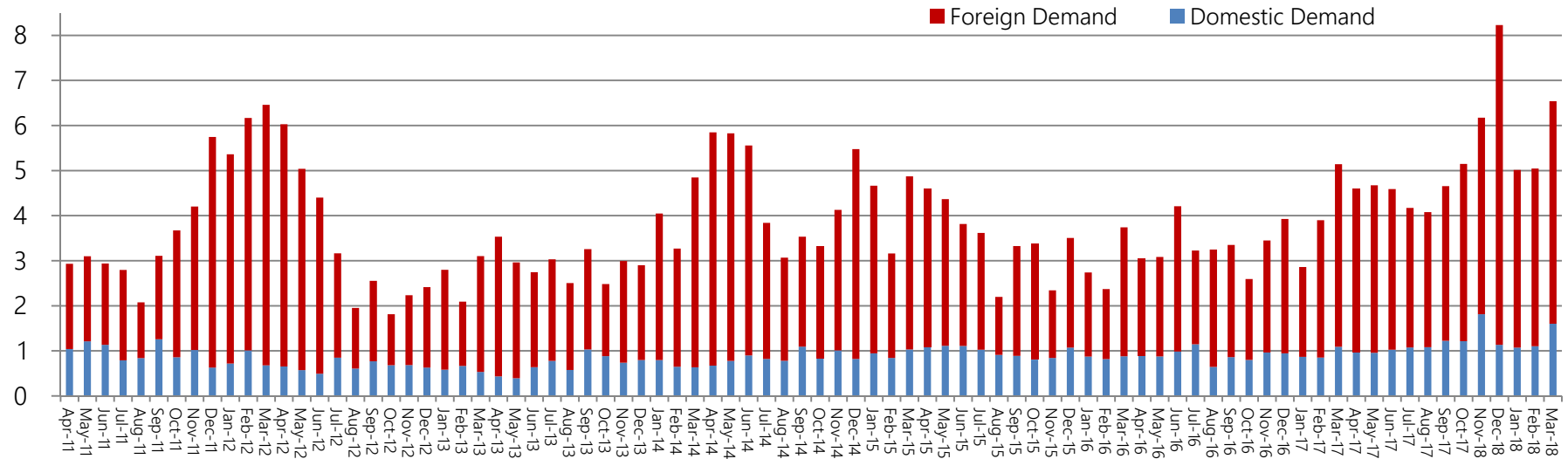
Billion yen



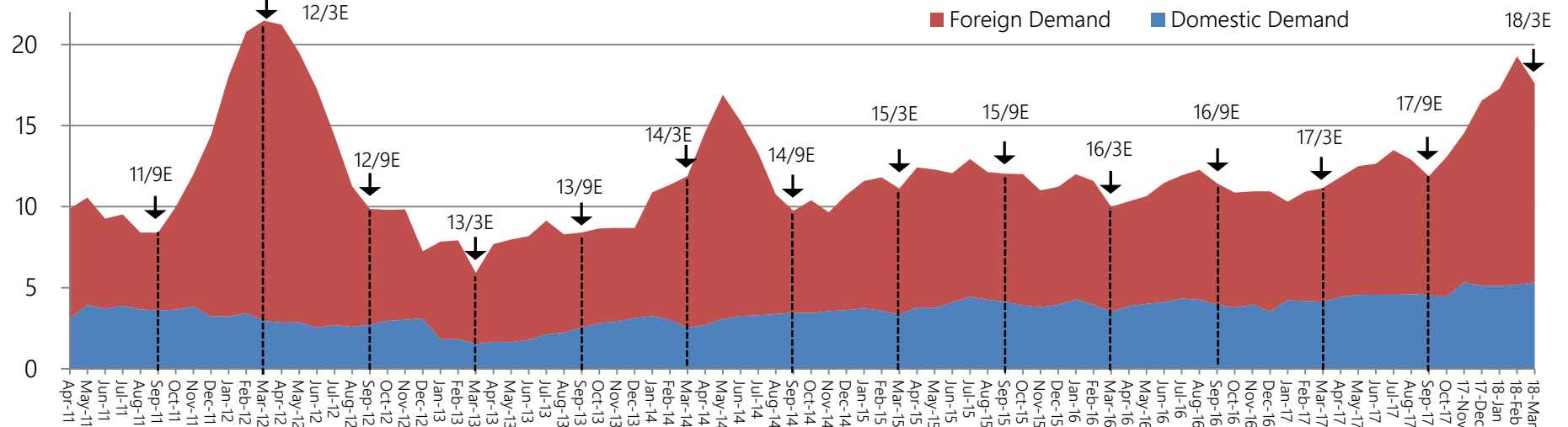
Orders Received and Order Backlogs

Billion yen

Orders



Order backlogs



Transition to a Company with an Audit and Supervisory Committee

Planning to transit to a company with audit and supervisory committee based on the approval by resolution at the 115th annual shareholders meeting scheduled to be held on June 20, 2018.

(1) Purposes

To enhance the mobility of its business execution by partially delegating the authority of the Board of Directors to execute businesses to the Directors.

(2) Period

After obtaining approval for a change to its Articles of Incorporation required for the transition at the 115th Annual Shareholders Meeting scheduled for June 2018.

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.