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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 FINANCIAL RESULTS OF THE CONTROLLING SHAREHOLDER, TSUGAMI CORPORATION FOR THE NINE MONTHS ENDED 31 DECEMBER 2022

This announcement is issued 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.

On 30 January 2023 (at 12:00 p.m. Hong Kong time), the Company's controlling shareholder, Tsugami Japan will announce and file its financial results for the nine months ended 31 December 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 Company's controlling shareholder, Tsugami Corporation ("**Tsugami Japan**"), is a company listed on the Tokyo Stock Exchange. As at the date of this announcement, Tsugami Japan beneficially owns approximately 70.90% of the issued shares in the capital of the Company.

Tsugami Japan publishes quarterly and annual financial results announcements (hereinafter collectively referred to as "**Tsugami Japan's Disclosures**") with financial information on, among other things, sales of its China segment, comprising those contributed by operations of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**"). Tsugami Japan's Disclosures include periodic financial results and explanatory statements on final accounts released by Tsugami Japan pursuant to the requirements under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended). Tsugami Japan's financial reports are available in the public domain.

Tsugami Japan will announce and file its financial results for the nine months ended 31 December 2022 (“**Tsugami Japan’s Quarterly Financial Results**”) on 30 January 2023 (at 12:00 p.m. Hong Kong time). In addition, Tsugami Japan will file the quarterly securities report for the nine months ended 31 December 2022 (“**Tsugami Japan’s Quarterly Securities Report**”) on 14 February 2023. If you wish to review Tsugami Japan’s Quarterly Financial Results and Tsugami Japan’s Quarterly Securities Report prepared by Tsugami Japan, please visit the following websites:

Tsugami Japan’s Quarterly Financial Results (in Japanese):

<https://www.tsugami.co.jp/ir/earnings/>

Tsugami Japan’s Quarterly Securities Report (in Japanese):

<https://www.tsugami.co.jp/ir/security-report/>

Except for Tsugami Japan’s Quarterly Securities Report, you can find the English translation of the document above at:

<https://www.tsugami.co.jp/eng/ir/>

The financial results of Tsugami Japan and its subsidiaries, including those contained in Tsugami Japan’s Quarterly Financial Results and Tsugami Japan’s Quarterly Securities Report, have been prepared in accordance with the International Financial Reporting Standards (“**IFRS**”). 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 Quarterly Financial Results and Tsugami Japan’s Quarterly 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 Quarterly Financial Results but remain recorded for the Group’s financial results.

Translated from Tsugami Japan's Quarterly Financial Results

– Released by Tsugami Japan and prepared under IFRS

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

(1) Information Relating to Consolidated Operating Results

- ② In China, revenue was ¥64,053 million, up 3.6% year on year. Segment profit was ¥11,829 million, down 10.1% year on year.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes

(5) Notes relating to Condensed Quarterly Consolidated Financial Statements

(Segment information)

(2) Segment revenues and operating results

Inter-segment sales revenues are based on market prices.

Revenues and operating results of the Group's reportable segments are as follows.

Previous consolidated third quarter (from April 1, 2021 to December 31, 2021)

| | <i>(Million yen)</i> |
|-----------------------|---|
| | Reportable segment China |
| Revenue | |
| External | 52,382 |
| Inter-segment | 9,467 |
| | <hr/> |
| Total | 61,850 |
| | <hr/> <hr/> |
| Segment profit (loss) | 13,152 |
| | <hr/> <hr/> |

(Note)

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

Consolidated third quarter under review (from April 1, 2022 to December 31, 2022)

(Million yen)

| | Reportable segment China |
|----------------|---|
| Revenue | |
| External | 48,806 |
| Inter-segment | <u>15,246</u> |
| Total | <u><u>64,053</u></u> |
| Segment profit | <u><u>11,829</u></u> |

(Note)

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

3. Supplementary Information

(1) Overseas revenue

(Million yen)

| | Previous consolidated third quarter (April 1, 2021 to December 31, 2021) | Consolidated third quarter under review (April 1, 2022 to December 31, 2022) |
|-------|---|---|
| China | <u>51,114</u> | <u>48,662</u> |

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

(2) Revenue by machinery category

The relationship between the breakdown of revenue by major product line and the reportable segments is as follows.

Previous consolidated third quarter (from April 1, 2021 to December 31, 2021)

(Million yen)

| | Reportable segment China |
|--|---|
| Major product lines | |
| Automatic lathes | 45,684 |
| Grinding machines | 2,382 |
| Machining centers, Rolling machines and Specialized machines | 3,192 |
| Other | 1,122 |
| | <hr/> |
| Total | 52,382 |
| | <hr/> <hr/> |

(Note) Other in the major product lines includes parts and services.

Consolidated third quarter under review (from April 1, 2022 to December 31, 2022)

(Million yen)

| | Reportable segment China |
|--|---|
| Major product lines | |
| Automatic lathes | 40,862 |
| Grinding machines | 2,298 |
| Machining centers, Rolling machines and Specialized machines | 4,269 |
| Other | 1,375 |
| | <hr/> |
| Total | 48,806 |
| | <hr/> <hr/> |

(Note) Other in the major product lines includes parts and services.

Translated from Tsugami Japan's Interim Securities Report

– Released by Tsugami Japan and prepared under IFRS

Condensed Quarterly Consolidated Financial Statements

9. Other income and expenses

(1) Other income

The breakdown of other income is as follows.

| | <i>(Million yen)</i> | |
|------------------|---|---|
| | Previous consolidated third quarter (April 1, 2021 to December 31, 2021) | Consolidated third quarter under review (April 1, 2022 to December 31, 2022) |
| Insurance income | 1,937 | 47 |
| Subsidy income | <u>470</u> | <u>922</u> |

(Note) 1. Insurance income during the previous consolidated third quarter include insurance related to a fire accident at our subsidiary, Precision Tsugami (China) Corporation, which occurred on August 17, 2021.

2. Subsidy income mainly comes from government grants of Chinese Subsidiaries.

(2) Other expenses

The breakdown of other expenses is as follows.

| | <i>(Million yen)</i> | |
|---------------|---|---|
| | Previous consolidated third quarter (April 1, 2021 to December 31, 2021) | Consolidated third quarter under review (April 1, 2022 to December 31, 2022) |
| Disaster loss | <u>1,895</u> | <u>–</u> |

(Note) 1. The disaster loss during the previous consolidated third quarter 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.

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 of directors of the Company 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, 30 January 2023

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.