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## Consolidated Financial Results for the fiscal year ended December 31, 2022 Unaudited [IFRS]



February 20, 2023

Company name: Tsubaki Nakashima Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6464

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

Representative: Koji Hirota, Director and Representative Executive Officer, CEO

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Date of the ordinary general shareholder's meeting March 24, 2023

Payment date of cash dividend March 27, 2023

Filing date of securities report March 27, 2023

Availability of supplementary briefing material on financial results: Available

Schedule of financial results briefing session: Scheduled

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

### 1. Consolidated Financial Results for the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes		Net profit for the period		Net profit for the period attributable to owners of the parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Dec. 31, 2022	79,036	16.4	(9,065)	—	(9,648)	—	(9,085)	—	(9,089)	—	(1,213)	—
Dec. 31, 2021	67,926	30.6	5,816	61.1	5,008	94.7	3,556	89.7	3,554	89.4	9,683	719.6

	Basic earnings per share		Diluted earnings per share		Return on equity (ROE)		Profit before taxes/Total assets		Operating profit margin	
	Yen		Yen		%		%		%	
Dec. 31, 2022	(225.35)		(225.31)		(17.6)		(6.1)		(11.5)	
Dec. 31, 2021	88.04		87.37		7.3		3.5		8.6	

(Reference) EBITDA: Fiscal year ended December 31, 2022: 8,155 million yen (down 11.6%)

Fiscal year ended December 31, 2021: 9,224 million yen

EBITDA = Operating profit + depreciation and amortization + impairment loss

#### (2) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of the parent		Ratio of equity attributable to owners of the parent		Equity per share attributable to owners of the parent	
	Million yen		Million yen		Million yen		%		Yen	
As of Dec. 31, 2022	159,891		50,131		50,096		31.3		1,260.95	
As of Dec. 31, 2021	157,174		53,369		53,335		33.9		1,315.19	

#### (3) Consolidated Cash flows

	Cash flows from Operating Activities		Cash flows from Investing Activities		Cash flows from Financing Activities		Cash and cash equivalents at the end of the period	
	Million yen		Million yen		Million yen		Million yen	
Dec. 31, 2022	(4,136)		(3,504)		(1,762)		24,119	
Dec. 31, 2021	6,265		(2,281)		12,945		32,524	

## 2. Dividends

	Annual dividends					Dividend amount (Total)	Payout ratio (Consolidated)	Dividend/ Equity attributable to owners of the parent
	1st Quarter -end	2nd Quarter -end	3rd Quarter -end	Year -end	Total			
Fiscal year ended Dec. 31, 2021	Yen —	Yen 28.00	Yen —	Yen 16.00	Yen 44.00	Million yen 1,787	% 50.3	% 3.6
Fiscal year ended Dec. 31, 2022	—	13.00	—	17.00	30.00	1,207	—	2.3
Fiscal year ending Dec. 31, 2023 (Forecast)					48.00		35.4	

Our basic policy is to pay dividends from retained earnings twice a year, as interim and year-end dividends, but as the amount of the interim dividend forecast is undecided at this time; the total amount is shown.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% 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	86,000	8.8	9,000	—	7,700	—	5,400	—	133.89	

Due to the expected impact of the coronavirus infection, the invasion of Ukraine, and the reduction of automobile production due to the shortage of semiconductors and other factors in the sales, production, and supply chain, we do not provide an interim forecast, which is difficult to reasonably calculate, but only a full-year 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):
    - December 31, 2022: 41,599,600 shares
    - December 31, 2021: 41,571,500 shares
  - 2) Total number of treasury shares at the end of the period:
    - December 31, 2022: 1,871,615 shares
    - December 31, 2021: 1,019,286 shares
  - 3) Average number of shares during the period:
    - Fiscal year ended December 31, 2022: 40,332,855 shares
    - Fiscal year ended December 31, 2021: 40,372,264 shares

**(Reference) Non-Consolidated Financial Results for the fiscal year ended December 31, 2022**  
**(January 1, 2022 to December 31, 2022)**

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

	Sales		Operating profit		Ordinary profit		Net profit for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Dec. 31, 2022	12,952	0.5	(849)	—	1,310	405.9	1,326	216.3
Dec. 31, 2021	12,887	24.4	(787)	—	259	(68.0)	419	36.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Dec. 31, 2022	32.89	32.88
Dec. 31, 2021	10.39	10.31

**(2) Financial Position**

	Total assets	Total equity	Ratio of equity	Equity per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2022	123,871	30,495	24.6	767.60
As of Dec. 31, 2021	120,423	30,888	25.6	761.69

(Reference) Shareholders' equity: Fiscal year ended December 31, 2022: 30,495 million yen  
Fiscal year ended December 31, 2021: 30,888 million yen

\*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. Please refer to "1. (4) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 5 of the attached materials for details regarding the above forecasts.

## 1. Qualitative Information on Financial Results

### (1) Explanation of Business Results

Since the beginning of the year, economic activities in Japan, the U.S., and European countries have progressed in coexistence with the coronavirus infection, but the impact of the lockdown in Shanghai and other major cities following the zero-corona policy in China and the hike in prices of energy and other basic commodities since Russia invaded Ukraine have slowed the pace of global economic recovery. In addition, the yen continued to weaken as a result of U.S. higher interest rates policy and the widening interest rate differential between Japan and the U.S. Currently, this weakening trend has slowed down due to the substantial increase in Japan's interest rates policy, but the outlook remains uncertain.

Under these circumstances, we have formulated the Mid-Term Strategy, “Transform Next 2023,” covering the three-year period through the fiscal year ending December 31, 2023 and has been promoting to implement the plan.

As a result, sales for the fiscal year increased 16.4% year on year to 79,036 million yen due to strong demand for machine tools in response to positive capital investment in the manufacturing industry in general and the accelerated shift to EVs in the automobile market, as well as the effect of a significantly weaker yen and the price shift to offset surging raw material, energy and other costs. On the profit front, despite the increase in sales and cost improvement, operating profit decreased by 14,881 million yen from the previous year to a loss of 9,065 million yen due to expenses of 2,952 million yen (other expenses: 2,414 million yen, impact of low productivity by production stop: 538 million yen) incurred from the second quarter for business restructuring of the roller business in Europe, and insufficient price pass-through in response to surging energy and other prices, in addition to an impairment loss of 13,562 million yen on property, plant and equipment and other of the precision component business in the U.S. and goodwill in the linear business.

Net profit attributable to owners of the parent company decreased by 12,643 million yen from the previous year to a loss of 9,089 million yen.

The segment performance is as follows.

#### Precision Components Business

The segment manufactures and sells precision balls and rollers, which are mainly used as important components of bearings. Bearings with precision balls or rollers are widely used in automobiles, machine tools and other industrial machinery. During this fiscal year, there was a growing demand for machine tools and an increase in production of EVs due to positive capital investment.

As a result, sales in the segment increased 17.2% year on year to 73,671 million yen. Segment profit (operating loss) decreased by 10,593 million yen from the previous year to a loss of 5,457 million yen due to expenses for business restructuring of the roller business in Europe and impairment losses of 9,546 million yen on fixed assets and other assets in the U.S. business.

#### Linear Business

The segment manufactures and sells ball screws and large blowers, which are mainly used in machine tools, etc. During this fiscal year, demand for machine tools remained strong.

As a result, sales in the segment increased 5.5% year on year to 5,364 million yen. On the other hand, segment profit (operating loss) decreased by 4,290 million yen from the previous year to a loss of 3,628 million yen due to impairment losses of 4,016 million yen on goodwill.

### (2) Explanation of Financial Position

Total assets at the end of the current fiscal year increased by 2,717 million yen from the end of the previous fiscal year to 159,891 million yen. This was mainly due to an increase in trade and other receivables of 5,834 million yen and inventories of 7,027 million yen, respectively, as a result of new market development, while cash and cash equivalents decreased by 8,405 million yen and intangible assets and goodwill decreased by 5,920 million yen.

Total liabilities increased by 5,955 million yen from the end of the previous fiscal year to 109,760 million yen. This

was mainly due to increases in trade and other payables, current portion of borrowings and other current liabilities, mainly due to the effect of yen depreciation.

Total equity decreased by 3,238 million yen from the end of the previous fiscal year to 50,131 million yen. This was mainly due to an increase of 7,803 million yen in accumulated other comprehensive loss, which was partially offset by a decrease of 10,193 million yen in retained earnings.

### (3) Analysis of Status of Cash Flows

The cash flow status and factors for each activity during this fiscal are as follows.

Net cash used in operating activities amounted to 4,136 million yen, mainly due to an increase in trade and other receivables and inventories. Net cash used in investing activities amounted to 3,504 million yen, mainly due to payments for the acquisition of fixed assets. Net cash used in financing activities amounted to 1,762 million yen, mainly due to cash dividends paid and payments for purchase of treasury stock. As a result, cash and cash equivalents at the end of this fiscal year amounted to 24,119 million yen, a decrease of 8,405 million yen from the end of the previous fiscal year, after the addition of 997 million yen in translation adjustments resulting from the appreciation of the US dollar and Euro during the period.

#### (Reference) Cash flow-related financial indicators

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Ratio of equity attributable to owners of the parent (%)	33.9	31.3
Ratio of equity attributable to owners of the parent at market value (%)	37.9	25.3
Ratio of interest-bearing liabilities to cash flows (%)	1,356.9	(2,155.0)
Interest coverage ratio (times)	6.9	(3.8)

Ratio of equity attributable to owners of the parent:  $\text{Equity attributable to owners of the parent} / \text{Total assets}$

Ratio of equity attributable to owners of the parent at market value:  $\text{Market capitalization} / \text{Total assets}$

Ratio of interest-bearing liabilities to cash flows:  $\text{Interest-bearing liabilities} / \text{Cash flows}$

Interest coverage ratio:  $\text{Cash flows} / \text{Interest expense}$

Notes:

1. All the above indicators are calculated using consolidated financial figures under IFRS.
2. Market capitalization is calculated based on the total number of issued shares excluding treasury stock.
3. Cash flows refers to cash flows from operating activities.
4. Interest-bearing liabilities covers all liabilities bearing interest recorded in the consolidated statement of financial position.

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

The Group's business performance is affected by the automobile, machine tool, and other industries, which are our main customers. The Group's performance is also affected by exchange rate fluctuations because the Group translates its financial results into yen for consolidated accounting purposes.

As for our consolidated earnings forecast, we expect sales of 86 billion yen, based on further acceleration of growth in the ceramics business, developing new markets in the medical device business, and steadily growing sales in the Asian market. Operating profit is expected to be 9 billion yen, and net profit attributable to owners of the parent is expected to be 5.4 billion yen, as a result of a growing of sales and progress in passing on the higher prices of raw materials and energy, and the absence of impairment losses of 13.6 billion yen and expenses of 3 billion yen for the business restructuring of the roller business in Europe.

Due to the expected impact of the coronavirus infection, the invasion of Ukraine, and the automobile production cutback due to the shortage of semiconductors and other factors in the sales, production, and supply chain, we do not provide an interim forecast, which is difficult to reasonably calculate, but only a full-year forecast. The assumed

exchange rates are 130 yen to the dollar, 130 yen to the euro, and 18.6 yen to the Chinese yuan.

(5) Basic Policy for Profit Distribution and Dividends for the Year Ending December 31, 2023

The Company intends to make decisions on shareholder returns in order to implement growth strategies such as ceramics, technological innovation, and ESG investments, to maintain the necessary credit ratings for long-term financial stability and stable financing, and to achieve sustainable growth.

In FY2023 and beyond, the Company intends to maintain an annual dividend of 30 yen per share in principle as a stable dividend regardless of profit level, while maintaining a stable dividend payout ratio of 35%.

The year-end dividend of this fiscal year is expected to be 17 yen per share and the annual dividend is expected to be 30 yen per share including the interim dividend of 13 yen.

The annual dividend of next fiscal year is planned to be 48 yen per share, but the interim dividend remains undetermined at this time.

(6) Significant Events Regarding Going Concern Assumption

The Group reviewed the business plan of the precision component business in the U.S. and the linear business, which had been the assumptions for impairment, and recorded a total of 13,562 million yen in impairment losses for the current consolidated fiscal year.

This impairment loss resulted in a consolidated operating loss for the current fiscal year and violated financial covenants related to the maturity of some of the Company's loans, which raises significant doubt on the Company's ability to continue as a going concern.

In order to resolve this situation, we will thoroughly pass on cost inflation (raw materials, energy, etc.) to sales prices, review all aspects of our business, including withdrawal from unprofitable products, and shift management resources with a focus on Monozukuri to the precision component business in the U.S. region and linear business suffering from low profitability.

We will also continue to invest in the growth categories of the medium-term management strategy: accelerating growth in the ceramics business, improving profitability and expanding sales channels in the medical device business, and expanding our presence in the Asian market to generate stable profits.

At the same time, the business restructuring of the European roller business was completed as planned, and we are at the stage of improving the quality of our business performance and gaining a competitive edge through a significant enhancement of competitiveness. Going forward, we are aiming to build a global roller business with an eye on Europe and North America markets.

Through these improvement actions, we will do our utmost to regain the trust of our shareholders, customers, financial institutions, and all other stakeholders.

(7) Impairment loss recorded

As of the end of the current consolidated fiscal year, we have conducted impairment test on its property, plant and equipment, intangible assets and goodwill in accordance with International Financial Reporting Standards (IFRS) and, as a result, recorded a loss of 13,562 million yen because the recoverable amount was less than the carrying amount.

2. Basic idea on selection of accounting standards

We adopt International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2014 for the purpose of improving international comparability of financial statements on the capital market and unifying accounting treatment within the group.

### 3. Consolidated Financial Statements

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

	(Millions of yen)	
	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	32,524	24,119
Trade and other receivables, net	15,096	20,930
Inventories	28,021	35,048
Other current assets	1,389	1,787
Total current assets	77,030	81,884
Non-current assets		
Property, plant and equipment, net	32,370	30,763
Intangible assets, net and goodwill	46,878	40,958
Other investments	293	212
Deferred tax assets	480	2,254
Other non-current assets	123	3,820
Total non-current assets	80,144	78,007
Total assets	157,174	159,891
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,551	7,722
Current portion of borrowings	12,030	52,609
Income taxes payable	1,365	1,416
Other current liabilities	4,864	6,541
Total current liabilities	24,810	68,288
Non-current liabilities		
Bonds and borrowings, excluding current portion	71,958	35,378
Net defined benefit liability	2,507	2,320
Deferred tax liabilities	2,172	1,650
Other non-current liabilities	2,358	2,124
Total non-current liabilities	78,995	41,472
Total liabilities	103,805	109,760
Equity		
Share capital	17,102	17,117
Capital surplus	11,415	11,519
Treasury stock	(1,648)	(2,616)
Accumulated other comprehensive loss	(1,378)	6,425
Retained earnings	27,844	17,651
Equity attributable to owners of the parent	53,335	50,096
Non-controlling interests	34	35
Total equity	53,369	50,131
Total liabilities and equity	157,174	159,891

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

(Millions of yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
Sales	67,926	79,036
Cost of sales	54,317	71,277
Gross profit	13,609	7,759
Selling, general and administrative expenses	7,384	8,398
Other income	148	1,105
Other expenses	557	9,531
Operating profit (loss)	5,816	(9,065)
Financial income	295	620
Financial expenses	1,103	1,203
Profit before taxes (loss)	5,008	(9,648)
Income tax expense	1,452	(563)
Net profit for the period (loss)	3,556	(9,085)
Net profit for the period (loss) attributable to:		
Owners of the parent	3,554	(9,089)
Non-controlling interests	2	4
Net profit for the period (loss)	3,556	(9,085)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(6)	(57)
Remeasurements of defined benefit plans	36	72
Total items that will not be reclassified to profit or loss	30	15
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	5,854	7,399
Cash flow hedges	225	570
Hedges costs	18	(112)
Total items that may subsequently be reclassified to profit or loss	6,097	7,857
Other comprehensive income, net of tax	6,127	7,872
Total comprehensive income	9,683	(1,213)
Total comprehensive income attributable to:		
Owners of the parent	9,678	(1,214)
Non-controlling interests	5	1
Total comprehensive income	9,683	(1,213)
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	88.04	(225.35)
Diluted earnings per share (yen)	87.37	(225.31)



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

For the fiscal year ended December 31, 2021

	(Millions of yen)					
	Share capital	Capital surplus	Treasury stock	Accumulated Other Comprehensive Income (Loss)		
				Financial assets measured at FVOCI	Remeasurements of defined benefit plans	Foreign currency translation differences
Balance as of January 1, 2021	16,843	11,010	(1,651)	60	—	(6,872)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(6)	36	5,851
Total comprehensive income (loss)	—	—	—	(6)	36	5,851
Issuance of new shares	259	256	—	—	—	—
Dividends	—	—	—	—	—	—
Purchase of treasury Stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	3	—	—	—
Stock-based rewards	—	149	—	—	—	—
Expiry of share options	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	(36)	—
Total transactions with owners and other	259	405	3	—	(36)	—
Balance as of December 31, 2021	17,102	11,415	(1,648)	54	—	(1,021)

	(Millions of yen)						
	Equity attributable to owners of the parent			Retained earnings	Total	Non-controlling interests	Total equity
	Cash flow hedge	Hedge costs	Total				
Balance as of January 1, 2021	(949)	295	(7,466)	25,947	44,683	29	44,712
Net profit for the period	—	—	—	3,554	3,554	2	3,556
Other comprehensive income (loss), net of tax	225	18	6,124	—	6,124	3	6,127
Total comprehensive income (loss)	225	18	6,124	3,554	9,678	5	9,683
Issuance of new shares	—	—	—	—	515	—	515
Dividends	—	—	—	(1,693)	(1,693)	—	(1,693)
Purchase of treasury Stock	—	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	3	—	3
Stock-based rewards	—	—	—	—	149	—	149
Expiry of share options	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	(36)	36	—	—	—
Total transactions with owners and other	—	—	(36)	(1,657)	(1,026)	—	(1,026)
Balance as of December 31, 2021	(724)	313	(1,378)	27,844	53,335	34	53,369

For the fiscal year ended December 31, 2022

	(Millions of yen)					
	Share capital	Capital surplus	Treasury stock	Accumulated Other Comprehensive Income (Loss)		
				Financial assets measured at FVOCI	Remeasurements of defined benefit plans	Foreign currency translation differences
Balance as of January 1, 2022	17,102	11,415	(1,648)	54	—	(1,021)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(57)	72	7,402
Total comprehensive income (loss)	—	—	—	(57)	72	7,402
Issuance of new shares	15	15	—	—	—	—
Dividends	—	—	—	—	—	—
Purchase of treasury Stock	—	—	(1,000)	—	—	—
Disposition of treasury stock	—	—	32	—	—	—
Stock-based rewards	—	89	—	—	—	—
Expiry of share options	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	(72)	—
Total transactions with owners and other	15	104	(968)	—	(72)	—
Balance as of December 31, 2022	17,117	11,519	(2,616)	(3)	—	6,381

	(Millions of yen)						
	Equity attributable to owners of the parent						
	Accumulated Other Comprehensive Income (Loss)			Retained earnings	Total	Non-controlling interests	Total equity
	Cash flow hedge	Hedge costs	Total				
Balance as of January 1, 2022	(724)	313	(1,378)	27,844	53,335	34	53,369
Net profit for the period	—	—	—	(9,089)	(9,089)	4	(9,085)
Other comprehensive income (loss), net of tax	570	(112)	7,875	—	7,875	(3)	7,872
Total comprehensive income (loss)	570	(112)	7,875	(9,089)	(1,214)	1	(1,213)
Issuance of new shares	—	—	—	—	30	—	30
Dividends	—	—	—	(1,176)	(1,176)	—	(1,176)
Purchase of treasury Stock	—	—	—	—	(1,000)	—	(1,000)
Disposition of treasury stock	—	—	—	—	32	—	32
Stock-based rewards	—	—	—	—	89	—	89
Expiry of share options	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	(72)	72	—	—	—
Total transactions with owners and other	—	—	(72)	(1,104)	(2,025)	—	(2,025)
Balance as of December 31, 2022	(154)	201	6,425	17,651	50,096	35	50,131

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the year ended December 31, 2021	For the year ended December 31, 2022
Cash flows from operating activities		
Profit before taxes (loss)	5,008	(9,648)
Depreciation and amortization	3,408	3,658
Impairment losses reversal of impairment losses	—	13,562
Increase (decrease) in net defined benefit liability	(194)	(230)
Interest and dividend income	(24)	(62)
Interest expense	942	1,112
Foreign exchange losses (gains)	(231)	(470)
(Gains) losses on sale of fixed assets	(56)	(801)
Decrease (increase) in trade and other receivables	(557)	(4,716)
Decrease (increase) in inventories	(2,966)	(4,979)
(Decrease) increase in trade and other payables	1,750	532
Other, net	1,398	697
Sub Total	8,478	(1,345)
Interest received	14	55
Dividend received	4	7
Interest paid	(911)	(1,089)
Income taxes paid	(1,320)	(1,764)
Net cash provided (used) in operating activities	6,265	(4,136)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(2,123)	(5,538)
Proceeds from sale of property, plant and equipment	117	2,154
Payments for acquisition of intangible properties	(274)	(120)
Other, net	(1)	0
Net cash used in investing activities	(2,281)	(3,504)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	3,000	—
Repayments of short-term loans and borrowings	(5,567)	—
Proceeds from long-term loans and borrowings	15,700	9,700
Repayments of long-term loans and borrowings	(8,633)	(9,030)
Proceeds from issuance of bonds	9,891	—
Payments of lease liabilities	(317)	(320)
Proceeds from exercise of subscription rights	515	30
Cash dividends paid	(1,645)	(1,147)
Proceeds from sales of treasury stock	1	5
Payments for purchase of treasury stock	(0)	(1,000)
Net cash provided (used) in financing activities	12,945	(1,762)
Effect of exchange rate changes on cash and cash equivalents	608	997
Net (decrease) increase in cash and cash equivalents	17,537	(8,405)
Cash and cash equivalents at the beginning of the period	14,987	35,524
Cash and cash equivalents at the end of the period	32,524	24,119

#### (5) Notes on Going Concern Assumption

In the current consolidated fiscal year, the Company posted a consolidated operating loss due to a large amount of impairment losses. As a result, the Company is in breach of financial covenants attached to some of its borrowings, and there are events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

In order to resolve this situation, the Company is discussing with the financial institutions with which it has transactions the waiver of the right to forfeit the benefit of time with respect to the loans that are in violation of the financial covenants.

However, the Company recognizes that significant uncertainties regarding the premise of a going concern exist at this time, as the future progress of the business, discussions with the above financial institutions, and funding may have a significant impact on the Company's future cash flows.

The consolidated financial statements are prepared on the premise of a going concern, and the effect of material uncertainty regarding the premise of a going concern is not reflected in the consolidated financial statements.

(Segment Information and Others)

(1) Basis of segmentation

The Group is composed of segments by product and service and there are “Precision component business”, “Linear business” and “Other 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 “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 prepared in accordance with the same accounting policies as those used in the consolidated financial statements. Operating income of each segment is measured by adding or subtracting finance income and expenses to or from income before income taxes and is measured in the same manner as operating income in the consolidated statements of comprehensive income.

Pricing for the inter-segment transactions is determined on an arm’s length basis.

(2) Information on reporting segments

For the fiscal year ended December 31, 2021

(Millions of yen)

	Reporting segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	62,843	5,082	1	67,926	—	67,926
Inter-segment sales	6	—	29	35	(35)	—
Total consolidated sales	62,849	5,082	30	67,961	(35)	67,926
Segment profit	5,136	662	18	5,816	0	5,816
				Financial income		295
				Financial expense		(1,103)
				Profit before taxes		5,008

	Reporting segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Depreciation and amortization	(3,124)	(284)	—	(3,408)	—	(3,408)
Segment assets	122,010	13,808	39	135,857	21,317	157,174
Capital expenditure	2,330	67	—	2,397	—	2,397

(Note) 1. The "Other business" category is a business segment not included in the reportable segments and includes real estate rentals.

2. Adjustment of segment assets includes surplus operating funds (cash and deposits) held mainly for corporate purposes.

For the fiscal year ended December 31, 2022

(Millions of yen)

	Reporting segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	73,671	5,364	1	79,036	—	79,036
Inter-segment sales	5	—	29	34	(34)	—
Total consolidated sales	73,676	5,364	30	79,070	(34)	79,036
Segment profit	(5,457)	(3,628)	20	(9,065)	0	(9,065)
				Financial income		620
				Financial expense		(1,203)
				Profit before taxes		(9,648)

	Reporting segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Depreciation and amortization	(3,403)	(255)	—	(3,658)	—	(3,658)
Impairment losses	(9,546)	(4,016)	—	(13,562)	—	(13,562)
Segment assets	132,585	10,394	39	143,018	16,873	159,891
Capital expenditure	5,542	96	—	5,638	—	5,638

(Note) 1. The "Other" category is a business segment not included in the reportable segments and includes real estate rentals.

2. Adjustment of segment assets includes surplus operating funds (cash and deposits) held mainly for corporate purposes.

3. Impairment losses recorded in "Precision component business" segment is included in "Cost of sales", "Selling, general and administrative expenses" and "Other expenses".

4. Impairment losses recorded in "Linear business" segment is included in "Other expenses".

(Earnings per share)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net profit for the period attributable to Owners of the parent (Millions of yen)	3,554	(9,089)
Net profit adjustment	—	—
Diluted net profit (Millions of yen)	3,554	(9,089)
Weighted average numbers of issued common shares	40,372,264	40,332,855
Impact of dilution		
Increase due to stock options	308,195	6,511
Increase due to BIP executive compensation trust	—	—
Weighted average numbers of issued common shares after dilution	40,680,459	40,339,366
Basic earnings per share (Yen)	88.04	(225.35)
Diluted earnings per share (Yen)	87.37	(225.31)

(Significant subsequent events)

Not applicable.