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Consolidated Financial Results for the Three Months Ended March 31, 2020 Unaudited [IFRS]



May 15, 2020

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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 Scheduled date of filing quarterly securities report: May 15, 2020
 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 Three Months Ended March 31, 2020 (January 1, 2020 to March 31, 2020)

(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, 2020	14,226	(21.8)	991	(58.6)	935	(58.0)	691	(58.0)
March 31, 2019	18,183	(6.7)	2,393	(13.6)	2,224	(6.6)	1,646	(5.3)

	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, 2020	691	(58.0)	(1,122)	—	17.14	17.10
March 31, 2019	1,645	(5.3)	1,665	—	41.19	40.59

(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, 2020	130,636	43,105	43,073	33.0
As of Dec. 31, 2019	135,156	45,878	45,846	33.9

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, 2019	-	40.00	-	41.00	81.00
Fiscal year ending December 31, 2020	-				
Fiscal year ending December 31, 2020 (Forecast)		-	-	-	-

(Note) Revision to the forecast for dividends announced most recently: Yes

Since the earnings forecast for FY2020 is retracted, the dividend forecast has not yet been determined.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes	
	Million yen	%	Million yen	%	Million yen	%
1H 2020	—	—	—	—	—	—
Full year	—	—	—	—	—	—

	Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Yen
1H 2020	—	—	—
Full year	—	—	—

(Note) Revision to the financial results forecast announced most recently: Yes

New coronavirus has spread on global level and has caused economic activities to stagnate. At this time, it is difficult to see when this crisis will end and develop a rational forecast. Therefore, the earnings forecast announced on February 12, 2020 is retracted. We will announce our earnings forecasts as soon as we are able to do so.

* 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, 2020: 41,063,000 shares
 - December 31, 2019: 41,063,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 31, 2020: 720,368 shares
 - December 31, 2019: 733,668 shares
 - 3) Average number of shares during the period:
 - Three months ended March 31, 2020: 40,332,913 shares
 - Three months ended March 31, 2019: 39,931,088 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

The world economy during the three months ended March 31, 2020 was severe situation for global production volume of automobiles and orders for industrial machinery due to the global spread of the COVID-19 infection.

Under this business environment, sales during the three months ended March 31, 2020 decreased 21.8% year on year to ¥14,226 million. As for profits, operating profit decreased 58.6% year on year to ¥991 million. Net profit for the period attributable to owners of the parent decreased 58.0% year on year to ¥691 million.

Although the severe business environment continues, under the management principle of “We will become a stellar corporation that realizes sustainable profitable growth and continues to create improvements in corporate value,” the Group will become a company that can further contribute to society and customers by growing as “One Team”.

Performance by segment is as follows.

Precision Components Business

Sales of the Precision Components Business decreased 20.2% year on year to ¥13,192 million. Segment profit (operating profit) decreased 51.4% year on year to ¥984 million.

Linear Business

Sales of the Linear Business decreased 33.7% year on year to ¥1,034 million. Segment profit (operating profit) decreased 99.5% year on year to ¥1 million.

Other Business

Sales of other businesses decreased 99.6% year on year to ¥0 million due to the sale of land for the lease in the previous fiscal year. Segment profit (operating profit) decreased 95.5% year on year to ¥6 million.

(2) Explanation of Financial Position

In assets, current assets as of the end of the first quarter of the fiscal year under review decreased ¥2,987 million from the end of the previous fiscal year to ¥52,550 million. This is attributable to decrease in cash and cash equivalent by ¥2,472 million, inventories by ¥378 million and trade and other receivables by ¥225 million.

Non-current assets decreased ¥1,534 million from the end of the previous fiscal year to ¥78,086 million. This is attributable to decrease in property, plant and equipment by ¥1,099 million.

Current liabilities increased ¥7,040 million from the end of the previous fiscal year to ¥23,635 million. This is attributable to increase in current portion of loans and borrowings by ¥8,568 million and decrease in income taxes payable by ¥1,960 million.

Non-current liabilities decreased ¥8,787 million from the end of the previous fiscal year to ¥63,896 million. This is attributable to decrease in loans and borrowings by ¥8,752 million.

Equity decreased ¥2,774 million from the end of the previous fiscal year to ¥43,105 million. This is attributable to decrease in Capital surplus by ¥1,812 million and retained earnings by ¥961 million.

(Analysis of Status of Cash Flows)

Cash and cash equivalents as of the end of the three months ended March 31, 2020 decreased ¥2,472 million year on year to ¥14,474 million. The status of cash flows of each activity during the first quarter of the fiscal year and its cause are as follows.

(Cash Flows from Operating Activities)

Net cash used in operating activities amounted to ¥296 million. This is attributable to cash increase factors including profit before taxes of ¥935 million, depreciation and amortization of ¥865 million and increase in trade and other payables of ¥711 million, despite cash decrease factors including increase in trade and other receivables of ¥121 million, increase in inventories of ¥45 million and income taxes paid of ¥2,407 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥228 million. This is attributable to payments for acquisition of property, plant and equipment of ¥220 million and payments for acquisition of intangible assets of ¥10 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥1,776 million. This is attributable to proceeds from short-term loans and borrowings of ¥2,974 million, repayments of short-term loans and borrowings of ¥2,967 million, cash dividends paid of ¥1,654 million, repayments of lease liabilities of ¥71 million and repayments of long-term loans and borrowings of ¥58 million.

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

Since the company is affected by the spread of the new coronavirus infection and due to the difficulty of showing the earnings forecast numerically, the earnings forecast announced on February 12, 2020 is retracted. New forecasts will be made public when reasonably predictable.

2. Unaudited Condensed Interim Consolidated Financial Statements

(1) Unaudited Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	16,946	14,474
Trade and other receivables, net	12,972	12,747
Inventories	24,576	24,198
Other current assets	1,042	1,131
Total current assets	55,536	52,550
Non-current assets		
Property, plant and equipment, net	32,896	31,797
Intangible assets, net and goodwill	45,944	45,514
Other investments	292	226
Deferred tax assets	377	441
Other non-current assets	111	108
Total non-current assets	79,620	78,086
Total assets	135,156	130,636
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,544	5,092
Current portion of loans and borrowings	5,715	14,283
Income taxes payable	2,483	523
Other current liabilities	3,835	3,737
Total current liabilities	16,595	23,635
Non-current liabilities		
Loans and borrowings, excluding current portion	62,995	54,243
Net defined benefit liability	2,855	2,816
Deferred tax liabilities	2,674	2,456
Other non-current liabilities	4,159	4,381
Total non-current liabilities	72,683	63,896
Total liabilities	89,278	87,531
Equity		
Share capital	16,831	16,831
Capital surplus	11,100	11,062
Treasury stock	(1,439)	(1,400)
Accumulated other comprehensive loss	(6,665)	(8,477)
Retained earnings	26,019	25,058
Equity attributable to owners of the parent	45,846	43,074
Non-controlling interests	32	31
Total equity	45,878	43,105
Total liabilities and equity	135,156	130,636

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

(Millions of yen)

	For the three months ended March 31, 2019	For the three months ended March 31, 2020
Sales	18,183	14,226
Cost of sales	14,006	11,652
Gross profit	4,177	2,574
Selling, general and administrative expenses	1,850	1,599
Other income	77	22
Other expenses	11	6
Operating profit	2,393	991
Financial income	48	155
Financial expenses	217	211
Profit before taxes	2,224	935
Income tax expense	578	244
Net profit for the period	1,646	691
Net profit for the period attributable to:		
Owners of the parent	1,645	691
Non-controlling interests	1	(0)
Net profit for the period	1,646	691
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	9	(46)
Total items that will not be reclassified to profit or loss	9	(46)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	(30)	(1,650)
Cash flow hedges	(39)	(7)
Hedges costs	79	(110)
Total items that may subsequently be reclassified to profit or loss	10	(1,767)
Other comprehensive income (loss), net of tax	19	(1,813)
Total comprehensive income (loss)	1,665	(1,122)
Total comprehensive income attributable to:		
Owners of the parent	1,665	(1,121)
Non-controlling interests	0	(1)
Total comprehensive income (loss)	1,665	(1,122)
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	41.19	17.14
Diluted earnings per share (yen)	40.59	17.10

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

For the three months ended March 31, 2019

	(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, 2019	16,621	10,823	(1,439)	85	(4,414)	(1,259)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	9	(29)	(39)
Total comprehensive income (loss)	—	—	—	9	(29)	(39)
Issuance of new shares	11	11	—	—	—	—
Dividends	—	—	—	—	—	—
Stock-based rewards	—	25	—	—	—	—
Total transactions with owners and other	11	36	—	—	—	—
Balance as of March 31, 2019	16,632	10,859	(1,439)	94	(4,443)	(1,298)

	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, 2019	174	(5,414)	24,462	45,053	27	45,080
Net profit for the period	—	—	1,645	1,645	1	1,646
Other comprehensive income (loss), net of tax	79	20	—	20	△1	19
Total comprehensive income (loss)	79	20	1,645	1,665	—	1,665
Issuance of new shares	—	—	—	22	—	22
Dividends	—	—	(1,597)	(1,597)	—	(1,597)
Stock-based rewards	—	—	—	25	—	25
Total transactions with owners and other	—	—	(1,597)	(1,550)	—	(1,550)
Balance as of March 31, 2019	253	(5,394)	24,510	45,168	27	45,195

For the three months ended March 31, 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	—	—	—	(46)	(1,649)	(7)
Total comprehensive income (loss)	—	—	—	(46)	(1,649)	(7)
Issuance of new shares	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Disposition of stock	—	—	39	—	—	—
Stock-based rewards	—	(38)	—	—	—	—
Total transactions with owners and other	—	(38)	39	—	—	—
Balance as of March 31, 2020	16,831	11,062	(1,400)	23	(7,555)	(1,086)

	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, 2020	251	(6,665)	26,019	45,846	32	45,878
Net profit for the period	—	—	691	691	—	691
Other comprehensive income (loss), net of tax	(110)	(1,812)	—	(1,812)	(1)	(1,813)
Total comprehensive income (loss)	(110)	(1,812)	691	(1,121)	(1)	(1,122)
Issuance of new shares	—	—	—	—	—	—
Dividends	—	—	(1,652)	(1,652)	—	(1,652)
Disposition of stock	—	—	—	39	—	39
Stock-based rewards	—	—	—	(38)	—	(38)
Total transactions with owners and other	—	—	(1,652)	(1,651)	—	(1,651)
Balance as of March 31, 2020	141	(8,477)	25,058	43,074	31	43,105

(4) Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended March 31, 2019	For the three months ended March 31, 2020
Cash flows from operating activities		
Profit before taxes	2,224	935
Depreciation and amortization	840	865
Increase (decrease) in net defined benefit liability	16	(19)
Interest and dividend income	(3)	(6)
Interest expenses	201	199
Foreign exchange losses (gain)	151	26
(Gains) losses sale of fixed assets	(0)	(0)
Decrease (increase) in trade and other receivables	(1,579)	(121)
Decrease (increase) in inventories	(360)	(45)
(Decrease) increase in trade and other payables	115	711
Other, net	267	(308)
Sub total	1,872	2,237
Interest received	3	5
Dividends received	-	0
Interest paid	(128)	(131)
Income taxes paid	(766)	(2,407)
Net cash provided by operating activities	981	(296)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(338)	(220)
Proceeds from sales of property, plant and equipment	0	1
Payments for acquisition of intangible properties	(124)	(10)
Other, net	(1)	1
Net cash used in investing activities	(463)	(228)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	2,019	2,974
Repayments of short-term loans and borrowings	-	(2,967)
Repayments of long-term loans and borrowings	(58)	(58)
Payments of lease liabilities	(61)	(71)
Proceeds from exercise of subscription rights	23	-
Cash dividends paid	(1,597)	(1,654)
Net cash used in financing activities	326	(1,776)
Effect of exchange rate changes on cash and cash equivalents	(14)	(172)
Net increase in cash and cash equivalents	830	(2,472)
Cash and cash equivalents at the beginning of the period	13,304	16,946
Cash and cash equivalents at the end of the period	14,134	14,474

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 Company's operating segments consist of "Precision Components business", "Linear business" and "Other business". These businesses offer different products and are managed separately because they require different technologies and marketing strategies.

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 business" 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 are determined on an arm's length basis.

(2) Segment Information

Segment information for the three months ended March 31, 2019 and 2020 is as follows.

For the three months ended March 31, 2019

(Millions of yen)						
	Precision components business	Linear business	Other business	Total	Reconciling items	Consolidated financial statements
Sales						
External sales	16,530	1,559	94	18,183	—	18,183
Inter-segment sales	2	—	8	10	(10)	—
Total consolidated sales	16,532	1,559	102	18,193	(10)	18,183
Segment profit	2,027	242	124	2,393	0	2,393
				Financial income		48
				Financial expense		(217)
				Profit before taxes		2,224

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

For the three months ended March 31, 2020

(Millions of yen)

	Precision components business	Linear business	Other business	Total	Reconciling items	Consolidated financial statements
Sales						
External sales	13,192	1,034	0	14,226	—	14,226
Inter-segment sales	0	—	8	8	(8)	—
Total consolidated sales	13,192	1,034	8	14,234	(8)	14,226
Segment profit	984	1	6	991	0	991
				Financial income		155
				Financial expense		(211)
				Profit before taxes		935

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