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## **Precision Tsugami (China) Corporation Limited**

**津上精密機床（中國）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1651)**

### **INSIDE INFORMATION ANNUAL SECURITIES REPORT OF THE CONTROLLING SHAREHOLDER, TSUGAMI CORPORATION FOR THE YEAR ENDED 31 MARCH 2022**

This announcement is issued by Precision Tsugami (China) Corporation Limited (the “**Company**”) pursuant to Part XIVA of the Securities and Futures Ordinance and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Reference is made to the announcement made by the Company on 12 May 2022 in relation to the financial results of the Company’s controlling shareholder, Tsugami Japan, for the year ended 31 March 2022 (the “**Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise defined.

According to the Announcement, Tsugami Japan will file the Tsugami Japan’s Annual Securities Report on 22 June 2022. The Board wishes to update the shareholders and potential investors of the Company that following Tsugami Japan’s adoption of IFRS as its accounting standard, certain additional financial information and/or related information relating to the Group will be included in Tsugami Japan’s Annual Securities Report.

Although Tsugami Japan adopts the same accounting standard as the Group adopted for the preparation and presentation of its consolidated financial results and related financial information, the difference in entities comprising Tsugami Japan’s consolidation and the Group’s consolidation makes the financial results and related information set forth in Tsugami Japan’s Annual Securities Report not directly comparable to the financial results and related financial information that the Company discloses. For example, any inter-company transactions between Tsugami Japan and the Group would be eliminated for Tsugami Japan’s Annual Securities Report but remain recorded for the Group’s financial results.

## Extracted and translated from Tsugami Japan's Annual Securities Report

– Released by Tsugami Japan and prepared under IFRS

### 4. Situations of affiliates

Name	Address	Capital or investments	Major business	Ownership of voting rights (%)	Relations
Precision Tsugami (China) Corporation Limited (Note 1)	The Cayman Islands	380 million Hong Kong dollar	Holding Company	70.9	Holds all shares in Precision Tsugami (Hong Kong) Limited. There are interlocking officers.
Precision Tsugami (Hong Kong) Limited (Note 1, 3)	Hong Kong, China	767 million Hong Kong dollar	Holding Company	100 (100)	Holds all shares in Precision Tsugami (China) Corporation. There are interlocking officers.
Precision Tsugami (China) Corporation (Note 1, 2, 3)	Zhejiang, China	517 million yuan	Manufacturing and sales of machine tools in China	100 (100)	Manufactures and sells products of the Company. There are interlocking officers.
Shinagawa Precision Machinery (Zhejiang) Co., Ltd (Note 3)	Zhejiang, China	35 million yuan	Manufacturing and sales of machine tool castings in China	100 (100)	Manufactures and sells of machine tool castings for products of the Company. There are interlocking officers.
Precision Tsugami (Anhui) Corporation (Note 1, 3)	Anhui, China	150 million yuan	Manufacturing and sales of machine tools, castings and other parts in China	100 (100)	Manufactures and sells the products of the Company and castings for the Company's products, etc. There are interlocking officers.
Precision Nakatsu (China) Corporation (Note 1, 3)	Zhejiang, China	223 million yuan	Manufacturing and sales of machine tools in China	100 (100)	Plans to manufacture and sell products of the Company. There are interlocking officers.

(Note)

1. It is classified as a specified subsidiary.
2. The ratio of the net sales of Precision Tsugami (China) Corporation (excluding intra-Group sales among consolidated companies) to consolidated net sales exceeded 10%.

Information on major profit and other items

(1)	Revenue	¥77,503 million
(2)	Profit before tax	¥16,874 million
(3)	Profit	¥12,768 million
(4)	Total equity	¥35,309 million
(5)	Total assets	¥60,710 million

3. The figure in the parenthesis is the indirect ownership of voting rights.

### 3 Analysis of financial position, operating results, and cash flows by management

#### (1) Overview of operating results, etc.

##### ① Financial position and operating results

(Operating results)

In terms of the business environment surrounding the Group during the fiscal year under review, the Chinese market and all other markets remained firm, despite increasing uncertainty in overseas markets.

(Operating results by business segment)

- b. In China, revenue was ¥77,707 million, up by 58.0% year over year. Segment profit was ¥15,862 million, up by 84.8% year over year.

##### ③ Production, orders received, and sales

###### a. Production performance

The table below shows production performance by segment for the fiscal year under review.

<b>Business segment</b>	<b>Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022) (Million yen)</b>	<b>Year on year (%)</b>
China	43,266	167.1

(Note)

1. The amounts above are amounts before intra-Group transfers based on standard invoice prices.
2. The amounts above do not include consumption taxes.

c. Sales performance

The table below shows sales performance by business segment for the fiscal year under review.

<b>Business segment</b>	<b>Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022) (Million yen)</b>	<b>Year on year (%)</b>
China	<u>64,656</u>	<u>149.8</u>

*(Note)*

1. Transactions between the segments were canceled out.

**(2) Analysis and consideration of operating results, etc. from the perspective of management**

① *The recognition, analysis and consideration of operating results, etc.*

- a. Analysis of operating results for the consolidated fiscal year under review (Revenue)

Breakdown by region of overseas net sales in the consolidated fiscal year under review are as follows:

	<i>(Million yen)</i>
	China
I Overseas revenue	62,943
III Ratio of overseas revenue to consolidated revenue (%)	67.6

*(Note)*

1. National or regional classifications are based on geographic proximity.
3. Overseas revenue refers to revenue achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

(Segment)

- c. Information on analysis/consideration of cash flows, source of capital and liquidity of funds

Capital investment through funds obtained from operating activities, such as the expansion and renovation of a new plant in Zhejiang, China, and the construction of a new plant in India, is planned as described in “Section 3. Facilities, 3. Equipment introduction and retirement plans”.

## Section 3. Facilities

### 1. Overview of capital investment

Capital expenditures in China were ¥2,483 million, which was allocated primarily to production facilities at Precision Tsugami (China) Corporation and Precision Tsugami (Anhui) Corporation, and a new plant and land-use rights at Precision Nakatsu (China) Corporation.

### 2. Major facilities

The table below shows major facilities of the Group.

#### (2) Overseas subsidiary

As of March 31, 2022

Corporate name	Factory (location)	Business segment	Facilities	Book value (Million yen)					Total	Number of employees
				Buildings	Machinery and equipment	Land (m <sup>2</sup> )	Other	Right of-use assets		
Precision Tsugami (China) Corporation	China factory (Zhejiang, China)	China	Equipment for producing machine tools	2,670	1,866	-	114	527	5,178	2,044 (-)
Precision Tsugami (Anhui) Corporation	China factory (Anhui, China)	China	Equipment for producing machine tools	3,076	904	-	68	189	4,238	141 (-)
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	China factory (Zhejiang, China)	China	Equipment for producing machine tools	291	95	-	22	54	464	76 (-)
Precision Nakatsu (China) Corporation	China factory (Zhejiang, China)	China	Equipment for producing machine tools	-	5	-	3	578	586	-

(Note)

1. The book value in the “Other” column is a total value of tools, and equipment and fixtures and does not include construction in progress.
2. The number in parentheses in the number of employee’s column is the number of temporary employees.

### 3. *Equipment introduction and retirement plans*

The table below shows plans for the introduction of important equipment as of the end of the fiscal year under review.

Corporate name, factory	Location	Business segment	Facilities	Planned investments		Financing method	Planned start and completion date	
				Total (Million yen)	Amount paid (Million yen)		Start	Completion
Precision Nakatsu (China) Corporation	Zhejiang, China	China	Buildings, machinery and equipment	3,800	1,402	Self-financing	April 2022	December 2023

## Notes to Consolidated Financial Statements

### 6. *Segment information*

#### (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.

#### **Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)**

	<i>(Million yen)</i>
	<b>Reportable segment China</b>
Revenue	
External	43,172
Inter-segment	6,012
	<hr/>
Total	49,184
	<hr/> <hr/>
Segment profit (loss)	8,585
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Other items	
Depreciation and amortization	758
Segment assets	45,303
Capital expenditure	1,982
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*(Note)*

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

**Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022)**

*(Million yen)*

	<b>Reportable segment China</b>
Revenue	
External	64,656
Inter-segment	<u>13,051</u>
Total	<u><u>77,707</u></u>
Segment profit (loss)	<u><u>15,862</u></u>
Other items	
Depreciation and amortization	1,031
Segment assets	67,365
Capital expenditure	<u><u>2,520</u></u>

*(Note)*

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

**(4) Regional information**

The breakdown of revenues and non-current assets by region is as follows.

Revenue from external customers

	<b>Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)</b>	<b>Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)</b>
China	<u><u>42,393</u></u>	<u><u>62,943</u></u>

*(Note)* Revenues are classified by country or region based on the customer's location.

Non-current assets

(Million yen)

	<b>Previous consolidated fiscal year (March 31 2021)</b>	<b>Consolidated fiscal year under review (March 31 2021)</b>
China	<u>9,354</u>	<u>12,162</u>

(Note) Non-current assets are classified based on their location and do not include financial instruments, deferred tax assets and assets related to retirement benefits.

## 25. Revenue

### (1) Disaggregation of revenue

The relationship between the disaggregation of revenue based on major product lines and reportable segments is as follows.

#### Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Million yen)

	<b>Reportable segment China</b>
Major product lines	
Automatic lathes	37,468
Grinding machines	1,570
Machining centers, Rolling machines and Specialized machines	3,156
Other	<u>976</u>
Total	<u><u>43,172</u></u>

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



**Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022)**

*(Million yen)*

	<b>Reportable segment China</b>
Major product lines	
Automatic lathes	56,174
Grinding machines	2,834
Machining centers, Rolling machines and Specialized machines	4,171
Other	1,476
	<hr/>
Total	64,656
	<hr/> <hr/>

*(Note)* “Other” in main product lines include components and services.

**27. Other income and expenses**

The breakdown of other income is as follows.

*(Million yen)*

	<b>Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)</b>	<b>Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)</b>
Insurance income	57	1,938
Subsidy income	392	980
	<hr/> <hr/>	<hr/> <hr/>

*(Note)*

- Insurance income during the consolidated fiscal year under review includes insurance related to a fire accident at our subsidiary, Precision Tsugami (China) Corporation, which occurred on 17 August 2021.
- The subsidy income is mainly the government subsidy received by the Chinese subsidiary.

The breakdown of other expenses is as follows.

*(Million yen)*

	<b>Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)</b>	<b>Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)</b>
Disaster Loss	-	1,895
	<hr/> <hr/>	<hr/> <hr/>

*(Note)*

- The disaster loss during the consolidated fiscal year under review is the loss due to the fire accident at our subsidiary, Precision Tsugami (China) Corporation, on August 17, 2021, and the loss of raw materials, etc.

## 34. Significant subsidiaries

### (2) Consolidated subsidiaries with significant non-controlling interests

The condensed consolidated financial information of consolidated subsidiaries for which the Company recognizes significant non-controlling interests is as follows. The condensed financial information shows amounts before eliminating intra-group transactions.

Precision Tsugami (China) Corporation Limited (this company and its subsidiaries)

#### ① Percentage interest owned by non-controlling interests

	<b>Previous consolidated fiscal year (As of March 31, 2021)</b>	<b>Consolidated fiscal year under review (As of March 31, 2022)</b>
Percentage interest owned by non-controlling interests (%)	29.1	29.1

#### ② Condensed consolidated financial information

##### (i) Condensed consolidated statement of financial position

*(Million yen)*

	<b>Previous consolidated fiscal year (As of March 31, 2021)</b>	<b>Consolidated fiscal year under review (As of March 31, 2022)</b>
Current assets	36,008	55,239
Non-current assets	9,664	12,422
Current liabilities	15,095	23,357
Non-current liabilities	931	1,521
Equity	29,645	42,783
Accumulated amount of non-controlling interests	8,548	12,231

Major items of current assets are “cash and cash equivalents”, “trade and other receivables” and “inventories”, while the major item of non-current assets is “property, plant and equipment”, and the major item of current liabilities is “trade and other payables”.

(ii) Condensed Consolidated Statements of Income and Comprehensive Income

*(Million yen)*

	<b>Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)</b>	<b>Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)</b>
Revenue	48,874	77,436
Profit	6,145	11,692
Comprehensive income	6,145	11,692
Profit allocated to non-controlling interests	1,718	3,148
Dividends paid to non-controlling interests	454	1,039

(iii) Condensed Consolidated Statements of Cash Flows

*(Million yen)*

	<b>Previous consolidated fiscal year (From April 1, 2020 to March 31, 2021)</b>	<b>Consolidated fiscal year under review (From April 1, 2021 to March 31, 2022)</b>
Cash flows from operating activities	4,716	7,525
Cash flows from investing activities	473	-2,055
Cash flows from financing activities	-1,659	-3,274
Net increase (decrease) in cash and cash equivalents	3,529	2,195

Tsugami Japan's Disclosures contain forward-looking information. Tsugami Japan has full and independent discretion as to the determination of such forward-looking information by considering factors which Tsugami Japan considers appropriate and relevant for its reporting and disclosure purposes. Forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, the Company's results may differ from those expressed in any forward-looking statements made by Tsugami Japan, including the Tsugami Japan's Disclosures. In light of the risks and uncertainties, the forward-looking information in the Tsugami Japan's Disclosures should not be regarded as representations by the Board or the Company, or that the plans and objectives will be achieved by the Company. The Company's shareholders and potential investors are advised not to place undue reliance on the contents of Tsugami Japan's Disclosures and to exercise caution in dealing in the securities of the Company.

By Order of the Board  
**Precision Tsugami (China) Corporation Limited**  
**Dr. Tang Donglei**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 22 June 2022

*As at the date of this announcement, the executive directors of the Company are Dr. Tang Donglei and Dr. Li Zequn; the non-executive directors of the Company are Mr. Takao Nishijima, Ms. Mami Matsushita and Mr. Motoi Yamada; and the independent non executive directors of the Company are Dr. Eiichi Koda, Dr. Huang Ping and Mr. Tam Kin Bor.*