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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 2025

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 13 May 2025 in relation to the financial results of the Company’s controlling shareholder, Tsugami Japan, for the year ended 31 March 2025 (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 17 June 2024. The board of directors of the Company (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.

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

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 (<i>Note 1, 2, 3</i>)	Zhejiang, China	741 million yuan	Manufacturing and sales of machine tools in China	100 (100)	Manufactures and sells products of the Company. There are interlocking officers.
Precision Tsugami (China) Corporation Limited (<i>Note 1</i>)	The Cayman Islands	380 million Hong Kong dollar	Holding Company	66.4	Holds all shares in Precision Tsugami (Hong Kong) Limited. There are interlocking officers.
Precision Tsugami (Hong Kong) Limited (<i>Note 1, 3</i>)	Hong Kong, China	767 million Hong Kong dollar	Holding Company	100 (100)	Holds all shares in Precision Tsugami (China) Corporation.
Shinagawa Precision Machinery (Zhejiang) Co., Ltd (<i>Note 3</i>)	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 (<i>Note 1, 3</i>)	Anhui, China	150 million yuan	Manufacturing and sales of machine tools, castings in China	100 (100)	Manufactures and sells mainly the products of the Company and castings for products of the Company. There are interlocking officers.

(*Note*)

1. The Company 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	¥90,075 million
(2)	Profit before tax	¥23,483 million
(3)	Profit	¥17,906 million
(4)	Total equity	¥57,921 million
(5)	Total assets	¥85,787 million

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

5. Employees

(1) Group employees

As of March 31, 2025

Business segment	Number of employees
China	2,399 (-)

(Note)

1. The number of employees is the number of people employed by the Group. The figure in parentheses is the annual average of temporary employees and is not included in the number of employees.

4 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)

(Operating results by business segment)

- b. In China, revenue was ¥90,480 million, up by 42.7% year over year. Segment profit was ¥22,384 million, up by 77.6% 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.

Business segment	Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)	Year on year (%)
China (Million yen)	69,669	157.8

(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.

Business segment	Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)	Year on year (%)
China (Million yen)	80,881	150.1

(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:

	China
I Overseas revenue (Million yen)	80,488
III Ratio of overseas revenue to consolidated revenue (%)	74.9

(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.

Section 3. Facilities

1. Overview of capital investment

Capital expenditures in China were ¥926 million, which was allocated primarily to production facilities at Precision Tsugami (China) Corporation and Precision Tsugami (Anhui) Corporation.

2. Major facilities

The table below shows major facilities of the Group.

(2) Overseas subsidiary

As of March 31, 2025

Corporate name	Factory (location)	Business segment	Facilities	Buildings	Book value (Million yen)				Total	Number of employees
					Machinery and equipment	Land (m ²)	Other	Right of-use assets		
Precision Tsugami (China) Corporation	China factory (Zhejiang, China)	China	Equipment for producing machine tools	4,927	1,546	–	165	1,087	7,727	2,133 (-)
Precision Tsugami (Anhui) Corporation	China factory (Anhui, China)	China	Equipment for producing machine tools	2,819	1,342	–	39	189	4,391	198 (-)
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	China factory (Zhejiang, China)	China	Equipment for producing machine tools	232	79	–	24	53	389	68 (-)

(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.

Notes to Consolidated Financial Statements

6. Segment information

(2). Segment revenues and operating results

The accounting policies for the reportable segments are the same as the Group's accounting policies stated in Note "3. Significant accounting policies." The amount of paid-for parts and materials transactions with subsidiaries is included in inter-segment revenue.

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, 2023 to March 31, 2024)

	<i>(Million yen)</i>
	Reportable segment China
Revenue	
External	53,876
Inter-segment	9,518
	<hr/>
Total	63,395
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Segment profit	12,606
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Other items	
Depreciation and amortization	1,188
Segment assets	76,539
Capital expenditure	1,932
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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, 2024 to March 31, 2025)

(Million yen)

	Reportable segment China
Revenue	
External	80,881
Inter-segment	<u>9,599</u>
Total	<u><u>90,480</u></u>
Segment profit	<u><u>22,384</u></u>
Other items	
Depreciation and amortization	1,292
Segment assets	89,432
Capital expenditure	<u><u>944</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

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
China	<u><u>53,848</u></u>	<u><u>80,488</u></u>

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

Non-current assets

(Million yen)

	Previous consolidated fiscal year (March 31 2024)	Consolidated fiscal year under review (March 31 2025)
China	13,458	12,952

(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, 2023 to March 31, 2024)

(Million yen)

	Reportable segment China
Major product lines	
Automatic lathes	46,087
Grinding machines	2,778
Machining centers, Rolling machines and Specialized machines	3,494
Other	1,516
Total	53,876

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

Consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

(Million yen)

**Reportable
segment
China**

Major product lines	
Automatic lathes	69,245
Grinding machines	4,304
Machining centers, Rolling machines and Specialized machines	5,249
Other	2,081
	<hr/>
Total	80,881
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(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)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Government subsidy	1,101	1,162
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(Note)

- The subsidy income is mainly the government subsidy received by the Chinese subsidiary.

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

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Percentage interest owned by non-controlling interests (%)	<u>28.5</u>	<u>33.6</u>

② Condensed consolidated financial information

(i) Condensed consolidated statement of financial position

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Consolidated fiscal year under review (As of March 31, 2025)
Current assets	61,749	74,020
Non-current assets	13,950	13,579
Current liabilities	16,801	20,053
Non-current liabilities	2,597	3,013
Equity	56,301	64,532
Accumulated amount of non-controlling interests	15,681	21,170

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)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Revenue	62,861	89,961
Profit	9,671	16,516
Other comprehensive income	—	—
Comprehensive income	9,671	16,516
Profit allocated to non-controlling interests	2,807	5,298
Dividends paid to non-controlling interests	1,684	2,135

(iii) Condensed Consolidated Statements of Cash Flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)	Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)
Cash flows from operating activities	10,192	7,449
Cash flows from investing activities	-3,118	-5,937
Cash flows from financing activities	-6,278	-7,590
Net increase (decrease) in cash and cash equivalents	794	-6,078

(3) Changes in parent company's ownership interests in subsidiaries not resulting in a loss of control

Previous consolidated fiscal year (From April 1, 2023 to March 31, 2024)

Precision Tsugami (China) Corporation Limited, which is a consolidated subsidiary of the Company, acquired its own shares as treasury stock. As a result, the Group's ownership interest in Precision Tsugami (China) Corporation Limited increased from 70.9% to 71.5%.

An outline of transactions with non-controlling interests associated with this transaction is described below.

(Million yen)

	Amount
Consideration paid	580
Amount of decrease in non-controlling interests	-538
Amount of increase in other components of equity	63
Amount of decrease in capital surplus	-105

Consolidated fiscal year under review (From April 1, 2024 to March 31, 2025)

Precision Tsugami (China) Corporation Limited, which is a consolidated subsidiary of the Company, acquired its own shares as treasury stock. In addition, the Company sold a portion of the Company's shares held by the Company. As a result, the Group's ownership interest in Precision Tsugami (China) Corporation Limited decreased from 71.5% to 66.4%.

An outline of transactions with non-controlling interests associated with this transaction is described below.

(Million yen)

	Amount
Consideration paid	-2,301
Amount of decrease in non-controlling interests	2,958
Amount of increase in other components of equity	-752
Amount of decrease in capital surplus	-55

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, 17 June 2025

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. Kenji Yoneyama; and the independent non-executive directors of the Company are Dr. Satoshi Iwabuchi, Dr. Huang Ping and Mr. Tam Kin Bor.