

Summary of Financial Results for the First Half of the Fiscal Year Ending March 31, 2021

November 12, 2020

TSUGAMI CORPORATION

Stock code: 6101

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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 Half of the Fiscal Year Ending March 31, 2021

(From April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative totals)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
H1 of the fiscal year ending March 31, 2021	26,457	-3.4	2,995	3.7	3,023	12.3	1,932	9.8
H1 of the fiscal year ended March 31, 2020	27,396	-22.7	2,889	-48.0	2,692	-51.7	1,759	-57.4

	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
H1 of the fiscal year ending March 31, 2021	1,279	-1.2	3,003	--	24.71	24.17
H1 of the fiscal year ended March 31, 2020	1,295	-58.8	38	-98.6	24.97	24.45

(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	%
H1 of the fiscal year ending March 31, 2021	66,789	41,246	34,149	51.1 (61.8)
Fiscal year ended March 31, 2020	61,860	39,073	32,480	52.5 (63.2)

(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, 2020	--	12.00	--	12.00	24.00
Fiscal year ending March 31, 2021	--	12.00			
Fiscal year ending March 31, 2021 (forecast)			--	12.00	24.00

(Note) Revision of dividend forecasts for the quarter under review: None

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2021

(From April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	55,000	11.5	6,500	42.9	2,800	39.9	54.04

(Note) Revision of consolidated business performance forecasts for the quarter under review: Yes

* 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 September 2020	55,000,000 shares	As of March 2020	55,000,000 shares
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(ii) Numbers of treasury shares at the end of the terms:

As of September 2020	3,160,471 shares	As of March 2020	3,291,482 shares
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(iii) Average numbers of shares outstanding during the periods (quarterly consolidated accumulation periods):

H1 of FY2021	51,786,533 shares	H1 of FY2020	51,863,627 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 3 of the accompanying documents of this summary of financial results for the first half.

Accompanying Documents

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1. Qualitative Information Relating to Consolidated Quarterly Results, Etc.

(1) Information Relating to Consolidated Operating Results

Looking at business conditions for the Group in the first six months under review, markets in Japan, North America and Europe remained in an adjustment phase due to factors that include the adverse effects of the COVID-19 pandemic. In the meantime, recovery to a degree was observed in the Chinese market. Orders received for quick delivery also increased. As a result, the Group posted revenue of ¥26,457 million (down 3.4% year on year), operating profit of ¥2,995 million (up 3.7% year on year) and profit attributable to owners of parent of ¥1,279 million (down 1.2% year on year).

Segment performance is as follows.

- a. In Japan, revenue decreased 30.4%, to ¥9,691 million, and segment loss was ¥201 million, compared to segment profit of ¥368 million in the first half of the previous fiscal year.
- b. In China, revenue increased 23.7%, to ¥21,140 million, and segment profit grew 55.0%, to ¥3,291 million.
- c. In India, revenue declined 63.0%, to ¥473 million, and segment loss amounted to ¥38 million, compared to segment profit of ¥50 million in the first half of the previous fiscal year.
- d. In South Korea, revenue fell 46.0%, to ¥867 million, and segment profit decreased 52.7%, to ¥125 million.
- e. In other markets, revenue dropped 64.2%, to ¥154 million, and segment loss came to ¥33 million, compared to segment profit of ¥20 million in the first half 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 ¥66,789 million at the end of the first half under review, increasing ¥4,928 million from the end of the previous fiscal year.

The increase resulted mainly from rises of ¥1,148 million in cash and cash equivalents, ¥2,936 million in trade and other receivables, ¥688 million in property, plant and equipment and ¥368 million in other financial assets, despite a decrease of ¥295 million in other current assets.

Liabilities totaled ¥25,542 million at the end of the first half under review, growing ¥2,755 million from the end of the previous fiscal year.

The result was mainly attributable to increases of ¥542 million in trade and other payables, ¥1,284 million in borrowings, ¥277 million in income taxes payable and ¥264 million in contract liabilities.

Equity totaled ¥41,246 million at the end of the first half under review, rising ¥2,172 million from the end of the previous fiscal year.

This was largely due to growth of ¥674 million in other components of equity, ¥883 million in retained earnings and ¥503 million in non-controlling interest. The increase in other components of equity included rises of ¥280 million in exchange differences on translation of foreign operations and ¥394 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 amounted to ¥12,070 million at the end of the first half under review, increasing ¥1,148 million from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash generated through operating activities was ¥1,501 million.

The result principally reflected an increase in cash due to profit before tax of ¥3,023 million, a rise in trade and other payables of ¥518 million, a decrease in cash due to growth of ¥2,343 million in trade and other receivables and income taxes paid of ¥932 million.

(Cash flows from investing activities)

Cash used for investing activities was ¥730 million.

The cash outflow was primarily attributable to a decrease in cash due to the purchase of property, plant and equipment of ¥1,008 million.

(Cash flows from financing activities)

Cash generated through financing activities was ¥261 million.

The result principally reflected an increase in cash due to a rise of ¥1,284 million in short-term loans payable and a decrease in cash due to dividends paid of ¥620 million.

(3) Information Relating to Consolidated Business Performance Forecasts

The Company decided to revise its business performance forecasts for the fiscal year ending March 31, 2021, which it had announced on May 27, 2020, as presented below, considering positive changes observed at some users in Japan and the like, and the return of the Chinese market to normal operation, in addition to results for the first half under review.

(Million yen)

	Revenue	Operating profit	Profit attributable to owners of parent	Basic earnings per share (yen)
Previous Forecast (A) (announced on May 27, 2020)	45,000	3,300	1,900	36.74
Revised Forecast (B)	55,000	6,500	2,800	54.04
Change (B-A)	10,000	3,200	900	--
Change Ratio (%)	22.2	97.0	47.4	--
Results for the Previous Fiscal Year (the year ended March 31, 2019)	49,310	4,549	2,001	38.60

The Company plans to pay an annual dividend of ¥24 per share for the fiscal year ending March 31, 2021, comprising an interim dividend of ¥12 per share and a year-end dividend of ¥12 per share, in line with its initial forecast.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2020)	Figures at the end of the consolidated first half under review (As of September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	10,921	12,070
Trade and other receivables	12,258	15,195
Other financial assets	30	30
Inventories	18,343	18,405
Other current assets	1,397	1,102
Total current assets	42,952	46,804
Non-current assets		
Property, plant and equipment	9,648	10,336
Right-of-use assets	1,222	1,257
Intangible assets	1,289	1,225
Retirement benefit asset	82	73
Other financial assets	6,236	6,604
Deferred tax assets	209	261
Other non-current assets	218	225
Total non-current assets	18,908	19,984
Total assets	61,860	66,789

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2020)	Figures at the end of the consolidated first half under review (As of September 30, 2020)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	9,480	10,022
Borrowings	8,867	10,151
Other financial liabilities	175	201
Income taxes payable	310	587
Provisions	402	361
Contract liabilities	1,021	1,285
Other current liabilities	609	707
Total current liabilities	20,866	23,318
Non-current liabilities		
Other financial liabilities	140	148
Retirement benefit liability	915	891
Deferred tax liabilities	635	952
Other non-current liabilities	229	232
Total non-current liabilities	1,920	2,224
Total liabilities	22,787	25,542
Equity		
Share capital	12,345	12,345
Capital surplus	3,306	3,298
Treasury shares	-2,994	-2,875
Other components of equity	1,038	1,713
Retained earnings	18,784	19,668
Equity attributable to owners of parent	32,480	34,149
Non-controlling interests	6,593	7,096
Total equity	39,073	41,246
Total liabilities and net equity	61,860	66,789

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income
(Condensed Quarterly Consolidated Statement of Profit or Loss)

(Million yen)

	Consolidated first half previous year (From April 1, 2019 to September 30, 2019)	Consolidated first half under review (From April 1, 2020 to September 30, 2020)
Revenue	27,396	26,457
Cost of sales	-19,936	-19,536
Gross profit	7,459	6,921
Selling, general and administrative expenses	-4,430	-4,020
Other income	186	119
Other expenses	-326	-24
Operating profit	2,889	2,995
Finance income	187	159
Finance costs	-384	-131
Profit before tax	2,692	3,023
Income tax expense	-933	-1,091
Profit	1,759	1,932
Profit for the year attributable to:		
Owners of parent	1,295	1,279
Non-controlling interests	464	652
Profit	1,759	1,932
Earnings per share		
Basic earnings per share (yen)	24.97	24.71
Diluted earnings per share (yen)	24.45	24.17

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Million yen)

	Consolidated first half previous year (From April 1, 2019 to September 30, 2019)	Consolidated first half under review (From April 1, 2020 to September 30, 2020)
Profit	1,759	1,932
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	249	680
Remeasurements of defined benefit plans	--	--
Total of items that will not be reclassified to profit or loss	249	680
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-1,970	390
Total of items that may be reclassified to profit or loss	-1,970	390
Total other comprehensive income	-1,720	1,071
Comprehensive income	38	3,003
Total comprehensive income for the year attributable to:		
Owners of parent	123	2,242
Non-controlling interests	-84	761
Comprehensive income	38	3,003

(3) Condensed 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, 2019	12,345	3,214	-2,943	-169	2,745
Profit					
Other comprehensive income				-1,421	249
Total comprehensive income for the quarter	--	--	--	-1,421	249
Purchase of treasury shares			-0		
Disposal of treasury shares		-34	72		
Dividends					
Changes in share-based remuneration transactions		87			
Transfer to retained earnings					-0
Total transactions with owners	--	53	72	--	-0
Balance as of September 30, 2019	12,345	3,267	-2,871	-1,590	2,994

	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, 2019	--	2,576	18,052	33,244	6,827	40,072	
Profit			1,295	1,295	464	1,759	
Other comprehensive income		-1,171		-1,171	-548	-1,720	
Total comprehensive income for the quarter	--	-1,171	1,295	123	-84	38	
Purchase of treasury shares				-0		-0	
Disposal of treasury shares			-21	16		16	
Dividends			-621	-621	-230	-852	
Changes in share-based remuneration transactions				87		87	
Transfer to retained earnings		-0	0	--		--	
Total transactions with owners	--	-0	-642	-518	-230	-748	
Balance as of September 30, 2019	--	1,404	18,704	32,850	6,512	39,362	

(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, 2020	12,345	3,306	-2,994	-1,535	2,574
Profit					
Other comprehensive income				281	680
Total comprehensive income for the quarter	--	--	--	281	680
Purchase of treasury shares			-0		
Disposal of treasury shares		-57	119		
Dividends					
Changes in share-based remuneration transactions		54			
Transfer to retained earnings					-286
Equity transactions with non-controlling interests		-5		-1	
Total transactions with owners	--	-8	119	-1	-286
Balance As of September 30, 2020	12,345	3,298	-2,875	-1,255	2,968

	Equity attributable to owners of parent					Non-controlling interests	Total
	Other components of equity		Retained earnings	Total			
	Remeasurements of defined benefit plans	Total					
Balance as of April 1, 2020	--	1,038	18,784	32,480	6,593	39,073	
Profit		--	1,279	1,279	652	1,932	
Other comprehensive income		962		962	108	1,071	
Total comprehensive income for the quarter	--	962	1,279	2,242	761	3,003	
Purchase of treasury shares		--		-0		-0	
Disposal of treasury shares		--	-61	0		0	
Dividends		--	-620	-620	-228	-849	
Changes in share-based remuneration transactions		--		54		54	
Transfer to retained earnings		-286	286	--		--	
Equity transactions with non-controlling interests		-1		-7	-28	-35	
Total transactions with owners	--	-287	-396	-572	-257	-830	
Balance As of September 30, 2020	--	1,713	19,668	34,149	7,096	41,246	

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Consolidated first half previous year (From April 1, 2019 to September 30, 2019)	Consolidated first half under review (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before tax	2,692	3,023
Depreciation and amortization	580	710
Finance income	-187	-159
Finance costs	44	48
Loss on retirement of fixed assets	1	7
Loss (gain) on sale of fixed assets	-5	-0
Loss from performance of defect liability, etc	307	--
Decrease (increase) in inventories	2,410	75
Decrease (increase) in trade and other receivables	2,405	-2,343
Increase (decrease) in trade and other payables	-2,869	518
Increase (decrease) in contract liabilities	-582	253
Increase or decrease in retirement benefit asset or liability	18	-15
Increase (decrease) in provisions	-94	-40
Other	112	79
Subtotal	4,835	2,162
Interest and dividends received	167	157
Interest paid	-44	-48
Government grant income	129	8
Proceeds from subsidy income	--	20
Income taxes paid	-570	-932
Income taxes refund	--	134
Net cash provided by (used in) operating activities	4,518	1,501
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	-1,845	-1,008
Proceeds from sale of property, plant and equipment	6	0
Payments for retirement of property, plant and equipment	-0	-4
Purchase of intangible assets	-455	-188
Purchase of right-of-use assets	-183	--
Purchase of investment securities	-1	-1
Proceeds from sale of investment securities	0	471
Other	-0	-0
Net cash provided by (used in) investing activities	-2,479	-730
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-1,747	1,284
Proceeds from sale of treasury shares	16	0
Purchase of treasury shares	-0	-0
Dividends paid	-621	-620
Dividends paid to non-controlling interests	-230	-228
Payments for acquisition of interests in subsidiaries from non-controlling interests	--	-35
Repayments of lease liabilities	-59	-137
Net cash provided by (used in) financing activities	-2,643	261

Effect of exchange rate changes on cash and cash equivalents	-613	115
Net increase (decrease) in cash and cash equivalents	<u>-1,217</u>	<u>1,148</u>
Cash and cash equivalents at the beginning of the term	<u>11,112</u>	<u>10,921</u>
Cash and cash equivalents at the end of the term	<u><u>9,895</u></u>	<u><u>12,070</u></u>

(5) Notes relating to Condensed 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 half previous year (From April 1, 2019 to September 30, 2019)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	11,063	13,157	1,244	1,577	353	27,396	--	27,396
Intersegment revenue	2,854	3,935	34	27	77	6,929	-6,929	--
Total	13,918	17,092	1,279	1,604	430	34,325	-6,929	27,396
Segment profit (loss)	368	2,124	50	265	20	2,829	199	3,029
Other income and expenses, net	--	--	--	--	--	--	--	-139
Operating profit	--	--	--	--	--	--	--	2,889
Finance income and expenses, net	--	--	--	--	--	--	--	-196
Profit before tax	--	--	--	--	--	--	--	2,692

(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 ¥199 million is the adjustment of unrealized income.

Consolidated first half under review (From April 1, 2020 to September 30, 2020)

(Million yen)

	Reportable segment						Adjustment	Consolidated
	Japan	China	India	South Korea	Other	Total		
Revenue								
Revenue from external customers	7,257	17,759	473	841	126	26,457	--	26,457
Intersegment revenue	2,434	3,381	--	25	27	5,868	-5,868	--
Total	9,691	21,140	473	867	154	32,326	-5,868	26,457
Segment profit (loss)	-201	3,291	-38	125	-33	3,144	-243	2,900
Other income and expenses, net	--	--	--	--	--	--	--	94
Operating profit	--	--	--	--	--	--	--	2,995
Finance income and expenses, net	--	--	--	--	--	--	--	28
Profit before tax	--	--	--	--	--	--	--	3,023

(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 ¥-243 million is the adjustment of unrealized income.

3. Supplementary Information

(1) Overseas revenue

(Million yen)

	Consolidated first half previous year (From April 1, 2019 to September 30, 2019)	Consolidated first half under review (From April 1, 2020 to September 30, 2020)
China	13,489	17,659
Asia	4,863	3,732
America	2,384	1,573
Europe	1,339	584
Overseas revenue	22,075	23,550
Consolidated revenue	27,396	26,457
Ratio of overseas revenue to consolidated net sales (%)	80.6	89.0

(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 half previous year (From April 1, 2019 to September 30, 2019)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Automatic lathes	7,660	11,013	1,144	1,549	269	21,636
Grinding machines	1,346	514	69	--	--	1,929
Machining centers, rolling machines and specialized machines	841	1,221	--	--	--	2,063
Other	1,215	407	31	28	84	1,766
Total	11,063	13,157	1,244	1,577	353	27,396

(Note) "Other" include components and services.

Consolidated first half under review (From April 1, 2020 to September 30, 2020)

(Million yen)

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Automatic lathes	5,026	15,160	455	812	73	21,529
Grinding machines	604	645	--	5	--	1,255
Machining centers, rolling machines and specialized machines	652	1,539	--	5	8	2,206
Other	973	413	17	18	44	1,466
Total	7,257	17,759	473	841	126	26,457

(Note) "Other" include components and services.