

PRECISION  
**TSUGAMI**  
CHINA

PRECISION TSUGAMI (CHINA) CORPORATION LIMITED  
津上精密機床(中國)有限公司

2021-2022

Annual Results Presentation

28 June 2022

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# Agenda

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Annual Results Summary



2

Annual Business Review



3

Appendix



# 1 Annual Results Summary

(April 2021 to March 2022)



1.1 Financial Results Summary



1.2 Key Financial Indicators



1.3 Sales Revenue by Product Category



1.4 Distribution of Domestic and Overseas Sales Revenue



1.5 Distribution of Domestic Downstream Customers by Industry

# 1.1 Financial Results Summary

- The Group's sales revenue, gross profit, net profit and earnings per share all hit record highs;
- Sales revenue amounted to RMB4.420 billion, gross profit was RMB1.173 billion, net profit was RMB667 million and earnings per share were RMB1.75;
- Sales revenue increased by 41.8%, gross profit surged by 53.3% and net profit soared by 70.3%.

(Unit: RMB'000)

Item	FY2020	FY2021	FY2022	Y-o-Y Increase
Sales Revenue	1,943,569	3,116,976	4,419,887	41.8%
Gross Profit (Gross Profit Margin)	392,093 (20.2%)	765,307 (24.6%)	1,173,029 (26.5%)	53.3% 1.9pct
Operating Profit* (Operating Profit Margin)	207,840 (10.7%)	544,563 (17.5%)	914,388 (20.7%)	67.9% 3.2pct
Net Profit (Net Profit Margin)	155,823 (8.0%)	391,952 (12.6%)	667,404 (15.1%)	70.3% 2.5pct
Earnings per Share (RMB)	0.41	1.03	1.75	69.9%

\*Operating profit: Gross Profit less Sales and Management Expenses.

# 1.2 Key Financial Indicators

<b>1. Safety</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
1.1 Current Ratio (Current Assets ÷ Current Liabilities)	3.2	2.4	2.4
1.2 Quick Ratio ((Current Assets - Inventory) ÷ Current Liabilities)	1.8	1.6	1.5
1.3 Gearing Ratio ((Total Liabilities ÷ Total Assets) × 100%)	23.9%	35.1%	36.8%
<b>2. Revenue</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
2.1 Return on Equity (ROE) ((Net Profit ÷ Net Assets) × 100%)	10.6%	24.3%	33.5%
2.2 Return on Assets (ROA) ((Net Profit ÷ Total Assets) × 100%)	8.1%	16.9%	21.5%
<b>3. Cash Flow (RMB'000)</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
3.1 Net Cash Flow Generated from Operating Activities	175,953	300,711	429,514
3.2 Cash and Cash Equivalents	205,010	430,115	555,433
3.3 Current Account Ratio ((Current Income ÷ Current Expenses) × 100%)	109.7%	112.6%	111.3%
<b>4. Capital Turnover</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
4.1 Average Inventory Turnover Days	149	100	96
4.2 Average Turnover Days of Trade and Bills Receivables	88	83	91
4.3 Average Turnover Days of Trade and Bills Payables	80	66	76

# 1.3 Sales Revenue by Product Category

- The Group's main product, precision lathes, maintained a leading market position in China. Sales revenue increased by 43.3% year-on-year reaching a record high;
- Driven by the automotive industry, sales of precision grinding machines saw a robust year-on-year increase of 57.1%.
- Sales of machining centers also reached a record high.

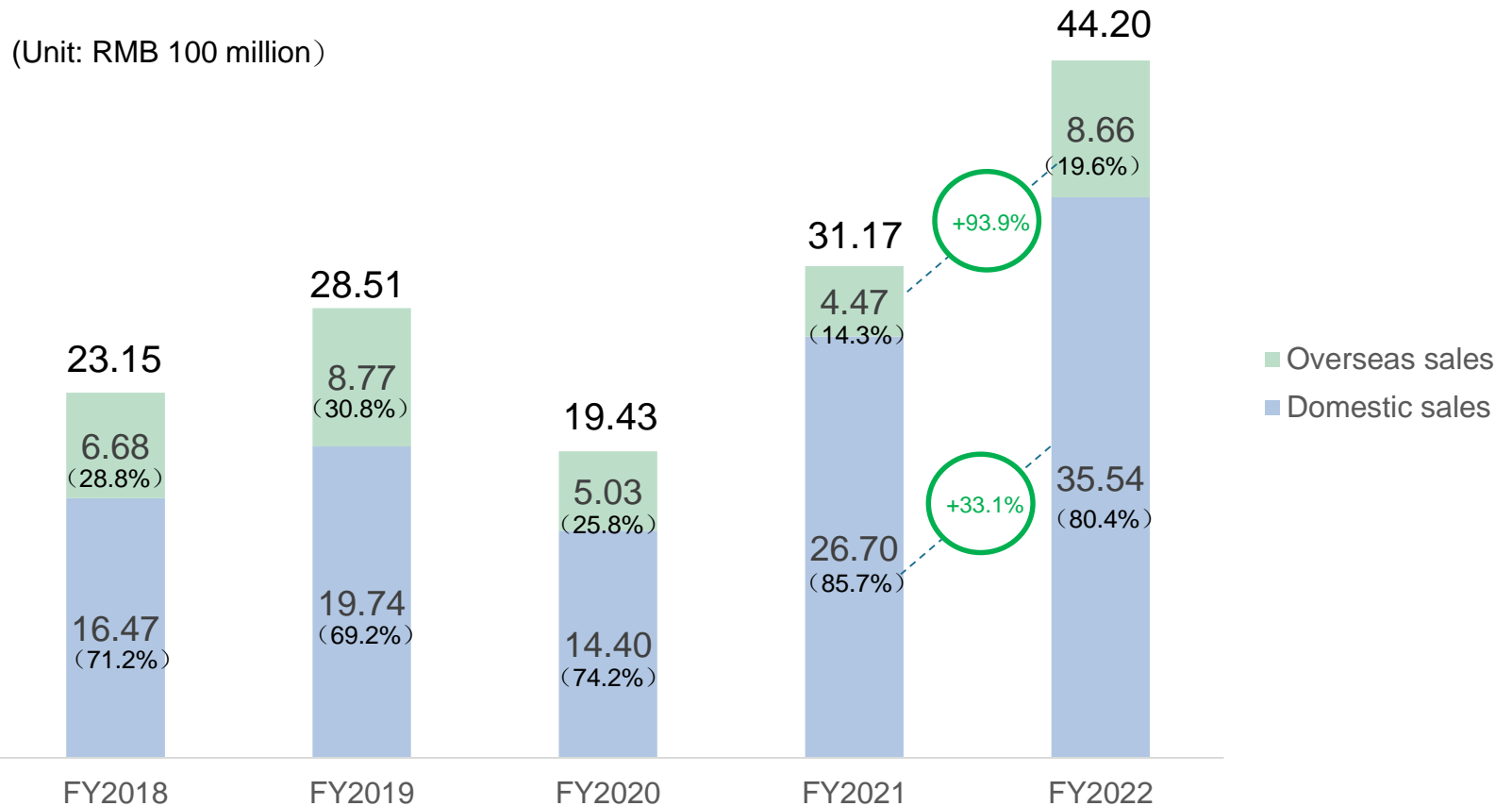
(Unit: RMB'000)

Type	FY2020	Proportion	FY2021	Proportion	FY2022	Proportion	Y-o-Y Increase
Precision lathes	1,677,004	86.3%	2,701,274	86.7%	3,870,022	87.6%	43.3%
Precision machining centers	107,907	5.5%	196,918	6.3%	233,935	5.3%	18.8%
Precision grinding machines	82,988	4.3%	107,942	3.5%	169,599	3.8%	57.1%
Other*	75,670	3.9%	110,842	3.5%	146,331	3.3%	32.0%
<b>Total</b>	<b>1,943,569</b>	<b>100%</b>	<b>3,116,976</b>	<b>100%</b>	<b>4,419,887</b>	<b>100%</b>	<b>41.8%</b>

Other\*: Includes revenue from sales of precision thread and form rolling machines, and parts and after-sales services

# 1.4 Distribution of Domestic and Overseas Sales Revenue

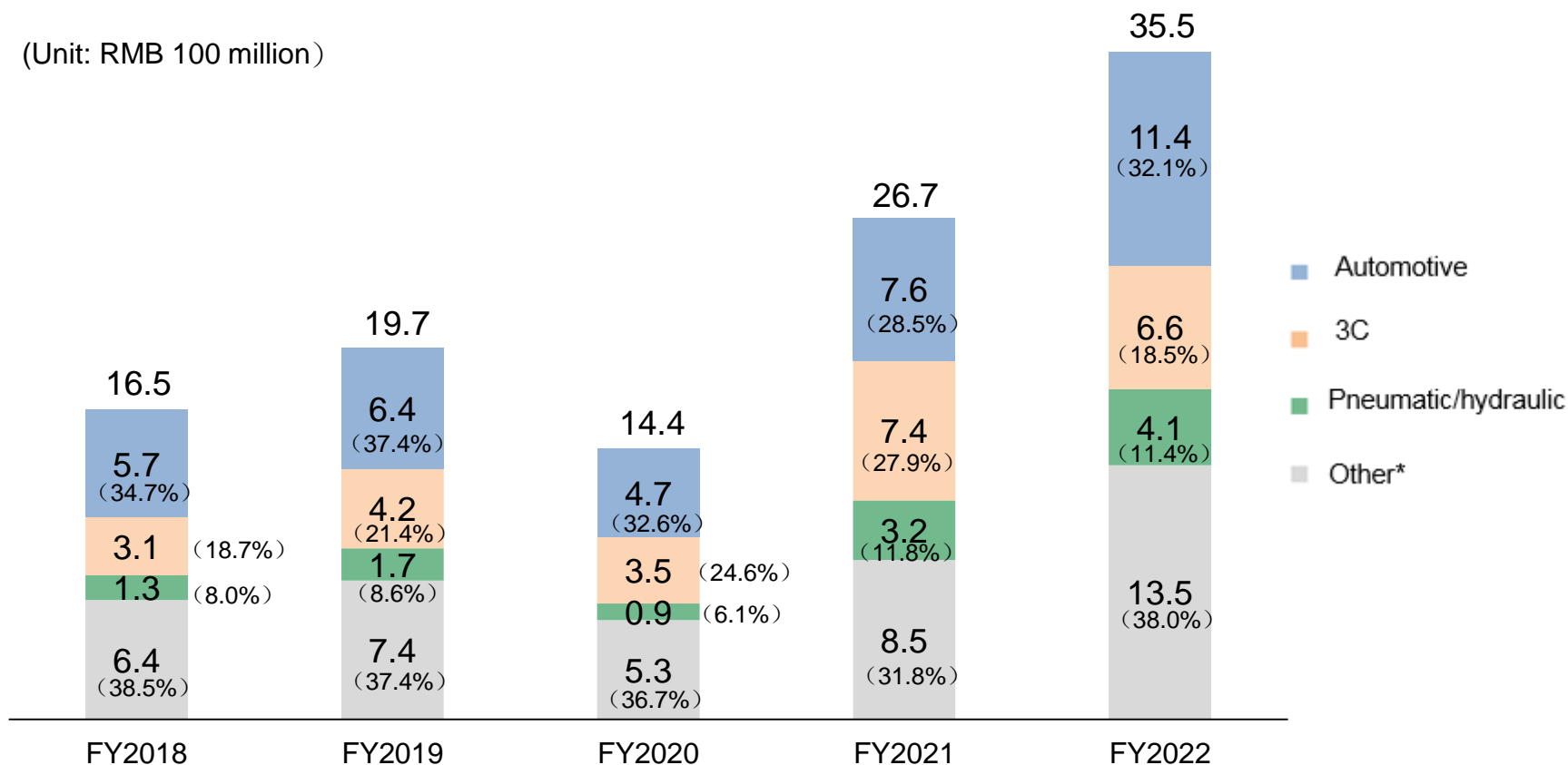
- Domestic market continued to see strong demand carried over from the previous financial year, as sale revenue increased by 33.1% year-on-year to the historical high of RMB3.55 billion.
- Demand in overseas markets recovered, as sales revenue soared 93.9% year-on-year to RMB866 million, also a historic high.



# 1.5 Distribution of Domestic Downstream Customers by Industry

- Sales growth in the automotive industry maintained strong momentum climbing by about 50% year-on-year.
- Sales in the pneumatic and hydraulic industries continued to progress, increasing by approximately 28% year-on-year.

(Unit: RMB 100 million)



Other: Includes medical, semiconductor and other industries

# 2

## Annual Business Review



2.1 Product Launch Introduction



2.2 Active Capacity Expansion



2.3 Enhancement of Sales and Post-Sales Services



2.4 Stable Dividend Policy

# 2.1.1 New Models Launched During the Financial Year

Type	Model	Launch Date	Features and Applications	Progress
Precision Turret Lathe	M10J	August 2021	Large stroke processing machine , equipped with 10-inch chuck for turning, drilling and boring tools.	Widely used in the automobile and construction machinery industries.
Precision Machining Center	VL4	November 2021	The extended BT40 machining center is built for the long haul and used for the processing of large and high-rigidity parts.	Widely used in the automobile and mould industries.



M10J



VL4

## 2.1.2 Provide Automated Product Solutions

- Provide automated production services meeting specific needs of customers;
- Integrated automated loading and unloading devices and machines eliminate the testing process after transport, thus saving customers' manpower;
- The compact size reduces occupied space.

### Spindle Vibrator Bowl Loading of Automatic Lathes



### Automated Production Line of Turret Lathes



## 2.2 Active Capacity Expansion – New Anhui Plant Commences Operation

- Started casting production in March 2021 with a monthly production capacity of 1,000 tons;
- Gradually introduced machine processing equipment and started processing of functional components;
- Plans to start machine-processed product assembly and complete machine assembly in early 2023.



Production at casting workshop



Functional component processing

## 2.2 Active Capacity Expansion – New Precision Nakatsu Plant in Pinghu

Name: Precision Nakatsu (China) Corporation Limited

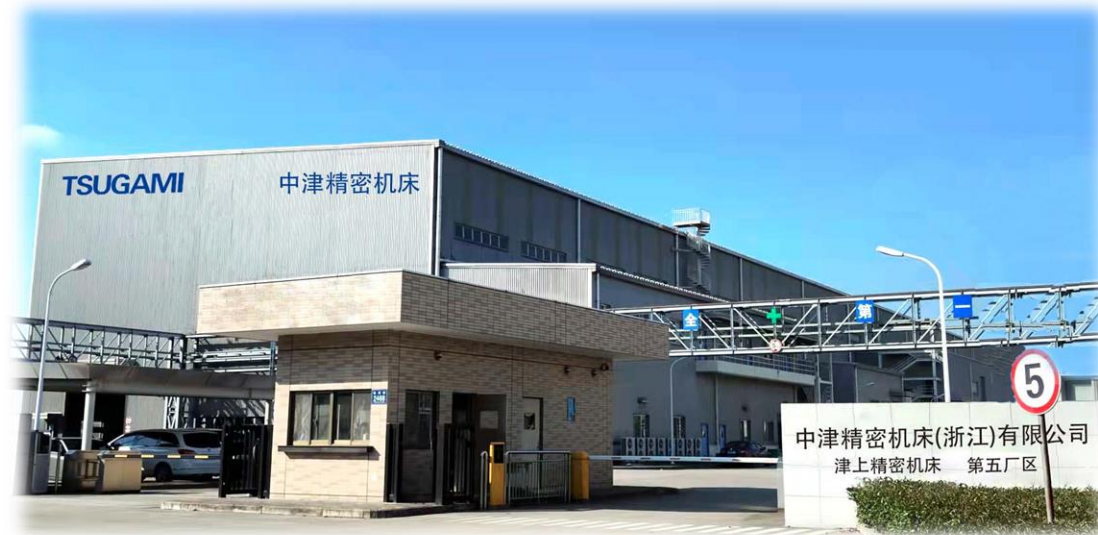
Address: Xinming Road, Pinghu Economic – Technological Development Zone, Zhejiang Province (about 3 kilometers from Pinghu Headquarters)

Total investment: US\$105 million

Registered capital: US\$35 million

GFA: Land: 50,000 m<sup>2</sup>, area of buildings including factories and office buildings: about 25,800m<sup>2</sup>

Designed production capacity: When fully operational, the new factory will boast an annual assembly capacity of about 4,000 to 4,500 machine tool units



New Precision Nakatsu Factory in Pinghu

## 2.3 Enhancement of Sales and Post-Sales Services (1)

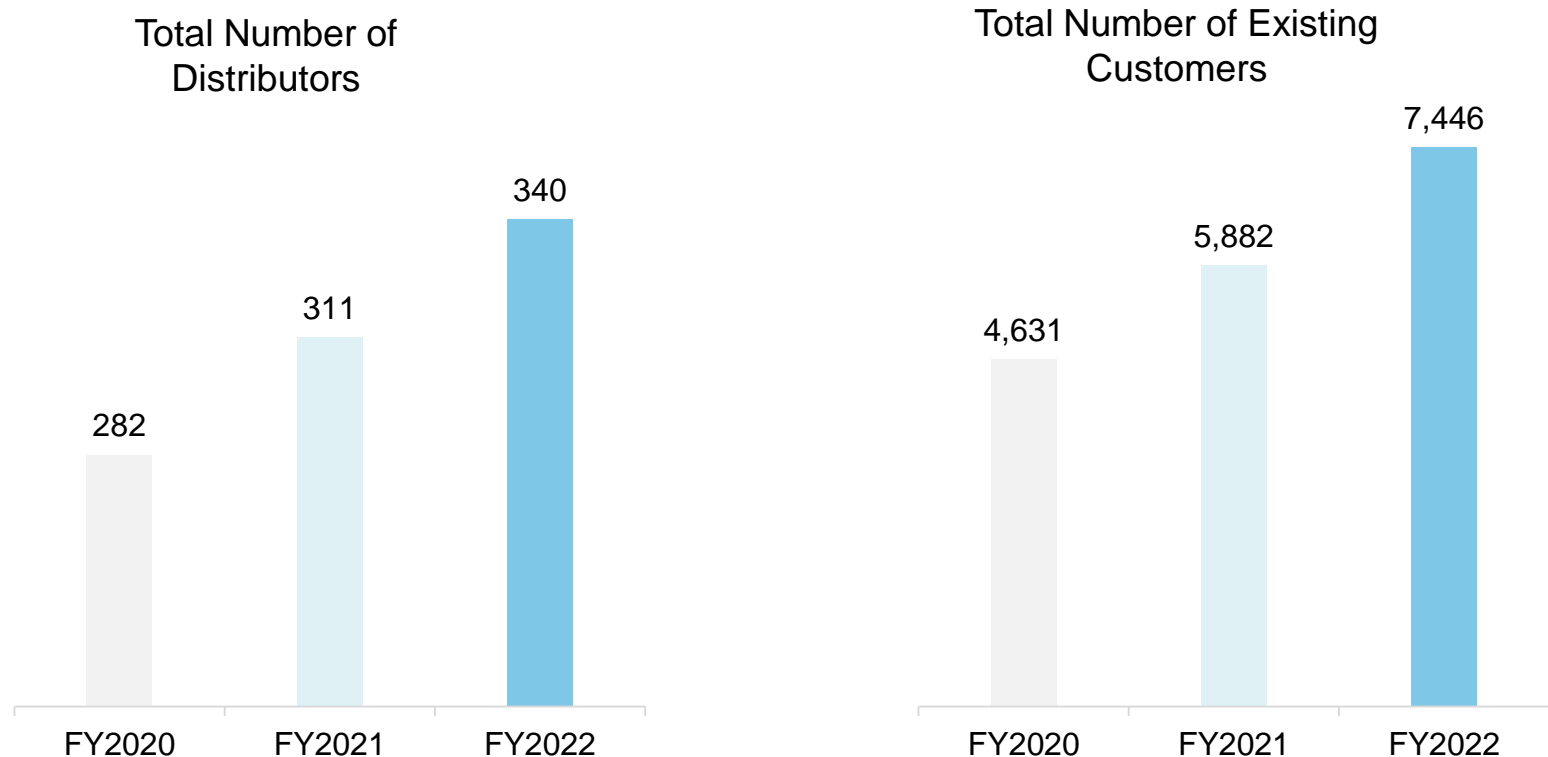
- The Group opened new offices in Kunshan and Taizhou in Jiangsu and East Guangdong to strengthen sales services and serve nearby customers;
- As at 31 March 2022, the Group had a total of 12 branches (including 4 flagship stores\*) and 16 offices in China.

\*: The flagship store integrates an exhibition hall, product trial processing station, customer service training zone and parts storage, with the aim of providing a comprehensive service to customers.



## 2.3 Enhancement of Sales and Post-Sales Services (2)

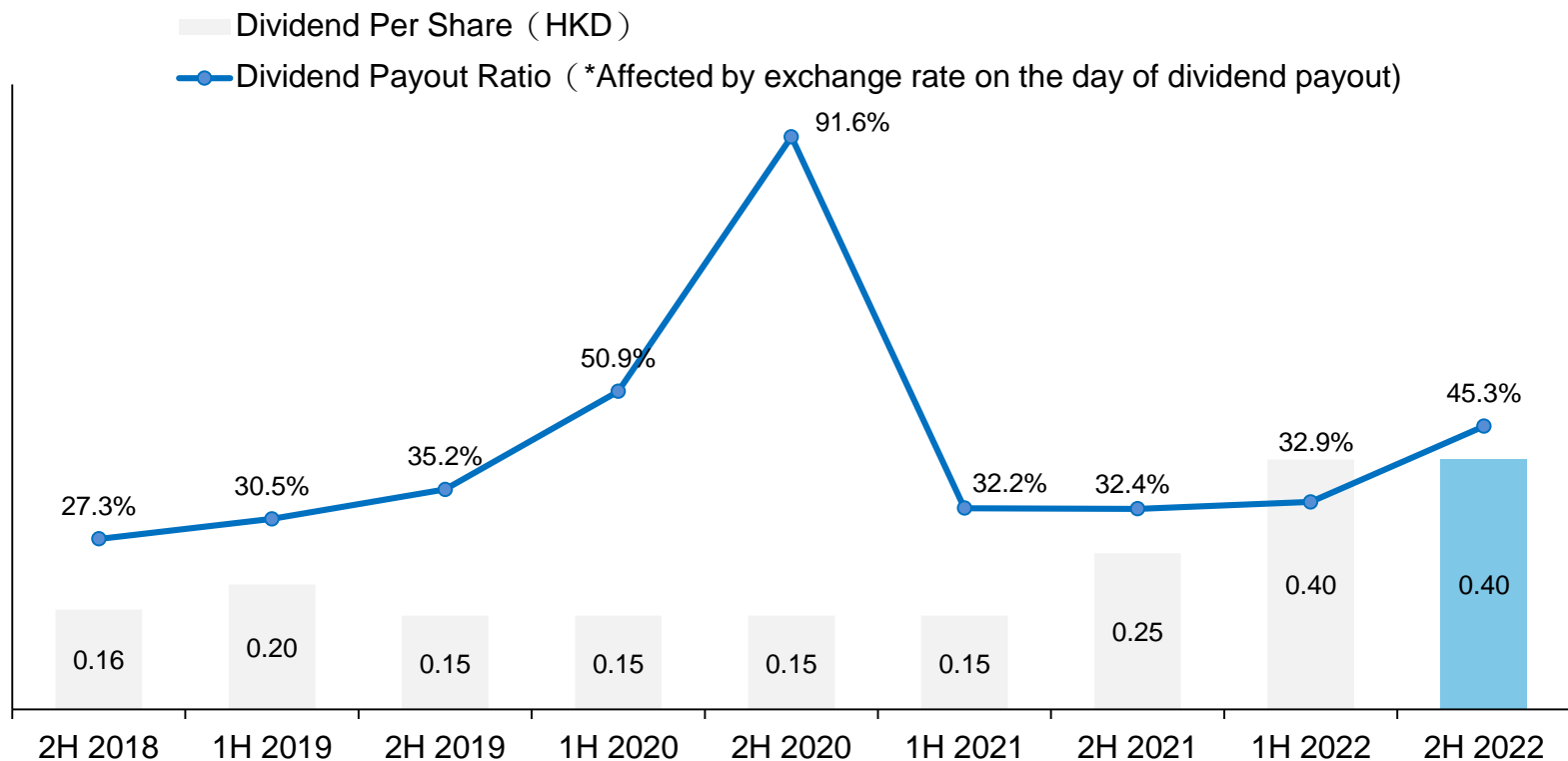
- The Group actively recruited new distributors to attract new customers. During the period under review, it had a total of 340 distributors and 7,446 existing customers;
- The number of existing customers rose by 27% year-on-year. Market penetration continued to increase.



Statistics as at 31 March 2022

## 2.4 Stable Dividend Policy

- In the second half of the year, the Board of Directors recommended a dividend of HK\$0.40 per share, representing a total dividend of HK\$0.80 for the year for a total of HK\$305 million, the highest since listing;
- The Company is committed to increasing sales revenue, expanding market share, and generating investment returns for shareholders through organic growth.



3

# Appendix

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the Year Ended 31 March

No.	(RMB'000)	FY2020	FY2021	FY2022
1	<b>Income</b>	<b>1,943,569</b>	<b>3,116,976</b>	<b>4,419,887</b>
2	Cost of sales	(1,551,476)	(2,351,669)	(3,246,858)
3	<b>Gross profit</b>	<b>392,093</b>	<b>765,307</b>	<b>1,173,029</b>
4	Other income and gains	16,937	37,785	180,334
5	Selling and distribution expenses	(106,443)	(126,931)	(162,723)
6	Administrative expenses	(77,810)	(93,813)	(95,918)
7	Impairment loss on financial assets	196	(8,795)	(898)
8	Other expenses	(1,484)	(2,305)	(117,849)
9	Finance costs	(76)	(990)	(2,141)
10	<b>Profit before tax</b>	<b>223,413</b>	<b>570,258</b>	<b>973,834</b>
11	Income tax expenses	(67,590)	(178,306)	(306,430)
12	<b>Profit and total comprehensive income for the year</b>	<b>155,823</b>	<b>391,952</b>	<b>667,404</b>
13	<b>Profit attributable to equity holders of the company (RMB)</b>	<b>0.41</b>	<b>1.03</b>	<b>1.75</b>

# Appendix II. Consolidated Statement of Financial Position

No.	(RMB'000)	FY2020	FY2021	FY2022
1	Property, plant and equipment	452,116	<b>507,688</b>	<b>549,841</b>
2	Right-of-use assets	45,590	44,997	73,303
3	Intangible assets	3,592	4,151	5,533
4	Deferred tax assets	10,416	16,358	16,306
5	<b>Total non-current assets</b>	<b>511,714</b>	<b>573,194</b>	<b>644,983</b>
6	Inventories	618,849	675,419	1,033,543
7	Trade and notes receivables	437,789	988,204	1,212,871
8	Prepayments, other receivables and other assets	18,987	34,484	50,743
9	Pledged deposits	17,088	7,539	15,498
10	Financial assets measured by fair value and changes of which are included in current profit and loss	120,000	-	-
11	Cash and cash equivalents	205,010	430,115	555,433
12	<b>Total current assets</b>	<b>1,417,723</b>	<b>2,135,761</b>	<b>2,868,088</b>
13	<b>Total assets</b>	<b>1,929,437</b>	<b>2,708,955</b>	<b>3,513,071</b>
14	Trade and notes payables	297,185	554,473	820,172
15	Other payables and accruals	122,053	275,398	299,132
16	Tax payable	12,030	55,314	58,216
17	Lease liabilities	1,560	2,279	1,634
18	Interest-bearing bank borrowings	-	-	22,094
19	Provision	6,344	7,877	11,487
20	<b>Total current liabilities</b>	<b>439,172</b>	<b>895,341</b>	<b>1,212,735</b>
21	Lease liabilities	1,427	1,013	1,107
22	Deferred income tax liabilities	2,075	28,953	50,920
23	Deferred income	13,000	18,000	17,267
24	Other liabilities	4,900	7,300	9,700
25	<b>Total non-current liabilities</b>	<b>21,402</b>	<b>55,266</b>	<b>78,994</b>
26	<b>Total liabilities</b>	<b>460,574</b>	<b>950,608</b>	<b>1,291,729</b>
27	Issued share capital	320,312	319,836	319,836
28	Treasury shares	(747)	-	-
29	Reserves	1,149,298	1,438,512	1,901,506
30	<b>Total equity</b>	<b>1,468,863</b>	<b>1,758,348</b>	<b>2,221,342</b>
31	<b>Liabilities + Total Equity</b>	<b>1,929,437</b>	<b>2,708,955</b>	<b>3,513,071</b>

# Appendix III. Consolidated Statement of Cash Flows

For the Year Ended 31 March

No.	(RMB'000)	FY2020	FY2021	FY2022
	<b>Cash flow from operating activities</b>			
1	Profit before tax	223,413	570,258	973,834
	<b>Adjustments for:</b>			
2	Finance costs	76	990	2,141
3	Bank interest income	(4,808)	(10,615)	(12,393)
4	Net (gain)/loss on disposal of items of property, plant and equipment	(277)	(19)	891
5	Depreciation of property, plant and equipment	44,881	43,325	53,820
6	Depreciation of right-of-use assets	2,719	3,297	3,814
7	Amortization of intangible assets	945	988	1,215
8	Impairment loss of trade and notes receivable	(172)	822	769
9	Impairment loss of financial assets at fair value through other comprehensive income	-	7,972	121
10	Reversal for impairment of inventories (Reversal)/accruals of provision for impairment	5,231	(968)	(8,819)
11	loss on financial assets included in prepayments, other receivables and other assets	(24)	-	8
	<b>Adjusted profit before tax</b>	<b>271,984</b>	<b>616,050</b>	<b>1,015,401</b>
12	Decrease/(increase) in pledged deposits	(2,461)	9,549	(7,959)
13	Increase in inventories	23,223	(55,602)	(349,305)
14	Decrease/(increase) in trade and notes receivables	61,728	(559,209)	(225,557)
15	Increase in prepayments, other receivables and other assets	(5,968)	(15,497)	(16,267)
16	Decrease/(increase) in trade and bills payables	(87,681)	257,288	265,699
17	Increase in other payables and accruals	4,446	36,032	7,667
18	Increase in other liabilities	4,900	2,400	2,400
19	Increase in contract liabilities	(15,469)	117,313	16,067
20	(Decrease)/increase in provision	(6,447)	1,533	3,610
21	Increase/(decrease) in deferred income	-	5,000	(733)
22	Income tax paid	(72,302)	(114,086)	(281,509)
23	<b>Cash generated from operations</b>	<b>175,953</b>	<b>300,771</b>	<b>429,514</b>
24	<b>Net cash flow from operating activities</b>	<b>175,953</b>	<b>300,771</b>	<b>429,514</b>

# Appendix III. Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 March

No.	(RMB'000)	FY2020	FY2021	FY2022
	<b>Cash flow from investing activities</b>			
25.	Interest received	4,808	10,615	12,393
26.	Purchase of items of property, plant and equipment	(151,282)	(99,143)	(97,304)
28.	Proceeds from disposal of items of property, plant and equipment	655	265	440
29.	Repurchase financial assets measured by fair value changes of which are included in current profit and loss	-	120,000	-
30.	Purchase of intangible assets	(601)	(1,547)	(2,597)
31.	Increase in right-of-use assets	-	-	(30,247)
32.	<b>Net cash flow from/(used) in investing activities</b>	<b>(266,420)</b>	<b>30,190</b>	<b>(117,315)</b>
	<b>Cash flow from financing activities</b>			
33.	Repurchase of shares	(747)	(2,532)	-
34.	New bank borrowings	-	-	22,094
35.	Principal portion of lease payments	(1,720)	(2,399)	(2,424)
36.	Dividends paid	(102,255)	(99,935)	(204,410)
37.	Interest paid	(76)	(990)	(2,141)
38.	<b>Net cash flow used in financing activities</b>	<b>(104,798)</b>	<b>(105,856)</b>	<b>(186,881)</b>
39.	<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(195,265)</b>	225,105	125,318
40.	<b>Cash and cash equivalents at the beginning of the year</b>	<b>400,275</b>	205,010	430,115
41.	<b>Cash and cash equivalents at the end of the year</b>	<b>205,010</b>	430,115	555,433
	<b>Analysis of cash and cash equivalent balances</b>			
42.	Cash and cash equivalents	<b>205,010</b>	<b>430,115</b>	<b>555,433</b>

# Q&A Session