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## Consolidated Financial Results for the Three Months Ended March 31, 2022 Unaudited [IFRS]



May 13, 2022

Company name: Tsubaki Nakashima Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 6464  
 URL: <https://www.tsubaki-nakashima.com/en/>  
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 Scheduled date of filing quarterly securities report: May 13, 2022  
 Availability of supplementary briefing material on financial results: Available  
 Schedule of financial results briefing session: Not scheduled

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

### 1. Consolidated Financial Results for the Three months ended March 31, 2022 (January 1, 2022 to March 31, 2022)

(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	%
Three months ended March 31, 2022	18,627	10.3	1,525	(14.8)	1,438	(18.8)	1,046	(21.2)
March 31, 2021	16,892	18.7	1,792	80.8	1,772	89.6	1,327	92.1

	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
Three months ended March 31, 2022	1,045	(21.3)	5,534	14.9	25.76	25.71
March 31, 2021	1,327	92.0	4,815	—	33.11	32.96

(Reference) EBITDA: The three months ended March 31, 2022: 2,406 million yen (down 8.2%)

The three months ended March 31, 2021: 2,620 million yen

EBITDA = Operating profit + depreciation and amortization.

### (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 March 31, 2022	156,200	58,313	58,277	37.3
As of December 31, 2021	157,174	53,369	53,335	33.9

### 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2021	Yen —	Yen 28.00	Yen —	Yen 16.00	Yen 44.00
Fiscal year ending December 31, 2022	—				
Fiscal year ending December 31, 2022 (Forecast)					30.00

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

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes		Net profit for the period attributable to owners of the parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	77,000	13.4	5,650	(2.9)	4,555	(9.0)	2,432	(31.6)
								59.75

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

#### \* 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):
    - March 31, 2022: 41,581,800 shares
    - December 31, 2021: 41,571,500 shares
  - 2) Total number of treasury shares at the end of the period:
    - March 31, 2022: 1,019,286 shares
    - December 31, 2021: 1,019,286 shares
  - 3) Average number of shares during the period:
    - Three months ended March 31, 2022: 40,561,255 shares
    - Three months ended March 31, 2021: 40,092,138 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 Financial Results

### (1) Explanation of Business Results

In the business environment surrounding our group during the three months ended March 31, 2022, while economic activities in the U.S., European countries, and Japan are progressing in coexistence with new coronavirus infection, there are concerns about the slowdown of Chinese economy due to the effects of the lockdown in Shanghai and other major cities following the zero-coronavirus policy. In addition, the outlook remains uncertain due to the tightening and soaring prices of energy and raw materials caused by the prolonged invasion of Ukraine by Russia.

Under these circumstances, sales for the three months ended March 31, 2022, increased 10.3% year on year to 18,627 million yen, contributes to the growth strategy of ceramic balls and the continued expansion of demand for steel balls in Asia, coupled with efforts to pass on raw material price increase to selling prices and other measures.

On the profit front, operating profit decreased 14.8% year on year to 1,525 million yen due to the global and sharp rise in energy and raw material prices, despite increased profits from sales growth and the positive effects of cost improvement efforts. Net profit for the period attributable to owners of the parent for the quarter decreased 21.3% year on year to 1,045 million yen.

The company will implement Mid-Term Strategy that started in 2021 and will continue until fiscal 2023, and conduct to recover business performance and provide better corporate value to our shareholders, customers, business partners, and group employees.

The segment performance is as follows.

#### Precision Components Business

Sales in the segment increased 9.8% year on year to 17,367 million yen, due to continued growth in demand for ceramic balls and steel balls in the Asian region. Segment profit (operating profit) decreased 10.0% year on year to 1,503 million yen due to the impact of soaring global energy prices.

#### Linear Business

Sales in the segment increased 16.9% year on year to 1,260 million yen due to strong demand for machine tools. Segment profit (operating profit) decreased 84.8% year on year to 17 million yen due to the product mix and other factors.

### (2) Explanation of Financial Position

Total assets at the end of first quarter decreased by 974 million yen from the end of the previous fiscal year to 156,200 million yen. This was mainly due to a decrease in current assets by 4,694 million yen, as an increase in trade and other receivables, net by 2,259 million yen and in inventories by 2,601 million yen due to the depreciation of the yen, while cash and cash equivalents decreased by 9,943 million yen due to repayments of current portion of borrowings of 9,030 million yen. Non-current assets increased by 3,720 million yen due to an increase in property, plant and equipment, net by 1,349 million yen, an increase in intangible assets, net and goodwill by 1,272 million yen, and an increase in other non-current assets by 1,279 million yen resulting from the depreciation of the yen.

Total liabilities decreased by 5,918 million yen from the end of the previous fiscal year to 97,887 million yen. This was mainly due to a decrease in current portion of borrowings by 9,030 million yen, while trade and other payables increased by 1,801 million yen and bonds and borrowings, excluding current portion increased by 1,376 million yen due to the foreign exchange impact of dollar-denominated borrowings.

Total equity increased 4,945 million yen from the end of the previous fiscal year to 58,313 million yen. This was mainly due to an increase in other components of equity by 4,487 million yen, including foreign currency translation adjustments, and an increase in retained earnings by 394 million yen.

(Analysis of Status of Cash Flows)

The cash flow status and factors for each activity during the first quarter are as follows.

Net cash used in operating activities amounted to 206 million yen. Cash increase factors included income before income taxes of 1,438 million yen and depreciation and amortization of 881 million yen, while cash decrease factors included an increase in trade and other receivables of 1,473 million yen due to increased sales and an increase in inventories of 1,345 million yen in preparation for sales expansion in the second quarter.

Net cash used in investing activities amounted to 646 million yen, due to payments for acquisition of property, plant and equipment.

Net cash used in financing activities amounted to 9,694 million yen, due to repayment of long-term loans and borrowings of 9,030 million yen.

After adding a translation adjustment of 603 million yen due to the appreciation of the U.S. dollar and Euro during the first quarter, cash and cash equivalents at the end of the first quarter decreased by 9,943 million yen from the end of previous fiscal year to 22,581 million yen.

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

There is no revision to the full-year consolidated forecast for the fiscal year ending December 31, 2022, which was announced on February 15, 2022.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Not Applicable

(2) Changes in accounting policies and accounting estimates

Not Applicable

### 3. Consolidated Financial Statements

#### (1) Consolidated Statements of Financial Position

	(Millions of yen)	
	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	32,524	22,581
Trade and other receivables, net	15,096	17,355
Inventories	28,021	30,622
Other current assets	1,389	1,778
Total current assets	77,030	72,336
Non-current assets		
Property, plant and equipment, net	32,370	33,719
Intangible assets, net and goodwill	46,878	48,150
Other investments	293	236
Deferred tax assets	480	357
Other non-current assets	123	1,402
Total non-current assets	80,144	83,864
Total assets	157,174	156,200
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,551	8,352
Current portion of borrowings	12,030	3,000
Income taxes payable	1,365	1,219
Other current liabilities	4,864	5,217
Total current liabilities	24,810	17,788
Non-current liabilities		
Bonds and borrowings, excluding current portion	71,958	73,334
Net defined benefit liability	2,507	2,495
Deferred tax liabilities	2,172	2,076
Other non-current liabilities	2,358	2,194
Total non-current liabilities	78,995	80,099
Total liabilities	103,805	97,887
Equity		
Share capital	17,102	17,108
Capital surplus	11,415	11,454
Treasury stock	(1,648)	(1,632)
Accumulated other comprehensive income (loss)	(1,378)	3,109
Retained earnings	27,844	28,238
Equity attributable to owners of the parent	53,335	58,277
Non-controlling interests	34	36
Total equity	53,369	58,313
Total liabilities and equity	157,174	156,200

## (2) Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss)

(Millions of yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Sales	16,892	18,627
Cost of sales	13,422	15,178
Gross profit	3,470	3,449
Selling, general and administrative expenses	1,745	1,942
Other income	68	19
Other expenses	1	1
Operating profit	1,792	1,525
Financial income	285	231
Financial expenses	305	318
Profit before taxes	1,772	1,438
Income tax expense	445	392
Net profit for the period	1,327	1,046
Net profit for the period attributable to:		
Owners of the parent	1,327	1,045
Non-controlling interests	0	1
Net profit for the period	1,327	1,046
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	4	(37)
Total items that will not be reclassified to profit or loss	4	(37)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	3,415	4,413
Cash flow hedges	74	84
Hedges costs	(5)	28
Total items that may subsequently be reclassified to profit or loss	3,484	4,525
Other comprehensive income (loss), net of tax	3,488	4,488
Total comprehensive income (loss)	4,815	5,534
Total comprehensive income attributable to:		
Owners of the parent	4,814	5,532
Non-controlling interests	1	2
Total comprehensive income (loss)	4,815	5,534
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	33.11	25.76
Diluted earnings per share (yen)	32.96	25.71

### (3) Consolidated Statements of Changes in Equity

For the three months ended March 31, 2021

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated Other Comprehensive Income (Loss)		
	Share capital	Capital surplus	Treasury stock	Financial assets measured at FVOCI	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	—	—	—	4	3,414	74
Total comprehensive income (loss)	—	—	—	4	3,414	74
Issuance of new shares	46	46	—	—	—	—
Dividends	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	—	—
Stock-based rewards	—	—	—	—	—	—
Total transactions with owners and other	46	46	—	—	—	—
Balance as of March 31, 2021	16,889	11,056	(1,651)	64	(3,458)	(875)

	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	—	—	1,327	1,327	—	1,327
Other comprehensive income (loss), net of tax	(5)	3,487	—	3,487	1	3,488
Total comprehensive income (loss)	(5)	3,487	1,327	4,814	1	4,815
Issuance of new shares	—	—	—	92	—	92
Dividends	—	—	(560)	(560)	—	(560)
Disposition of treasury stock	—	—	—	—	—	—
Stock-based rewards	—	—	—	—	—	—
Total transactions with owners and other	—	—	(560)	(468)	—	(468)
Balance as of March 31, 2021	290	(3,979)	26,714	49,029	30	49,059

For the three months ended March 31, 2022

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury stock	Accumulated Other Comprehensive Income (Loss)		
				Financial assets measured at FVOCI	Foreign currency translation differences	Cash flow hedge
Balance as of January 1, 2022	17,102	11,415	(1,648)	54	(1,021)	(724)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(37)	4,412	84
Total comprehensive income (loss)	—	—	—	(37)	4,412	84
Issuance of new shares	6	6	—	—	—	—
Dividends	—	—	—	—	—	—
Disposition of treasury stock	—	—	16	—	—	—
Stock-based rewards	—	33	—	—	—	—
Total transactions with owners and other	6	39	16	—	—	—
Balance as of March 31, 2022	17,108	11,454	(1,632)	17	3,391	(640)

	Equity attributable to owners of the parent				Non-controlling interests Total	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedge cost	Total				
Balance as of January 1, 2022	313	(1,378)	27,844	53,335	34	53,369
Net profit for the period	—	—	1,045	1,045	1	1,046
Other comprehensive income (loss), net of tax	28	4,487	—	4,487	1	4,488
Total comprehensive income (loss)	28	4,487	1,045	5,532	2	5,534
Issuance of new shares	—	—	—	12	—	12
Dividends	—	—	(651)	(651)	—	(651)
Disposition of treasury stock	—	—	—	16	—	16
Stock-based rewards	—	—	—	33	—	33
Total transactions with owners and other	—	—	(651)	(590)	—	(590)
Balance as of March 31, 2022	341	3,109	28,238	58,277	36	58,313



## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Cash flows from operating activities		
Profit before taxes	1,772	1,438
Depreciation and amortization	829	881
Increase (decrease) in net defined benefit liability	(50)	(38)
Interest and dividend income	(4)	(19)
Interest expense	192	303
Foreign exchange losses (gains)	(245)	(223)
(Gains) losses on sale of fixed assets	(49)	(2)
Decrease (increase) in trade and other receivables	(1,588)	(1,473)
Decrease (increase) in inventories	230	(1,345)
(Decrease) increase in trade and other payables	1,172	1,344
Other, net	244	(250)
Sub Total	2,503	616
Interest received	4	23
Dividend received	0	0
Interest paid	(124)	(166)
Income taxes paid	(334)	(679)
Net cash provided (used) by operating activities	2,049	(206)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(250)	(623)
Proceeds from sale of property, plant and equipment	63	2
Payments for acquisition of intangible properties	(48)	(25)
Other, net	1	(0)
Net cash used by investing activities	(234)	(646)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	3,000	—
Proceeds from long-term loans and borrowings	6,000	—
Repayments of long-term loans and borrowings	(8,563)	(9,030)
Payments of lease liabilities	(75)	(74)
Proceeds from exercise of subscription rights	93	12
Cash dividends paid	(561)	(607)
Proceeds from sales of treasury stock	—	5
Payments for purchase of treasury stock	(0)	—
Net cash provided in financing activities	(106)	(9,694)
Effect of exchange rate changes on cash and cash equivalents	409	603
Net (decrease) increase in cash and cash equivalents	2,118	(9,943)
Cash and cash equivalents at the beginning of the period	14,987	32,524
Cash and cash equivalents at the end of the period	17,105	22,581

## Operating Segments

### 1. General information

#### (1) Basis of segmentation

The Group is composed of segments by product and service and there are "Precision component business" and "Linear business" 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 Company's operating segments consist of the "Precision component business" and the "Linear business". These businesses offer various products and are managed separately because they require different technologies and marketing strategies.

The "Precision component business" segment engages in manufacturing and sales of several 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.

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.

The "Other business" is not included in the reporting segments from this fiscal year.

#### (2) Segment Information

For the three months ended March 31, 2021

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	15,814	1,078	0	16,892	—	16,892
Inter-segment sales	2	—	7	9	(9)	—
Total consolidated sales	15,816	1,078	7	16,901	(9)	16,892
Segment profit	1,670	115	7	1,792	0	1,792
				Financial income		285
				Financial expense		(305)
				Profit before taxes		1,772

(Note) The "Other business" category is a business segment that is not included in the reporting segments and includes real estate rentals. Reconciling items to segment profit include elimination of inter-segment transactions.

For the three months ended March 31, 2022

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	17,367	1,260	0	18,627	—	18,627
Inter-segment sales	2	—	7	9	(9)	—
Total consolidated sales	17,369	1,260	7	18,636	(9)	18,627
Segment profit	1,503	17	5	1,525	0	1,525
				Financial income		231
				Financial expense		(318)
				Profit before taxes		1,438

(Note) The "Other business" category is a business segment that is not included in the reporting segments and includes real estate rentals. Reconciling items to segment profit include elimination of inter-segment transactions.