

PRECISION
TSUGAMI
CHINA

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

2022-2023

Annual Results Presentation

29 June 2023

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Agenda

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Annual Results Summary



2

Annual Business Review



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Appendix



1

Annual Results Summary

(April 2022 to March 2023)



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

- Sales revenue fell by 8.4% year-on-year to RMB4.047 billion, but still the Group's second-highest revenue to date;
- Gross profit was RMB1.036 billion with gross profit margin of 25.6%, down 0.9 percentage point from the previous year;
- Net profit was RMB579 million, with net profit margin of 14.3% and earnings per share of RMB1.52.

(Unit : RMB'000)

Item	FY2021	FY2022	FY2023	YoY (Decrease)
Sales Revenue	3,116,976	4,419,887	4,046,902	(8.4%)
Gross Profit (Gross Profit Margin)	765,307 (24.6%)	1,173,029 (26.5%)	1,036,121 (25.6%)	(11.7%) (0.9 pct)
Operating Profit* (Operating Profit Margin)	544,563 (17.5%)	914,388 (20.7%)	782,219 (19.3%)	(14.5%) (1.4 pct)
Net Profit (Net Profit Margin)	391,952 (12.6%)	667,404 (15.1%)	579,188 (14.3%)	(13.2%) (0.8 pct)
Earnings per Share (RMB)	1.03	1.75	1.52	(13.1%)

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

1.2 Key Financial Indicators

1. Safety	FY2021	FY2022	FY2023
1.1 Current Ratio (Current Assets ÷ Current Liabilities)	2.4	2.4	3.3
1.2 Quick Ratio ((Current Assets – Inventory) ÷ Current Liabilities)	1.6	1.5	2.1
1.3 Gearing Ratio ((Total Liabilities ÷ Total Assets) × 100%)	35.1%	36.8%	27.9%
2. Revenue	FY2021	FY2022	FY2023
2.1 Return on Equity (ROE) ((Net Profit ÷ Net Assets) × 100%)	24.3%	33.5%	24.4%
2.2 Return on Assets (ROA) ((Net Profit ÷ Total Assets) × 100%)	16.9%	21.5%	16.5%
3. Cash Flow (RMB'000)	FY2021	FY2022	FY2023
3.1 Net Cash Flow Generated from Operating Activities	300,711	429,514	763,403
3.2 Cash and Cash Equivalents	430,115	555,433	638,572
3.3 Current Account Ratio ((Current Income ÷ Current Expenses) × 100%)	112.6%	111.3%	121.3%
4. Capital Turnover	FY2021	FY2022	FY2023
4.1 Average Inventory Turnover Days	100	96	127
4.2 Average Turnover Days of Trade and Bills Receivables	83	91	92
4.3 Average Turnover Days of Trade and Bills Payables	66	76	88

1.3 Sales Revenue by Product Category

- Sales of precision lathes fell 10.4% from last year, driven by a decline in overall manufacturing demand;
- Sales of precision machining centers climbed 5.9% year-on-year, driven by the new energy automotive industry;
- Sales of others increased 15.3% year-on-year, mainly driven by higher sales volume of precision thread and form rolling machines.

(Unit : RMB'000)

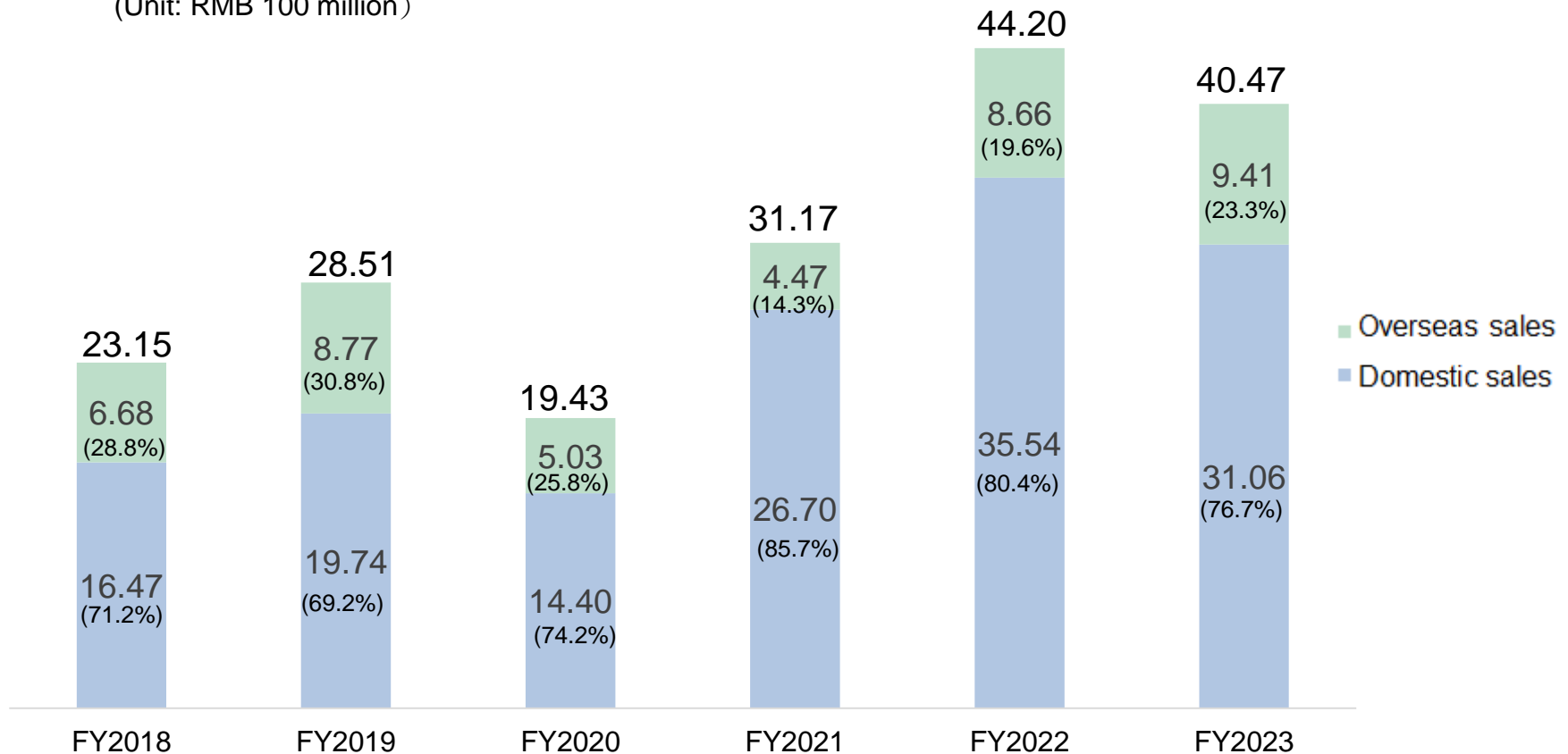
Type	FY2021	Proportion	FY2022	Proportion	FY2023	Proportion	YoY Increase/ (Decrease)
Precision lathes	2,701,274	86.7%	3,870,022	87.6%	3,476,575	85.7%	(10.4%)
Precision machining centres	196,918	6.3%	233,935	5.3%	247,817	6.1%	5.9%
Precision grinding machines	107,942	3.5%	169,599	3.8%	162,858	4.0%	(4.0%)
Others*	110,842	3.5%	146,331	3.3%	168,652	4.2%	15.3%
Total	3,116,976	100%	4,419,887	100%	4,046,902	100%	(8.4%)

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

- Overseas sales grew by 8.7% year-on-year to a record high of RMB941 million.
- Domestic demand decreased, so sales fell 12.6% year-on-year, but remained at a relatively high level.

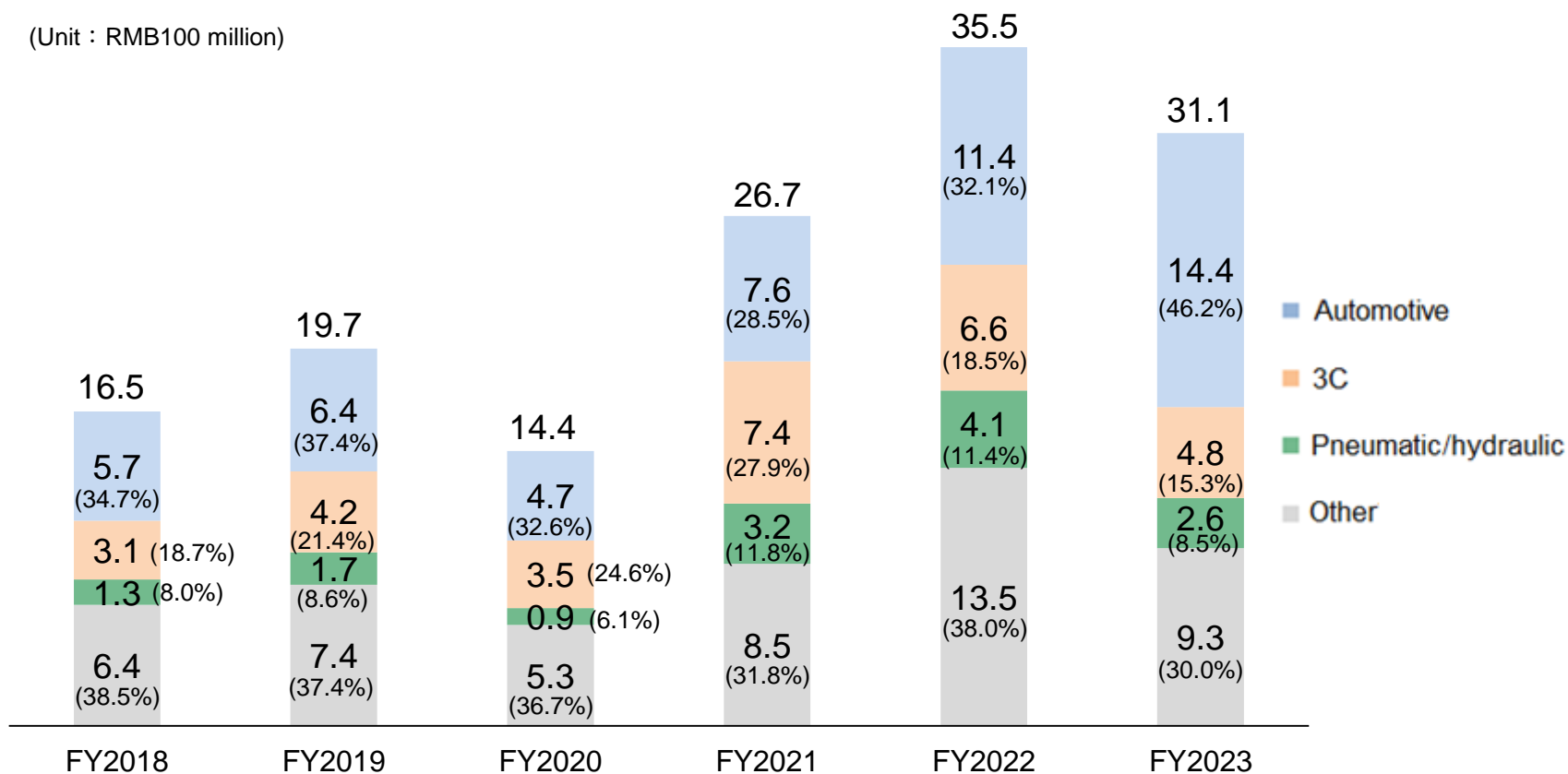
(Unit: RMB 100 million)



1.5 Distribution of Domestic Downstream Customers by Industry

- Overall sales increased by around 26.3% year-on-year, mainly benefiting from higher demand in the new energy automotive industry.
- Sales in 3C, pneumatic and hydraulic industries decreased by around 27.2% and 36.6% respectively year-on-year due to weaker demand.

(Unit : RMB100 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	Features and Applications
Precision Automatic Lathe	B0205-V	Complete update of the best-selling model with high cost performance, greatly improving the rigidity of processing
Precision Machining Centre	VA3 updated model	Introduction of wash plate tool changer to improve processing speed and enhance competitiveness in the 3C industry



B0205-V



VA3 updated model

2.1.2 New Models Planned for Launch

Type	Model	Features and Applications	Target Market
Precision Automatic Lathe	P036W	Independent tool posts structure Enables high level of efficiency and high precision machining of small parts	Semiconductor
Precision Horizontal Machining Centre	FMA5-V	Highly automated, flexible horizontal machining centre	Automotive components, mold processing



P036W



FMA5-V

2.2 Active Capacity Expansion – Anhui Plant

- Continued to introduce machine processing equipment to enhance processing capacity of functional components, currently around 70 units of equipment have been added;
- Gradually introduced production lines for turret unit products and certain components;
- At present, the production of castings has reached its target and the assembly of some unit products has begun.



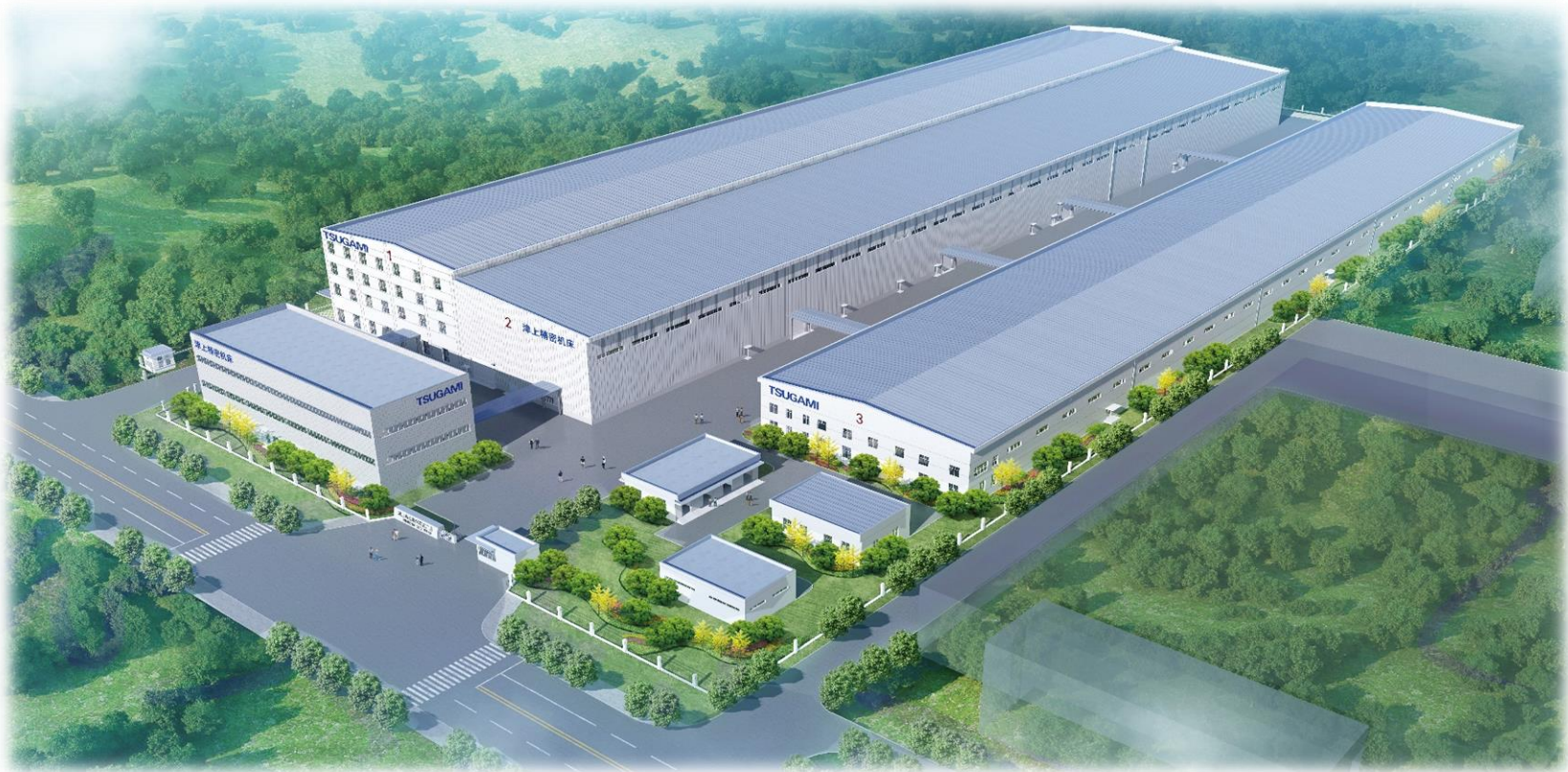
Turret unit products production line



Production line of certain components

2.2 Active Capacity Expansion – Pinghu New Plant (Fifth Zone)

- Plans to redevelop and expand the existing plant, with construction expected to be completed in July 2024;
- Currently being used as a warehouse, the plant has an expected equipment assembly capacity of around 4,000 units.

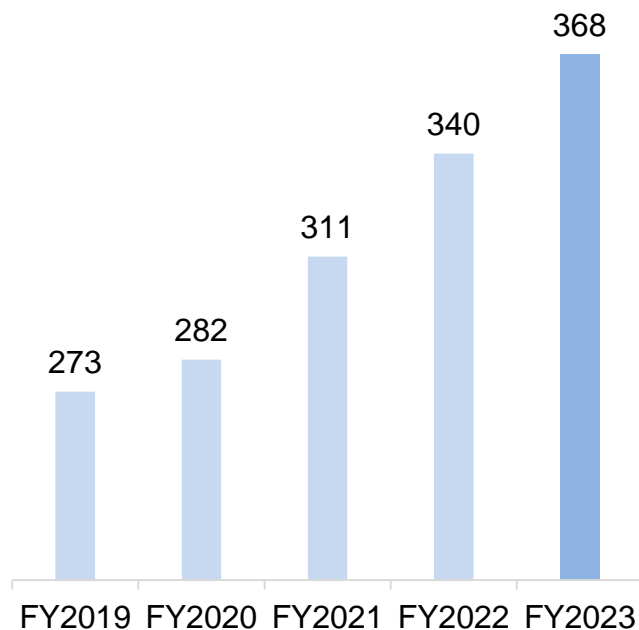


Rendering of New Precision Nakatsu Factory in Pinghu

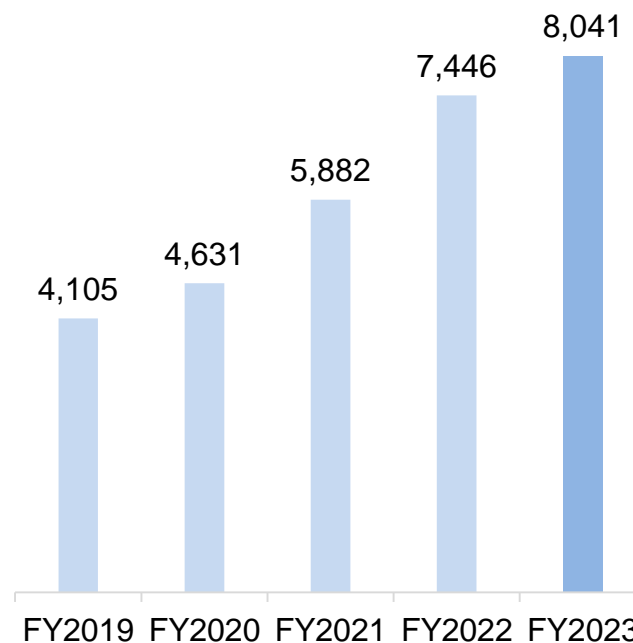
2.3 Enhancement of Sales and Post-Sales Services (1) **PRECISION TSUGAMI CHINA**

- The Group actively recruited new distributors to attract new customers. During the period under review, it had a total of 368 distributors and 8,041 existing customers.
- The number of existing customers grew by 8.0% year-on-year. Market penetration continued to increase.

Total number of distributors



Total number of existing customers



Figures as at 31 March 2023

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

- A flagship store has been opened in Anhui*, mainly serving Anhui, North Jiangsu, Shandong, and Henan, with the aim of enhancing sales services in Central China and serving nearby customers;
- As at 31 March 2023, the Group had a total of 13 branches (including five flagship stores*) and 15 offices in China.

*: The flagship store combines an exhibition hall, product trial processing station, customer service training zone, and parts and best-selling equipment warehouse, and aims to provide comprehensive services to customers.



Anhui flagship store

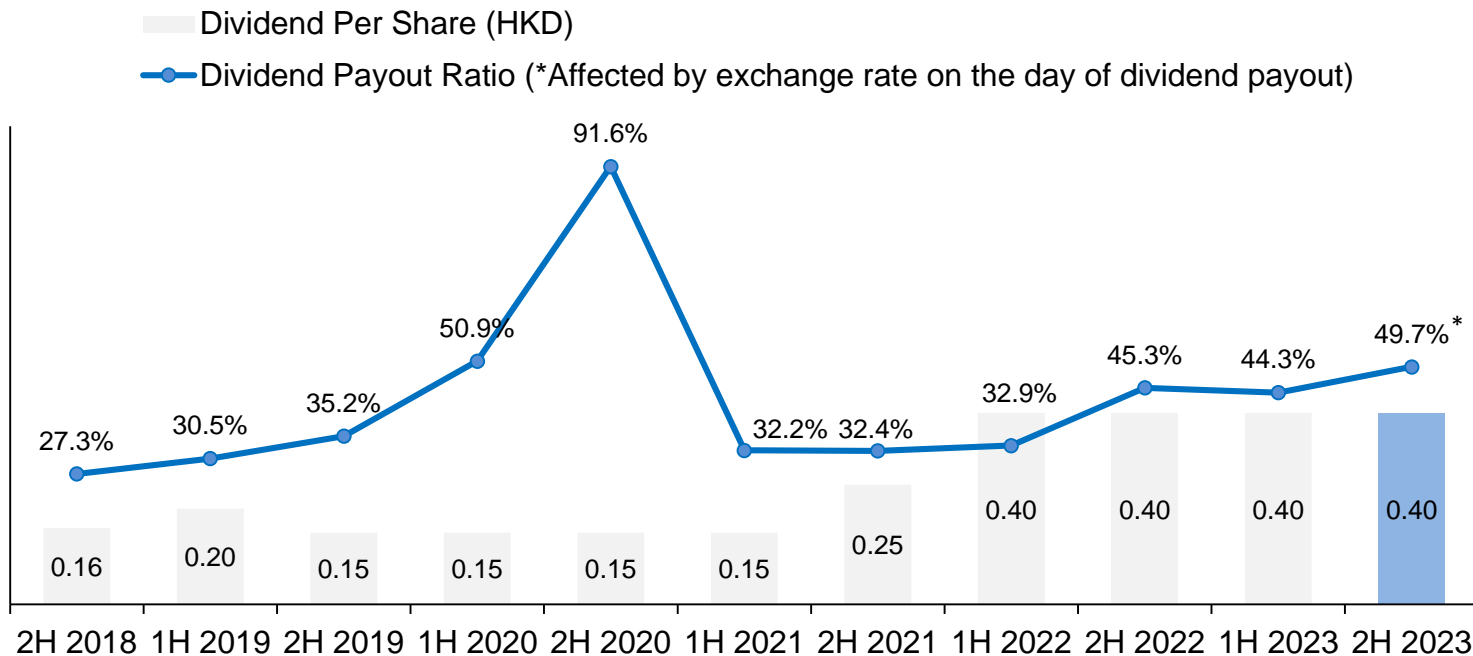


Machine exhibition hall

2.4 Stable Dividend Policy

- In the second half of the year, the Board of Directors recommended a dividend of HKD0.40 per share, representing a dividend payout ratio of 49.7%. Total dividend for the year will be HKD0.80;
- Since its listing, the Company has paid a cumulative dividend of HKD2.81 per share, representing a total shareholder return as high as 91.8% (Note).
- The Company is committed to increasing sales revenue, expanding market share, and generating investment returns for shareholders through organic growth.

(Note): Calculated based on the closing price of HKD7.93 on 27 June 2023, together with the cumulative dividend of HKD2.81, divided by the listing price of HKD5.6.



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Appendix

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		For the Year Ended 31 March		
No.	(RMB'000)	FY2021	FY2022	FY2023
1	Income	3,116,976	4,419,887	4,046,902
2	Cost of sales	(2,351,669)	(3,246,858)	(3,010,781)
3	Gross profit	765,307	1,173,029	1,036,121
4	Other income and gains	37,785	180,334	68,357
5	Selling and distribution expenses	(126,931)	(162,723)	(148,343)
6	Administrative expenses	(93,813)	(95,918)	(105,559)
7	Impairment loss on financial assets	(8,795)	(898)	2,587
8	Other expenses	(2,305)	(117,849)	(11,470)
9	Finance costs	(990)	(2,141)	(674)
10	Profit before tax	570,258	973,834	841,019
11	Income tax expenses	(178,306)	(306,430)	(261,831)
12	Profit and total comprehensive income for the year	391,952	667,404	579,188
13	Profit attributable to equity holders of the company (RMB)	1.03	1.75	1.52

Appendix II. Consolidated Statement of Financial Position

No.	(RMB'000)	FY2021	FY2022	FY2023
1	Property, plant and equipment	507,688	549,841	535,989
2	Right-of-use assets	44,997	73,303	71,708
3	Intangible assets	4,151	5,533	5,144
4	Equity investments designated at fair value through other comprehensive income	-	-	2,800
5	Deferred tax assets	16,358	16,306	23,314
6	Total non-current assets	573,194	644,983	638,955
7	Inventories	675,419	1,033,543	1,055,191
8	Trade and notes receivables	988,204	1,212,871	817,892
9	Prepayments, other receivables and other assets	34,484	50,743	19,755
10	Pledged deposits	7,539	15,498	15,498
11	Cash and bank balances	430,115	570,931	977,572
12	Total current assets	2,135,761	2,868,088	2,870,410
13	Total assets	2,708,955	3,513,071	3,507,043
14	Trade and notes payables	554,473	820,172	626,673
15	Other payables and accruals	275,398	299,132	166,472
16	Tax payable	55,314	58,216	67,871
17	Lease liabilities	2,279	1,634	1,719
18	Interest-bearing bank and other borrowings	-	22,094	-
19	Provision	7,877	11,487	9,674
20	Total current liabilities	895,341	1,212,735	872,409
21	Lease liabilities	1,013	1,107	1,439
22	Deferred income tax liabilities	28,953	50,920	78,106
23	Deferred income	18,000	17,267	16,418
24	Other liabilities	7,300	9,700	12,100
25	Total non-current liabilities	55,266	78,994	108,063
26	Total liabilities	950,608	1,291,729	980,472
27	Issued share capital	319,836	319,836	319,836
28	Reserves	1,438,512	1,901,506	2,209,057
29	Total equity	1,758,348	2,221,342	2,528,893
30	Liabilities + Total Equity	2,708,955	3,513,071	3,509,365

Appendix III. Consolidated Statement of Cash Flows

		For the Year Ended 31 March		
No.	(RMB'000)	FY2021	FY2022	FY2023
	Cash flow from operating activities			
1	Profit before tax	570,258	973,834	841,019
	Adjustments for:			
2	Finance costs	990	2,141	674
3	Bank interest income	(10,615)	(12,393)	(10,023)
4	Net loss/(gain) on disposal of items of property, plant and equipment	(19)	891	7,502
5	Depreciation of property, plant and equipment	43,325	53,820	56,869
6	Depreciation of right-of-use assets	3,297	3,814	4,591
7	Amortisation of intangible assets	988	1,215	1,373
8	Impairment loss (reversed)/recognized of trade receivables	822	769	(939)
9	Impairment loss (reversed)/recognized of financial assets at fair value through other comprehensive income	7,972	121	(1,646)
10	Impairment loss recognized/(reversed) of inventories	(968)	(8,819)	6
11	(Reversal)/loss of impairment of financial assets Impairment loss (reversed)/recognized of financial assets included in prepayments, other receivables and other assets	-	8	(3)
	Adjusted profit before tax	616,050	1,015,401	899,423
12	Decrease/(increase) in pledged deposits	9,549	(7,959)	15,498
13	Increase in inventories	(55,602)	(349,305)	(21,654)
14	Decrease/(increase) in trade and notes receivables	(559,209)	(225,557)	397,564
15	Decrease/(increase) in prepayments, other receivables and other assets	(15,497)	(16,267)	30,991
16	(Decrease)/increase in trade and bills payables	257,288	265,699	(193,499)
17	(Decrease)/increase in other payables and accruals	36,032	7,667	(30,672)
18	Increase in other liabilities	2,400	2,400	2,400
19	(Decrease)/increase in contract liabilities	117,313	16,067	(101,988)
20	(Decrease)/increase in provision	1,533	3,610	(1,813)
21	Increase/(decrease) in deferred income	5,000	(733)	(849)
22	Income tax paid	(114,086)	(281,509)	(231,998)
23	Cash generated from operations	300,771	429,514	763,403
24	Net cash flow from operating activities	300,771	429,514	763,403

Appendix III. Consolidated Statement of Cash Flows (Cont'd)

		For the Year Ended 31 March		
No.	(RMB'000)	FY2021	FY2022	FY2023
	Cash flow from investing activities			
25.	Interest received	10,615	12,393	10,023
26.	Purchase of items of property, plant and equipment	(99,143)	(97,304)	(54,125)
27.	Proceeds from disposal of items of property, plant and equipment	265	440	3,606
28.	Purchase of equity investments designated at fair value through other comprehensive income	-	-	(2,800)
29.	Additions to intangible assets	(1,547)	(2,597)	(984)
30.	Additions to right-of-use assets	-	(30,247)	-
31.	Investment in time deposits with original maturity of more than three months	-	-	(339,000)
32.	Net cash flow from/(used) in investing activities	30,190	(117,315)	(383,280)
	Cash flow from financing activities			
33.	New bank and other loans	-	22,094	-
34.	Repayment of bank and other loans	-	-	(22,094)
35.	Principal portion of lease payments	(2,399)	(2,424)	(2,579)
36.	Dividends paid	(99,935)	(204,410)	(271,637)
37.	Interest paid	(990)	(2,141)	(674)
38.	Net cash flow used in financing activities	(105,856)	(186,881)	(296,984)
39.	Net increase in cash and cash equivalents	225,105	125,318	83,139
40.	Cash and cash equivalents at the beginning of the year	205,010	430,115	555,433
41.	Cash and cash equivalents at the end of the year	430,115	555,433	638,572
	Analysis of cash and cash equivalent balances			
42.	Cash and cash equivalents	430,115	555,433	638,572

Q&A Session



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