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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 YEAR ENDED 31 MARCH 2023

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 11 May 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 year ended 31 March 2023.

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 year ended 31 March 2023 (“**Tsugami Japan’s Annual Financial Results**”) on 11 May 2023 (at 12:00 p.m. Hong Kong time). On the same day (at 2 p.m. Hong Kong time), Tsugami Japan will hold FY2023 Financial Results Briefing for Analysts/Institutional Investors and post the presentation material for the results briefing (“**Tsugami Japan’s Results Briefing**”) on its website. In addition, Tsugami Japan will publish the business report for the year ended 31 March 2023 (“**Tsugami Japan’s Business Report**”) on 21 June 2023 and file the annual securities report for the year ended 31 March 2023 (“**Tsugami Japan’s Annual Securities Report**”) on 21 June 2023. If you wish to review Tsugami Japan’s Annual Financial Results, Tsugami Japan’s Results Briefing, Tsugami Japan’s Business Report and Tsugami Japan’s Annual Securities Report prepared by Tsugami Japan, please visit the following websites:

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

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

Tsugami Japan’s Results Briefing (in Japanese):

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

Tsugami Japan’s Business Report (in Japanese):

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

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

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

You can find the English translation of the documents 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 Annual Financial Results, Tsugami Japan’s Results Briefing, Tsugami Japan’s Business Report and Tsugami Japan’s Annual 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 Annual Financial Results and 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 Financial Results but remain recorded for the Group’s financial results.

Set out below is the disclosure in relation to the financial performance of the Group and/or business plans of Tsugami Japan involving the Group as extracted from Tsugami Japan’s Annual Financial Results:

Translated from Tsugami Japan's Annual Financial Results

– Released by Tsugami Japan and prepared under IFRS

1. Overview of operating results under review

(1) Over view of Operating Results in Fiscal Year Under Review

① Operating results in fiscal year under review

- ② In China, revenue was ¥80,346 million, up 3.4% year over year. Segment profit was ¥15,395 million, down 2.9% year over year.

3. Consolidated Financial Statements and Significant Notes

(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 fiscal year (from April 1, 2021 to March 31, 2022)

	<i>(Million yen)</i>
	Reportable segment China
Revenue	
External	64,656
Inter-segment	13,051
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Total	77,707
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Segment profit (loss)	15,862
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Other items	
Depreciation and amortization	1,031
Segment assets	67,365
Capital expenditure	2,520
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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, 2022 to March 31, 2023)

(Million yen)

	Reportable segment China
Revenue	
External	62,140
Inter-segment	18,206
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Total	<u>80,346</u>
Segment profit (loss)	<u>15,395</u>
Other items	
Depreciation and amortization	1,230
Segment assets	68,231
Capital expenditure	1,022
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(Note)

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

(3) Regional information

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

(Million yen)

	Previous consolidated fiscal year (March 31 2022)	Consolidated fiscal year under review (March 31 2023)
China	<u>12,162</u>	<u>11,908</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.

(Important post-balance sheet events)

(Disposal of existing shares in affiliate company)

At the board meeting held by our Company on April 21 2023, it was resolved to pursue a plan for the disposal of certain shares held in our affiliate company, Precision Tsugami (China) Corporation Limited (which is listed on The Stock Exchange of Hong Kong Limited, and hereinafter referred to as PTC).

1. Overview

There has always been market anticipation to improve the circulation of the shares of PTC. Accordingly, we decide to dispose a portion of our shares in PTC, which represents approximately 5.9% of the issued share capital of PTC.

(1) Details of the affiliate company

Company name: Precision Tsugami (China) Corporation Limited)

(2) Number of shares intended to be disposed: 22,470,000 shares of PTC (representing approximately 5.9% of the issued share capital of 380,804,000 shares of PTC)

After the intended disposal, our shareholding in PTC is expected to decrease from 70.9% to 65.0%.

2. Impact on profit and loss

The disposal of shares will be recorded as a special profit in the financial statements for the year ending 31 March 2024. The amount will be announced once it is determined. (In addition, there will be no impact on the consolidated profit and loss.)

4. Supplementary Information

(1) Overseas revenue

	<i>(Million yen)</i>	
	Previous consolidated fiscal year (From April 1 2021 to March 31 2022)	Consolidated fiscal year under review (From April 1 2022 to March 31 2023)
China	<u>62,943</u>	<u>62,048</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 fiscal year (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment China
Major product lines	
Automatic lathes	56,174
Grinding machines	2,834
Machining centers, Rolling machines and Specialized machines	4,171
Other	1,476
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Total	64,656
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(Note) Other in the major product lines includes parts and services.

Consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment China
Major product lines	
Automatic lathes	52,417
Grinding machines	3,018
Machining centers, Rolling machines and Specialized machines	4,995
Other	1,708
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Total	62,140
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(Note) Other in the major product lines includes parts and services.

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 Tsugami Japan’s Disclosures. In light of the risks and uncertainties, the forward-looking information in Tsugami Japan’s Disclosures should not be regarded as representations by the board of directors of the Company (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, 11 May 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.