

Summary of Financial Results for the Fiscal Year Ended March 31, 2019 (Japan GAAP)

May 14, 2019

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled date of annual shareholders meeting: June 19, 2019

Scheduled date of commencement of dividend payments: May 28, 2019

Scheduled date of submission of securities report: June 20, 2019

Supplementary briefing materials to be created: Yes

Investors meeting to be held: Yes (for institutional investors and analysts)

1. Consolidated business performance for the fiscal year ended March 31, 2019

(From April 1, 2018 to March 31, 2019)

(Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2019	67,447	17.1	10,053	44.8	10,154	56.0	※ 6,033	44.6
Fiscal year ended March 31, 2018	57,576	40.3	6,942	125.1	6,510	128.5	※ 4,171	58.5

(Note): Comprehensive income: Fiscal year ended March 31, 2019: ¥5,768 million (-0.8%)

Fiscal year ended March 31, 2018: ¥5,813 million (65.3%)

※ Net income attributable to non-controlling interests: Fiscal year ended March 31, 2019: ¥1,699 million

Fiscal year ended March 31, 2018: ¥513 million

	Net income per share	Net income per share after residual equity adjustment	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2019	114.94	112.26	18.9	16.0	14.9
Fiscal year ended March 31, 2018	74.71	71.97	13.5	11.5	12.1

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2019	64,217	40,065	51.0 (61.6)	632.63
Fiscal year ended March 31, 2018	62,362	37,516	49.8 (59.1)	585.58

(Reference): Shareholders' equity: Fiscal year ended March 31, 2019: ¥32,775 million

Fiscal year ended March 31, 2018: ¥31,083 million

The figure in the parenthesis is the capital adequacy ratio before non-controlling interest.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the term
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2019	2,428	-1,286	-539	10,778
Fiscal year ended March 31, 2018	6,832	-615	-1,002	10,181

2. State of dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2018	--	9.00	--	9.00	18.00	976	24.1	3.3
Fiscal year ended March 31, 2019	--	9.00	--	12.00	21.00	1,095	18.3	3.4
Fiscal year ending March 31, 2020 (forecast)	--	12.00	--	12.00	24.00		24.9	

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2020
(From April 1, 2019 to March 31, 2020)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Sales revenues		Operating income		Income attributable to owners of the parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Yen	
First half	31,000	--	4,350	--	2,550	--	49.19	
Full-year	61,000	--	8,500	--	5,000	--	96.44	

(Note) The Company will voluntarily adopt the International Financial Reporting Standards ("IFRS") from its annual securities report for the fiscal year ended March 31, 2019. Accordingly, the consolidated business performance forecasts for the fiscal year ending March 31, 2020 are based on the IFRS.

As a result, no percentage figures are provided in comparison with actual figures for the year ended March 31, 2019, which employed Japan GAAP.

*Notes

(1) Important changes in subsidiaries during the fiscal year 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 policy due to the revision of accounting standards and the like: yes

(ii) Changes in accounting policy other than those stated in item: none

(iii) Changes in accounting estimates: none

(iv) Restatements: none

(3) Numbers of outstanding shares (common stock)

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

March 2019	55,000,000 shares	March 2018	55,000,000 shares
March 2019	3,192,312 shares	March 2018	1,918,101 shares
March 2019	52,490,611 shares	March 2018	55,834,996 shares

(ii) Numbers of treasury shares at the end of the terms:

(iii) Average numbers of shares outstanding during the periods:

(Reference) Summary of non-consolidated business performance

Non-consolidated business performance for the fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Non-consolidated operating results (Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2019	38,557	14.0	1,908	31.6	3,491	97.5	3,125	1.7
Fiscal year ended March 31, 2018	33,821	18.3	1,450	--	1,767	150.1	3,072	145.2

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
Fiscal year ended March 31, 2019	59.54	58.15
Fiscal year ended March 31, 2018	55.03	53.44

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2019	35,787	20,066	54.7	377.75
Fiscal year ended March 31, 2018	36,302	21,129	56.4	385.68

(Reference): Shareholders' equity: Fiscal year ended March 31, 2019: ¥19,570 million
Fiscal year ended March 31, 2018: ¥20,472 million

* This document is not subject to audit procedures based on the Financial Instruments and Exchange Act.

* 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. Consolidated Operating Results, Etc., (1) Overview of operating results under review (ii) Forecasts for the next fiscal year] on page 2 of the accompanying documents of this summary of financial results for the fiscal year ended March 31, 2019.

Accompanying Documents

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1. Consolidated Operating Results, Etc.

(1) Overview of operating results under review

(i) Overview of the fiscal year under review

During the consolidated fiscal year under review, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") remained firm overall in both the domestic and overseas markets, although there was a move towards adjustment in market conditions from the second half of the fiscal year, mainly due to the effects of the US-China trade friction.

In this environment, the Group sought to boost sales in auto parts-related sectors, IT sector and a wide range of other industries. As a result, net sales for the fiscal year under review increased 17.1% year on year, to ¥67,447 million, operating income increased 44.8% year on year, to ¥10,053 million, ordinary income rose 56.0% year on year, to ¥10,154 million and net income attributable to owners of parent increased 44.6% year on year, to ¥6,033 million.

Net sales in Japan increased 0.1% year on year, to ¥12,686 million. Exports increased 21.9% year on year, to ¥54,760 million. The export ratio increased 3.2% year on year, to 81.2%.

A breakdown of net sales by machinery category shows that sales of mainstay Automatic lathes rose 20.4% year on year, to ¥57,715 million, sales of Grinding machines increased 19.4%, to ¥5,038 million, sales of Machining centers rose 90.8%, to ¥514 million, and sales of Rolling machines and other specialized machines fell 19.6%, to ¥3,855 million.

(ii) Forecasts for the next fiscal year

Although the robust domestic demand has peaked, Chinese, European and U.S. markets are likely to remain solid. In light of those circumstances, the Group's performance forecast for the next fiscal year is as follows.

Please note that the Company will voluntarily adopt the IFRS from its annual securities report for the fiscal year ended March 31, 2019. Accordingly, the consolidated business performance forecasts for the fiscal year ending March 31, 2020 are based on the IFRS.

The Group's forecasts are as follows:

Consolidated business performance forecasts for the fiscal year ending March 31, 2020
(Million yen, except per share data)

	First half	Full year
Sales revenues	31,000	61,000
Operating income	4,350	8,500
Income attributable to owners of the parent	2,550	5,000
Basic earnings per share	49.19 yen	96.44 yen

(2) Overview of the financial position under review

(i) State of assets, liabilities and net assets

Assets totaled ¥64,217 million at the end of the fiscal year under review, increasing ¥1,855 million from the end of the previous fiscal year.

The increase resulted primarily from increases of ¥4,322 million in inventories, ¥684 million in intangible assets, ¥522 million in cash and deposits, and ¥358 million in consumption taxes receivable, which offset decreases of ¥2,181 million in investment securities and ¥1,868 million in trade notes and accounts receivable.

Liabilities came to ¥24,152 million, decreasing ¥692 million from the end of the previous fiscal year.

The result was mainly attributable to increase of ¥2,800 million in short-term loans payable, which offset decreases of ¥2,130 million in trade notes and accounts payable, ¥703 million in advances received and ¥591 million in income taxes payable.

Net assets stood at ¥40,065 million at the end of the fiscal year under review, increasing ¥2,548 million from the end of the previous fiscal year.

The increase mainly reflected increases of ¥6,033 million in retained earnings resulting from net income attributable to owners of the parent which offset decreases of ¥951 million in retained earnings due to the payment of dividends, ¥1,128 million mainly due to the purchase of treasury stock and ¥1,548 million in valuation difference on available-for-sale securities.

As a result of the changes stated above, the capital adequacy ratio came to 51.0%, rising 1.2 percentage points from the end of the previous fiscal year.

(ii) State of cash flows

Cash and cash equivalents amounted to ¥10,778 million at the end of the fiscal year under review, increasing ¥597 million from the end of the previous fiscal year. A description of each cash flow during the fiscal year was as follows:

(Cash flows from operating activities)

Cash provided by operating activities was ¥2,428 million. (provided ¥6,832 million previous year)

The result principally reflected increases in cash, including a net income before taxes and other adjustments of ¥10,139 million, depreciation and amortization of ¥1,016 million and ¥1,585 million decrease in trade notes and accounts receivable which offset decreases in cash, such as a ¥4,576 million increase in inventories, ¥1,890 million decrease in trade notes and accounts payable, ¥651 million decrease in advances received and ¥3,253 million in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was ¥1,286 million. (used ¥615 million previous year)

The cash outflow was primarily attributable to decreases in cash for the purchase of property, plant and equipment of ¥1,305 million and for the purchase of intangible assets of ¥663 million offsetting cash inflow consisting of a ¥401 million of proceeds from sales of property, plant and equipment and ¥214 million of proceeds from subsidy income.

(Cash flows from financing activities)

Cash used for financing activities was ¥539 million. (used ¥1,002 million previous year)

The cash outflow resulted mainly from decreases in cash, including a ¥1,833 million spent on the purchase of treasury stock, dividends paid of ¥951 million and dividends paid to non-controlling interests of ¥574 million, which offset increase in cash, a ¥2,800 million increase in short-term loans payable.

(3) Basic policy relating to profit distribution, and dividends for the fiscal year under review and the following fiscal year

The Group adopts a basic policy of increasing its collective capabilities and returning profits to shareholders by sustaining aggressive investment in development projects in response to changing social demands and continuing its efforts to enhance competitiveness and streamline management.

Based on this policy, the Group is united in its commitment to strengthening its business structure and achieving stable dividends.

The Group will also deal appropriately with the acquisition of treasury stock for the flexible enforcement of capital policies and other purposes as part of its measures for returning profits to shareholders, based on a comprehensive assessment of factors, including the need, financial conditions and share price trends.

For the consolidated fiscal year ended March 31, 2019, the Company has decided to pay annual dividends of ¥21 per share, including interim dividends of ¥9 per share and year-end dividends of ¥12 per share.

For the consolidated fiscal year ending March 31, 2020, the Company plans to pay annual dividends of ¥24 per share, including interim dividends of ¥12 per share and year-end dividends of ¥12 per share.

2. Basic Approach to the Selection of Accounting Standards

The Group will voluntarily adopt the IFRS for its consolidated financial statements from its annual securities report for the fiscal year ended March 31, 2019 in order to improve the international comparability of its financial information in the capital markets.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2018)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	10,286	10,808
Trade notes and accounts receivable	14,482	12,614
Merchandise and finished goods	7,063	9,980
Work in process	4,953	5,583
Raw materials and supplies	5,347	6,123
Consumption taxes receivable	1,046	1,405
Other	516	688
Allowance for doubtful accounts	-56	-70
Total current assets	43,639	47,132
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,283	9,546
Accumulated depreciation	-4,297	-4,021
Buildings and structures (net)	4,985	5,524
Machinery, equipment and vehicles	8,095	8,188
Accumulated depreciation	-5,065	-5,398
Machinery, equipment and vehicles (net)	3,029	2,789
Land	409	241
Leased assets	38	37
Accumulated depreciation	-28	-17
Leased assets (net)	9	20
Construction in progress	416	27
Other	1,074	1,091
Accumulated depreciation	-779	-826
Other (net)	294	264
Total property, plant and equipment	9,145	8,868
Intangible assets	696	1,380
Investments and other assets		
Investment securities	8,278	6,097
Shares of subsidiaries and associates	11	11
Investments in capital of subsidiaries and associates	67	69
Long-term loans receivable	3	0
Deferred tax assets	235	256
Net defined benefit asset	--	104
Other	282	296
Total investments and other assets	8,879	6,835
Total non-current assets	18,722	17,084
Total assets	62,362	64,217

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2018)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2019)
Liabilities		
Current liabilities		
Trade notes and accounts payable	14,035	11,905
Short-term loans payable	3,200	6,000
Income taxes payable	1,068	477
Provision for bonuses	275	331
Advances received	2,166	1,462
Provision for product warranties	457	576
Other	1,618	1,672
Total current liabilities	22,821	22,424
Non-current liabilities		
Long-term unearned revenue	--	214
Deferred tax liabilities	1,256	557
Provision for directors' retirement benefits	21	24
Net defined benefit liability	716	889
Other	29	40
Total non-current liabilities	2,024	1,727
Total liabilities	24,845	24,152
Net assets		
Shareholders' equity		
Capital stock	12,345	12,345
Capital surplus	2,806	2,806
Retained earnings	13,257	17,935
Treasury stock	-1,814	-2,943
Total shareholders' equity	26,594	30,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,149	2,600
Foreign currency translation adjustment	409	145
Remeasurements of defined benefit plans	-69	-114
Total accumulated other comprehensive income	4,489	2,631
Subscription rights to shares	656	495
Non-controlling interests	5,776	6,794
Total net assets	37,516	40,065
Total liabilities and net assets	62,362	64,217

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Net sales	57,576	67,447
Cost of sales	43,021	47,590
Gross profit	14,554	19,856
Selling, general and administrative expenses		
Salaries and allowances	1,839	2,100
Provision for bonuses	99	139
Retirement benefit expenses	58	50
Provision for directors' retirement benefits	3	3
Research and development expenses	1,318	2,710
Insurance expenses	177	191
Provision of allowance for doubtful accounts	12	14
Provision for product warranties	563	609
Other	3,541	3,984
Total selling, general and administrative expenses	7,612	9,802
Operating income	6,942	10,053
Non-operating income		
Interest income	58	114
Dividend income	158	216
Insurance income	66	60
Other	48	58
Total non-operating income	332	449
Non-operating expenses		
Interest expenses	124	68
Loss on sales of notes payable	154	85
Foreign exchange losses	119	98
Payment fee	269	--
Other	95	96
Total non-operating expenses	764	348
Ordinary income	6,510	10,154
Extraordinary income		
Gain on sales of non-current assets	36	5
Gain on sales of investments securities	97	--
Gain on sales of investments in capital of affiliate	81	--
Gain on reversal of subscription rights to shares	2	--
Subsidy income	90	66
Total extraordinary income	308	72
Extraordinary losses		
Loss on retirement of non-current assets	342	42
Loss on sales of non-current assets	5	3
Impairment loss	--	40
Loss from performance of warranty against defects	30	--
Total extraordinary losses	378	87
Income before taxes and other adjustments	6,440	10,139
Corporate, inhabitant and enterprise taxes	1,715	2,473
Deferred taxes	41	-67
Total corporate and other taxes	1,756	2,406
Net income	4,684	7,732
Net income attributable to non-controlling interests	513	1,699
Net income attributable to owners of parent	4,171	6,033

(Consolidated Statements of Comprehensive Income)

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Net income	4,684	7,732
Other comprehensive income		
Valuation difference on available-for-sale securities	840	-1,548
Foreign currency translation adjustment	252	-369
Remeasurements of defined benefit plans, net of tax	35	-45
Total other comprehensive income	1,128	-1,963
Comprehensive income	5,813	5,768
(Breakdown)		
Comprehensive income attributable to owners of parent	5,367	4,175
Comprehensive income attributable to non-controlling interests	445	1,593

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	12,345	478	17,250	-2,986	27,087
Change during the fiscal year					
Cash dividends paid			-978		-978
Change in ownership interest of parent due to transactions with non-controlling interests		2,806			2,806
Net income attributable to owners of parent			4,171		4,171
Purchase of treasury stock				-6,842	-6,842
Disposal of treasury stock			-25	376	350
Retirement of treasury stock		-478	-7,159	7,637	--
Changes in items other than shareholders' equity during the fiscal year (net)					
Total change during the fiscal year	--	2,327	-3,992	1,171	-492
Balance as of March 31, 2018	12,345	2,806	13,257	-1,814	26,594

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2017	3,308	329	-104	3,533	842	--	31,462
Change during the fiscal year							
Cash dividends paid							-978
Change in ownership interest of parent due to transactions with non-controlling interests							2,806
Net income attributable to owners of parent							4,171
Purchase of treasury stock							-6,842
Disposal of treasury stock							350
Retirement of treasury stock							--
Changes in items other than shareholders' equity during the fiscal year (net)	840	79	35	956	-185	5,776	6,546
Total change during the fiscal year	840	79	35	956	-185	5,776	6,054
Balance as of March 31, 2018	4,149	409	-69	4,489	656	5,776	37,516

Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	12,345	2,806	13,257	-1,814	26,594
Cumulative effects of changes in accounting policies			-4		-4
Restated balance	12,345	2,806	13,253	-1,814	26,589
Change during the fiscal year					
Cash dividends paid			-951		-951
Net income attributable to owners of parent			6,033		6,033
Purchase of treasury stock				-1,831	-1,831
Disposal of treasury stock			-399	703	303
Changes in items other than shareholders' equity during the fiscal year (net)					
Total change during the fiscal year	--	--	4,682	-1,128	3,554
Balance as of March 31, 2019	12,345	2,806	17,935	-2,943	30,143

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2018	4,149	409	-69	4,489	656	5,776	37,516
Cumulative effects of changes in accounting policies						-2	-6
Restated balance	4,149	409	-69	4,489	656	5,774	37,509
Change during the fiscal year							
Cash dividends paid							-951
Net income attributable to owners of parent							6,033
Purchase of treasury stock							-1,831
Disposal of treasury stock							303
Changes in items other than shareholders' equity during the fiscal year (net)	-1,548	-264	-45	-1,858	-160	1,019	-999
Total change during the fiscal year	-1,548	-264	-45	-1,858	-160	1,019	2,555
Balance as of March 31, 2019	2,600	145	-114	2,631	495	6,794	40,065

(4) Consolidated Statements of Cash Flows

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Net income before taxes and other adjustments	6,440	10,139
Depreciation and amortization	1,008	1,016
Gain on reversal of subscription rights to shares	-2	—
Share-based compensation expenses	137	116
Impairment loss	--	40
Subsidy income	-90	-66
Increase (decrease) in allowance for doubtful accounts	12	14
Increase (decrease) in provision for bonuses	43	55
Increase (decrease) in provision for product warranties	129	124
Increase (decrease) in net defined benefit liability	-2	173
Decrease (increase) in net defined benefit asset	--	-104
Interest and dividend income	-217	-330
Commission fee	269	--
Interest expenses	124	68
Loss on retirement of non-current assets	342	42
Loss (gain) on sales of non-current assets	-30	-2
Loss (gain) on sales of investment securities	-97	--
Gain on sales of investments in capital of affiliate	-81	--
Loss from performance of warranty against defects	30	--
Foreign exchange losses (gains)	27	13
Decrease (increase) in trade notes and accounts receivable	-4,334	1,585
Decrease (increase) in inventories	-661	-4,576
Decrease (increase) in advance payments	29	67
Increase (decrease) in trade notes and accounts payable	3,554	-1,890
Increase (decrease) in advances received	1,197	-651
Decrease (increase) in consumption taxes refund receivable	-164	-364
Other	590	-86
Sub total	8,254	5,386
Interest and dividend income received	192	296
Interest expenses paid	-140	-68
Proceeds from subsidy	90	66
Payments for performance of warranty against defects	-12	--
Corporate and other taxes paid	-1,552	-3,253
Cash flows from operating activities	6,832	2,428
Cash flows from investing activities		
Payments into time deposits	-124	-51
Proceeds from withdrawal of time deposits	124	124
Proceeds from withdraw of deposit	270	--
Purchase of property, plant and equipment	-1,258	-1,305
Proceeds from sales of property, plant and equipment	122	401
Payments for retirement of property, plant and equipment	-53	-2
Purchase of intangible assets	-30	-663
Expenditure for acquisition of investment securities	-2	-2
Proceeds from sales of investment securities	183	--
Collection of investments in capital	152	--
Proceeds from subsidy income	--	214
Other	-0	-2
Cash flows from investing activities	-615	-1,286

	Previous consolidated fiscal year (From April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (From April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,148	2,800
Proceeds from sales of treasury shares	211	26
Purchase of treasury shares	-6,848	-1,833
Cash dividends paid	-978	-951
Dividends paid to non-controlling interests	--	-574
Repayments of lease obligations	-8	-7
Payment for commission fee	-355	--
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	2,288	--
Proceeds from share issuance to non-controlling shareholders	5,837	--
Cash flows from financing activities	-1,002	-539
Effect of exchange rate change on cash and cash equivalents	-144	-4
Net increase (decrease) in cash and cash equivalents	5,070	597
Cash and cash equivalents at the beginning of the term	4,561	10,181
Increase in cash and cash equivalents from newly consolidated subsidiary	549	--
Cash and cash equivalents at the end of the term	10,181	10,778

(5) Notes concerning the Consolidated Financial Statements

(Notes relating to the Going Concern Assumption)

No corresponding item exists.

(Important Matters that Become Basis of Presenting Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 9

Names of consolidated subsidiaries

TSUGAMI MACHINERY CO., LTD.

TSUGAMI GENERAL SERVICE CO., LTD.

Precision Tsugami (China) Corporation Limited

Precision Tsugami (Hong Kong) Limited

PRECISION TSUGAMI (CHINA) CORPORATION

Shinagawa Precision Machinery (Zhejiang) Co., Ltd.

Precision Tsugami (Anhui) Corporation

TSUGAMI KOREA Co., Ltd.

TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED

Precision Tsugami (Anhui) Corporation listed above is included in the consolidated subsidiaries from the fiscal year under review because it was established as of April 18, 2018.

(2) Names of non-consolidated subsidiaries:

Non-consolidated subsidiaries:

TSUGAMI (THAI) CO., LTD.

TSUGAMI EUROPE GmbH

TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED

TSUGAMI Universal Pte. Ltd.

(Reason for non-consolidation)

The non-consolidated subsidiaries are small in size, and their total assets, sales, net income or loss (amounts to equivalent to the equity holding) and retained earnings (amounts to equivalent to the equity holding) do not have significant material effect on the consolidated financial statements.

2. Application of equity method

(1) Non-consolidated subsidiaries or affiliates accounted for by the equity method: none

(2) The non-consolidated subsidiaries (TSUGAMI (THAI) CO., LTD., TSUGAMI EUROPE GmbH, TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED and TSUGAMI Universal Pte. Ltd. and others) have little material effect on the consolidated net income or loss and the consolidated retained earnings, and further, have small significance in the Group as a whole.

For the above reason, the equity method is not applied on these companies.

3. Matters Concerning Fiscal year of consolidated subsidiaries, etc.

Among the consolidated subsidiaries, the balance sheet date of PRECISION TSUGAMI (CHINA) CORPORATION, Shinagawa Precision Machinery (Zhejiang) Co., Ltd. and Precision Tsugami (Anhui) Corporation are December 31.

In preparing the consolidated financial statements, financial statements based on provisional calculations made as of the consolidated closing date were utilized in connection with this company.

(Changes in Accounting Policy)

(Adoption of IFRS 15 [Revenue from Contracts with Customers])

Overseas Subsidiaries that Prepare Financial Statements in accordance with International Financial Reporting Standards apply IFRS 15 [Revenue from Contracts with Customers] from the fiscal year under review.

Due to this application, recognition standards for revenue have been revised, revenue is now recognized at the time the agreed upon goods or services are transferred to the customer, as amounts that reflect the consideration for which rights are expected to be acquired in exchange for said goods or services.

Regarding the application of IFRS 15, in line with the treatments in progress of the IFRS 15, the amount of the cumulative effect has been added or subtracted from retained earnings at the beginning of the fiscal year under review.

As the result, retained earnings at the beginning of the fiscal year under review decreased by ¥4 million. Net sales for fiscal year under review decreased by ¥59 million and operating income, ordinary income and income before income taxes and other adjustments decreased by ¥22 million respectively.

(Changes in Method of Presentation)

(Application of the partial amendments to Accounting Standard on Tax Effect Accounting, etc.)

The partial amendments to Accounting Standard on Tax Effect Accounting (ASBJ No.28 on February 16, 2018) has been applied from the fiscal year under review. Deferred tax assets are presented in the Investments and other assets of the balance sheets and deferred tax liabilities in the Non-current liabilities.

(Segment information)

1. Summary of reportable segments

The Company'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 and South Korea, which are the areas where Group companies are located.

2. Basis of calculating net sales, income or loss, assets, liabilities and other items by reportable segment

The accounting methods for the reportable segments are the same as those described in "Important Matters that Become Basis of Presenting Consolidated Financial Statements."

Segment income is based on operating income for each reportable segment.

Intersegment revenue and transfers are based on market prices.

3. Information relating to net sales, income or loss, assets, liabilities and other items by reportable segment.

Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Million yen)

	Reportable segment					Adjustment (Note) 1	Consolidated financial statement amount (Note) 2
	Japan	China	India	South Korea	Total		
Net sales							
Net sales to external customers	25,885	28,603	1,866	1,221	57,576	--	57,576
Intersegment net sales or transfers to other accounts	8,241	10,624	16	28	18,911	-18,911	--
Total	34,127	39,227	1,882	1,249	76,487	-18,911	57,576
Segment income	1,620	5,231	32	16	6,901	40	6,942
Segment assets	20,597	31,152	2,792	940	55,483	6,878	62,362
Other items							
Depreciation and amortization	224	722	30	42	1,020	-11	1,008
Increases in property, plant and equipment and intangible assets	689	747	66	154	1,658	--	1,658

(Note) 1. Adjustment details are as follows.

(1) "Adjustment" of segment income of ¥40 million is the adjustment of unrealized income.

(2) "Adjustment" of segment assets of ¥6,878 million includes Company-wide assets of ¥11,644 million and an effect of intersegment adjustments of ¥-4,765 million.

Company-wide assets are primarily assets that do not belong to any reportable segment (cash and deposits and investment securities).

2. Segment income is adjusted in accordance with operating income on the consolidated financial statements.

Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)

(Million yen)

	Reportable segment					Adjustment (Note) 1	Consolidated financial statement amount (Note) 2
	Japan	China	India	South Korea	Total		
Net sales							
Net sales to external customers	29,552	33,630	3,137	1,126	67,447	--	67,447
Intersegment net sales or transfers to other accounts	9,320	13,655	13	61	23,050	-23,050	--
Total	38,872	47,286	3,151	1,187	90,498	-23,050	67,447
Segment income	2,151	7,781	210	45	10,188	-134	10,053
Segment assets	23,213	32,592	4,518	1,445	61,769	2,447	64,217
Other items							
Depreciation and amortization	258	714	34	20	1,027	-11	1,009
Increases in property, plant and equipment and intangible assets	689	1,277	132	100	2,200	--	2,200

(Note) 1. Adjustment details are as follows.

(1) "Adjustment" of segment income of ¥-134 million is the adjustment of unrealized income.

(2) "Adjustment" of segment assets of ¥2,447 million includes Company-wide assets of ¥8,426 million and an effect of intersegment adjustments of ¥-5,979 million.

Company-wide assets are primarily assets that do not belong to any reportable segment (cash and deposits and investment securities).

2. Segment income is adjusted in accordance with operating income on the consolidated financial statements.

3. Information relating to changes in reportable segment, etc.

(Adoption of IFRS 15 [Revenue from Contracts with Customers])

As stated in [Changes to accounting policy], Overseas Subsidiaries that Prepare Financial Statements in accordance with International Financial Reporting Standards adopt IFRS 15 [Revenue from Contracts with Customers].

As the result, segment sales in China, one of the Company's reportable segments, decreased by ¥59 million and segment income decreased by ¥22 million in this fiscal year compared with each figure based on the former method.

(Per Share information)

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)
Net assets per share	585.58 yen	632.63 yen
Net income per share	74.71 yen	114.94 yen
Net income per share after residual equity adjustment	71.97 yen	112.26 yen

(Note) The bases for the calculation of net income per share and net income per share after residual equity adjustment are as follows.

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)
Net income per share		
Net income attributable to owners of parent (million yen)	4,171	6,033
Amount not attributed to common shareholders (million yen)	--	--
Net income attributable to owners of parent on common shares (million yen)	4,171	6,033
Average number of shares during the period (thousand shares)	55,834	52,490
Net income per share after residual equity adjustment		
Adjustment in net income attributable to owners of parent (million yen)	-33	--
(Adjustment of dilutive shares issued by subsidiaries) (million yen)	(-33)	(--)
Increase in common shares (thousand shares)	1,656	1,255
(Stock option) (thousand shares)	(1,656)	(1,255)
Summary of residual shares not included in the calculation of net income per share after residual equity adjustment because of no dilutive effect	--	--

(Important post-balance sheet events)

No corresponding event occurred.

4. Other

(1) Supplementary Information

(i) Overseas net sales

Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	44,837	4,108	5,814	54,760
II Consolidated net sales				67,447
III Ratio of overseas net sales to consolidated net sales (%)	66.5	6.1	8.6	81.2

(Notes) 1. National or regional classifications are based on geographic proximity.

2. Major countries or regions in each classification

(1) Asia China, Thailand, South Korea, Singapore, the Philippines, and India

(2) America the United States and Mexico

(3) Europe Switzerland, Germany, France and Italy

3. Overseas net sales refer to net sales achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

(ii) Net sales by machinery category

(Figures are rounded down to the nearest one million yen)

(Million yen)

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)		Consolidated fiscal year under review (from April 1, 2018 to March 31, 2019)		Year-on-year change	
		%		%		%
Automatic lathes	47,949	83.3	57,715	85.6	9,765	20.4
Grinding machines	4,221	7.3	5,038	7.5	816	19.4
Machining centers	269	0.5	514	0.7	244	90.8
Rolling machines and specialized machines	4,795	8.3	3,855	5.7	-939	-19.6
Other	340	0.6	323	0.5	-17	-5.0
Total	57,576	100.0	67,447	100.0	9,871	17.1
(Overseas net sales)	(44,905)	(78.0)	(54,760)	(81.2)	(9,854)	(21.9)

(2) Changes in Officers (scheduled to take effect on June 19, 2019)

At a meeting of its Board of Directors held on May 14, 2019, the Company informally decided to change Representative Directors as follows.

(i) New Representative Director

Hiroaki Kazama

New official position: President

Upon approval of the agenda item regarding the election of Directors at the 116th Ordinary General Meeting of Shareholders scheduled to be held on June 19, 2019 and subsequent approval of the agenda item regarding the appointment of Representative Director at the following Board of Directors meeting, Mr. Kazama shall assume the office of President.

Mr. Takao Nishijima, who is currently serving as Chairman and President, will be appointed Chairman.

(ii) Representative Director scheduled to retire from post

Nobuaki Takahashi

Old official position: Representative Director and CFO

Mr. Takahashi will retire from his current post of Representative Director and Director upon expiration of his terms and is scheduled to assume responsibility for the Company's auditing procedures as Executive Advisor.

For more details, please refer to the "Notice of Changes in Representative Directors" announced separately today (May 14, 2019).