

# Consolidated Financial Results for the Nine Months Ended September 30, 2021 Unaudited [IFRS]



November 12, 2021

Company name: Tsubaki Nakashima Co., Ltd.  
Stock exchange listing: Tokyo Stock Exchange  
Code number: 6464

URL: <http://www.tsubaki-nakashima.com/en/>

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Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not Scheduled

(Amounts of less than one million yen are rounded.)

## 1. Consolidated Financial Results for the Nine Months Ended September 30, 2021 (January 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes		Net profit for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended September 30, 2021	51,199	39.3	5,379	153.6	4,835	223.7	3,352	213.5
September 30, 2020	36,743	(27.2)	2,121	(72.6)	1,494	(78.9)	1,069	(78.8)

	Net profit for the period attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Million yen	%	Million yen	%	Yen	Yen
Nine months ended September 30, 2021	3,352	212.9	7,662	—	83.14	82.47
September 30, 2020	1,071	(78.7)	(153)	—	26.58	26.58

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of September 30, 2021	154,351	51,288	51,257	33.2
As of December 31, 2020	130,466	44,712	44,683	34.2

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	—	10.00	—	14.00	24.00
Fiscal year ending December 31, 2021	—	28.00			
Fiscal year ending December 31, 2021 (Forecast)			—	29.00	57.00

(Note) Revision to the forecast for dividends announced most recently: No

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes	
	Million yen	%	Million yen	%	Million yen	%
Full year	69,000	32.6	7,100	96.6	6,100	137.2

	Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Yen
Full year	4,600	145.1	114.41

(Note) Revision to the financial results forecast announced most recently: No

Although defects have occurred in some of the products delivered to a specific customer and some costs to deal with this are anticipated, it is difficult to make a reasonable estimate at this time and these costs have not been incorporated into the full-year consolidated forecast.

#### \* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Changes in accounting policies and changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: No
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury shares):
    - September 30, 2021: 41,561,200 shares
    - December 31, 2020: 41,086,200 shares
  - 2) Total number of treasury shares at the end of the period:
    - September 30, 2021: 1,019,250 shares
    - December 31, 2020: 1,020,399 shares
  - 3) Average number of shares during the period:
    - Nine months ended September 30, 2021: 40,313,845 shares
    - Nine months ended September 30, 2020: 40,302,303 shares

\* These financial results are outside the scope of audit by a certified public accountant or an audit corporation.

\* Explanation of the proper use of financial results forecast and other notes:

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed to be reasonable and are not intended to be construed as assurance that they will be accomplished in the future. Actual results may differ significantly from these forecasts due to a wide range of factors.

## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Business Results

During the nine months of the fiscal year ended September 30, 2021, the business environment was characterized by a gradual recovery from the global epidemic of the Covid-19 infection, as well as the normalization of economic activities, which led to aggressive capital investments in the manufacturing industry. On the other hand, automobile production, which had been on a recovery trend, turned to a downward trend due to the shortage of semiconductors and other factors.

Under this business environment, sales demand for machine tools and automobiles, especially for EVs, remained strong, and sales during the nine months ended September 30, 2021 increased 39.3% year-on-year to 51,199 million yen, and operating profit increased 153.6% year-on-year to 5,379 million yen. Net profit for the period attributable to owners of the parent increased 212.9% year on year to 3,352 million yen.

The Chinese economy, which has been driving economic activity, is showing signs of slowing down, and the future is expected to remain difficult to predict due to the high cost of raw materials, the global shortage of semiconductors, and the impact of rising energy costs.

We will conduct our business to steadily implement our medium-term management strategy "Transform Next 2023," which we started this fiscal year. At the same time, we will strive to increase profits and corporate value by providing better value to our customers while being conscious of our social responsibility to support the global industry.

Performance by segment is as follows.

#### Precision Components Business

Sales in the Precision Components Business increased 39.3% year-on-year to 47,426 million yen, mainly due to increased demand for machine tools and expanded production of EV's. Segment profit (operating profit) increased 130.1% year-on-year to 4,838 million yen.

#### Linear Business

Sales in the Linear Business increased 39.6% year on year to 3,772 million yen due to steady demand for machine tools. Segment profit (operating profit) increased 16,930.5% year-on-year to 524 million yen.

#### Other Business

Sales in Other Businesses is the same amount year on year to 1 million yen. Segment profit (operating profit) increased 13.0% year on year to 17 million yen.

### (2) Explanation of Financial Position

Total assets at the end of the third quarter of the current fiscal year increased by 23,885 million yen compared to the end of the previous fiscal year to 154,351 million yen. This was mainly due to an increase in cash and cash equivalents as a result of fundraising through subordinated syndicated loans and subordinated bonds in order to strengthen our financial position and maintain and improve capital efficiency under our medium-term management strategy covering the three-year period ending December 31, 2023.

Total liabilities increased by 17,309 million yen from the end of the previous fiscal year to 103,063 million yen. This was mainly due to an increase in bonds and Loans as a result of fundraising through subordinated syndicated loan and subordinated bonds.

Total equity increased by 6,576 million yen compared to the end of the previous fiscal year to 51,288 million yen. This was mainly due to an increase in foreign currency translation adjustment among other components of equity.

(Analysis of Status of Cash Flows)

The cash flow status and factors for each activity during the nine months ended September 30, 2021 are as follows.

Net cash provided by operating activities amounted to 5,365 million yen, mainly due to increase income before income taxes. Net cash used for investing activities amounted to 1,188 million yen, mainly due to payments for the acquisition of fixed assets. Net cash provided by financing activities amounted to 13,060 million yen. The main factor was the procurement of funds of 20,000 million yen through the issuance of subordinated syndicated loans and subordinated bonds in order to strengthen our medium- to long-term financial position. As a result, cash and cash equivalents at the end of the third quarter of the current fiscal year totaled 32,653 million yen, an increase of 17,666 million yen compared to the end of the previous fiscal year. This was mainly due to the addition of 429 million yen in translation adjustments resulting from the appreciation of the US dollar and the Chinese yuan during the period.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no revision on the full-year consolidated forecast for the fiscal year ending December 31, 2021, which was announced on August 10, 2021.

Although defects have occurred in some of the products delivered to a specific customer and some costs to deal with this are anticipated, it is difficult to make a reasonable estimate at this time and these costs have not been incorporated into the full-year consolidated forecast.

2. Unaudited Condensed Interim Consolidated Financial Statements  
 (1) Unaudited Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	14,987	32,653
Trade and other receivables, net	13,463	15,247
Inventories	23,597	26,880
Other current assets	1,303	1,134
Total current assets	53,350	75,914
Non-current assets		
Property, plant and equipment, net	31,108	31,430
Intangible assets, net and goodwill	45,049	46,336
Other investments	288	305
Deferred tax assets	553	260
Other non-current assets	118	106
Total non-current assets	77,116	78,437
Total assets	130,466	154,351
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,434	6,373
Current portion of loans and borrowings	14,282	12,050
Income taxes payable	568	1,294
Other current liabilities	3,123	4,188
Total current liabilities	22,407	23,905
Non-current liabilities		
Bonds and Loans, excluding current portion	53,160	71,371
Net defined benefit liability	2,682	2,607
Deferred tax liabilities	2,651	2,121
Other non-current liabilities	4,854	3,059
Total non-current liabilities	63,347	79,158
Total liabilities	85,754	103,063
Equity		
Share capital	16,843	17,096
Capital surplus	11,010	11,367
Treasury stock	(1,651)	(1,648)
Accumulated other comprehensive loss	(7,466)	(3,158)
Retained earnings	25,947	27,600
Equity attributable to owners of the parent	44,683	51,257
Non-controlling interests	29	31
Total equity	44,712	51,288
Total liabilities and equity	130,466	154,351

(2) Unaudited Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income  
(Millions of yen)

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2021
Sales	36,743	51,199
Cost of sales	30,377	40,378
Gross profit	6,366	10,821
Selling, general and administrative expenses	4,330	5,486
Other income	126	125
Other expenses	41	81
Operating profit	2,121	5,379
Financial income	25	241
Financial expenses	652	785
Profit before taxes	1,494	4,835
Income tax expense	425	1,483
Net profit for the period	1,069	3,352
Net profit for the period attributable to:		
Owners of the parent	1,071	3,352
Non-controlling interests	(2)	—
Net profit for the period	1,069	3,352
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(6)	10
Total items that will not be reclassified to profit or loss	(6)	10
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	(1,321)	4,098
Cash flow hedges	79	143
Hedges costs	26	59
Total items that may subsequently be reclassified to profit or loss	(1,216)	4,300
Other comprehensive income (loss), net of tax	(1,222)	4,310
Total comprehensive income (loss)	(153)	7,662
Total comprehensive income attributable to:		
Owners of the parent	(151)	7,660
Non-controlling interests	(2)	2
Total comprehensive income (loss)	(153)	7,662
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	26.58	83.14
Diluted earnings per share (yen)	26.58	82.47

Unaudited Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income  
(Millions of yen)

	For the third quarter ended September 30, 2020	For the third quarter ended September 30, 2021
Sales	12,725	16,461
Cost of sales	10,525	12,894
Gross profit	2,200	3,567
Selling, general and administrative expenses	1,467	1,839
Other income	94	39
Other expenses	32	13
Operating profit	795	1,754
Financial income	3	113
Financial expenses	294	290
Profit before taxes	504	1,577
Income tax expense	127	905
Net profit for the period	377	672
Net profit for the period attributable to:		
Owners of the parent	378	672
Non-controlling interests	(1)	—
Net profit for the period	377	672
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	13	17
Total items that will not be reclassified to profit or loss	13	17
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	262	(18)
Cash flow hedges	3	87
Hedges costs	104	15
Total items that may subsequently be reclassified to profit or loss	369	84
Other comprehensive income (loss), net of tax	382	101
Total comprehensive income (loss)	759	773
Total comprehensive income attributable to:		
Owners of the parent	760	773
Non-controlling interests	(1)	—
Total comprehensive income (loss)	759	773
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	9.39	16.58
Diluted earnings per share (yen)	9.39	16.45

### (3) Unaudited Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2020

	(Millions of yen)					
	Equity attributable to owners of the parent					
	Accumulated Other Comprehensive Income (Loss)					
	Share capital	Capital surplus	Treasury stock	Changes in fair value of available-for-sale financial assets	Foreign currency translation differences	Cash flow hedges
Balance as of January 1, 2020	16,831	11,100	(1,439)	69	(5,906)	(1,079)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(6)	(1,321)	79
Total comprehensive Income (loss)	—	—	—	(6)	(1,321)	79
Issuance of new shares	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Purchase of treasury stock	—	(1)	(251)	—	—	—
Disposition of treasury stock	—	—	39	—	—	—
Stock-based rewards	—	(38)	—	—	—	—
Transfer to retained earnings	—	—	—	(1)	—	—
Total transactions with owners and other	—	(39)	(212)	(1)	—	—
Balance as of September 30, 2020	16,831	11,061	(1,651)	62	(7,227)	(1,000)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedge cost	Total				
Balance as of January 1, 2020	251	(6,665)	26,019	45,846	32	45,878
Net profit for the period	—	—	1,071	1,071	(2)	1,069
Other comprehensive income (loss), net of tax	26	(1,222)	—	(1,222)	—	(1,222)
Total comprehensive Income (loss)	26	(1,222)	1,071	(151)	(2)	(153)
Issuance of new shares	—	—	—	—	—	—
Dividends	—	—	(2,056)	(2,056)	—	(2,056)
Purchase of treasury stock	—	—	—	(252)	—	(252)
Disposition of treasury stock	—	—	—	39	—	39
Stock-based rewards	—	—	—	(38)	—	(38)
Transfer to retained earnings	—	(1)	1	—	—	—
Total transactions with owners and other	—	(1)	(2,055)	(2,307)	—	(2,307)
Balance as of September 30, 2020	277	(7,888)	25,035	43,388	30	43,418

For the nine months ended September 30, 2021

(Millions of yen)

	Equity attributable to owners of the parent						
	Accumulated Other Comprehensive Income (Loss)						
	Share capital	Capital surplus	Treasury stock	Changes in fair value of available- for-sale financial assets	Foreign currency translation differences	Cash flow hedges	
Balance as of January 1, 2021	16,843	11,010	(1,651)	60	(6,872)	(949)	
Net profit for the period	—	—	—	—	—	—	
Other comprehensive income (loss), net of tax	—	—	—	10	4,096	143	
Total comprehensive income (loss)	—	—	—	10	4,096	143	
Issuance of new shares	253	250	—	—	—	—	
Dividends	—	—	—	—	—	—	
Purchase of treasury stock	—	—	—	—	—	—	
Disposition of stock	—	—	3	—	—	—	
Stock-based rewards	—	107	—	—	—	—	
Total transactions with owners and other	253	357	3	—	—	—	
Balance as of September 30, 2021	17,096	11,367	(1,648)	70	(2,776)	(806)	
	Equity attributable to owners of the parent						
	Accumulated Other Comprehensive Income (Loss)			Retained earnings	Total	Non-controlling interests	Total equity
	Hedge cost	Total					
Balance as of January 1, 2021	295	(7,466)		25,947	44,683	29	44,712
Net profit for the period	—	—		3,352	3,352	—	3,352
Other comprehensive income (loss), net of tax	59	4,308		—	4,308	2	4,310
Total comprehensive income (loss)	59	4,308		3,352	7,660	2	7,662
Issuance of new shares	—	—		—	503	—	503
Dividends	—	—		(1,699)	(1,699)	—	(1,699)
Purchase of treasury stock	—	—		—	—	—	—
Disposition of stock	—	—		—	3	—	3
Stock-based rewards	—	—		—	107	—	107
Total transactions with owners and other	—	—		(1,699)	(1,086)	—	(1,086)
Balance as of September 30, 2021	354	(3,158)		27,600	51,257	31	51,288

## (4) Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2021
Cash flows from operating activities		
Profit before taxes	1,494	4,835
Depreciation and amortization	2,527	2,533
Increase (decrease) in net defined benefit liability	(54)	(91)
Interest and dividend income	(22)	(16)
Interest expenses	594	628
Foreign exchange losses (gain)	60	(185)
(Gains) losses sale of fixed assets	2	(53)
Decrease (increase) in trade and other receivables	821	(1,079)
Decrease (increase) in inventories	(378)	(2,337)
(Decrease) increase in trade and other payables	(486)	1,715
Other, net	(451)	1,100
Sub total	4,107	7,050
Interest received	18	17
Dividends received	4	2
Interest paid	(524)	(473)
Income taxes paid	(2,971)	(1,231)
Net cash provided by operating activities	634	5,365
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(604)	(1,134)
Proceeds from sales of property, plant and equipment	25	112
Payments for acquisition of intangible properties	(175)	(166)
Other, net	8	—
Net cash used in investing activities	(746)	(1,188)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	2,974	3,000
Repayments of short-term loans and borrowings	(2,967)	(5,567)
Proceeds from long-term loans and borrowings	—	15,700
Repayments of long-term loans and borrowings	(135)	(8,613)
Proceeds from issuance of bonds	—	9,891
Payments of lease liabilities	(245)	(236)
Proceeds from exercise of subscription rights	—	506
Cash dividends paid	(2,057)	(1,622)
Proceeds from sales of treasury stock	—	1
Purchase of treasury shares	(251)	—
Net cash used in financing activities	(2,681)	13,060
Effect of exchange rate changes on cash and cash equivalents	(158)	429
Net increase in cash and cash equivalents	(2,951)	17,666
Cash and cash equivalents at the beginning of the period	16,946	14,987
Cash and cash equivalents at the end of the period	13,995	32,653

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

### (5) Summary Notes on the quarterly consolidated financial statements

#### Notes concerning going concern assumption

Not applicable

#### Operating Segments

##### 1. General information

##### (1) Basis of segmentation

The Group is composed of segments by product and service and there are "Precision Components Business", "Linear Business" and "Other" as reporting segments.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and is subject to regular review by the Chief Executive Officer of the Group for assessing performance and making resource allocation decisions.

The "Precision Components business" segment engages in manufacturing and sales of various types of steel balls, rollers, cages and sheet metal parts. The "Linear business" segment engages in manufacturing and sales of ball screws and air blowers. The "Other" segment engages primarily in the leasing of real estate.

Segment information is determined in conformity with the accounting policies used in preparing the condensed interim consolidated financial statements. Operating profit (loss) of each reportable segment is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before finance income and finance costs. Pricing for the inter-segment transactions is determined on an arm's length basis.

##### (2) Segment Information

Segment information for the nine months ended September 30, 2020 and 2021 is as follows.

For the nine months ended September 30, 2020

(Millions of yen)						
	Precision components business	Linear business	Other	Total	Reconciling items	Consolidated financial statements
Sales						
External sales	34,041	2,701	1	36,743	—	36,743
Inter-segment sales	2	—	22	24	(24)	—
Total consolidated sales	34,043	2,701	23	36,767	(24)	36,743
Segment profit	2,103	3	15	2,121	0	2,121
				Financial income		25
				Financial expense		(652)
				Profit before taxes		1,494

Reconciling items to segment profit include elimination of inter-segment transactions.

For the nine months ended September 30, 2021

(Millions of yen)

	Precision components business	Linear business	Other	Total	Reconciling items	Consolidated financial statements
Sales						
External sales	47,426	3,772	1	51,199	—	51,199
Inter-segment sales	4	—	22	26	(26)	—
Total consolidated sales	47,430	3,772	23	51,225	(26)	51,199
Segment profit	4,838	524	17	5,379	0	5,379
				Financial income		241
				Financial expense		(785)
				Profit before taxes		4,835

Reconciling items to segment profit include elimination of inter-segment transactions.