Consolidated Financial Results for the Nine Months Ended September 30, 2018 Unaudited [IFRS]

November 14, 2018

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Stock exchange listing: Tokyo Stock Exchange
Code number: 6464
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Scheduled date of filing quarterly securities report: November 14, 2018
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, 2018 (January 1, 2018 to September 30, 2018)

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

	Sales		Operating profit		Profit before taxes		Net profit for the period	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2018	57,202	63.5	7,817	89.4	6,938	97.4	5,443	141.8
September 30, 2017	34,991	27.1	4,128	(22.1)	3,514	(15.6)	2,251	(26.3)

	Net profit for the period attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Nine months ended	Million yen	%	Million yen	%	Yen	Yen
September 30, 2018	5,441	141.7	4,512	87.6	136.80	133.43
September 30, 2017	2,251	(26.3)	2,405	-	56.89	55.55

(Reference) EBITDA: Nine months ended September 30, 2018: ¥10,323 million (up 85.8%)
Nine months ended September 30, 2017: ¥5,556 million
EBITDA = Operating profit + depreciation and amortization. EBITDA is outside the scope of quarterly review pursuant to the Financial Instrument and Exchange Act.

(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, 2018	139,873	45,948	45,922	32.8
As of December 31, 2017	139,576	44,606	44,582	31.9

In the second quarter consolidated accounting period, provisional accounting for business combinations has been finalized. By the settlement of provisional accounting, the review of the initial allocation of acquisition costs are reflected on previous fiscal year amounts.

The English translation is only for reference purpose. When there are discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.

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, 2017	-	31.00	-	33.00	64.00
Fiscal year ending December 31, 2018	-	39.00	-		
Fiscal year ending December 31, 2018 (Forecast)				40.00	79.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes	
	Million yen	%	Million yen	%	Million yen	%
Full year	75,000	40.9	10,350	65.4	9,300	76.6

	Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Yen
Full year	7,100	167.2	178.52

(Note) Revision to the financial results forecast announced most recently: Yes
Please also refer to “Notice of revised FY2018 earnings forecast” disclosed on November 14, 2018 for the details.

*** 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: Yes
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, 2018: 40,447,600 shares
December 31, 2017: 40,340,800 shares

2) Total number of treasury shares at the end of the period:
September 30, 2018: 733,610 shares
December 31, 2017: 571,075 shares

3) Average number of shares during the period:
Nine months ended September 30, 2018: 39,771,123 shares
Nine months ended September 30, 2017: 39,574,566 shares

* These quarterly financial results are outside the scope of quarterly review 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 nine months ended September 30, 2018 generally remained firm despite concerns about downside risks of the economy due to persisting uncertainties including US protectionist policies, defensive measures by China, geopolitical risks and raw material price increases. In Japan, a gradual recovery trend continued although some economies were affected by natural disasters one after another.

In this environment, the Company continued to make business efforts and for the nine months ended September 30, 2018, sales increased 63.5% year on year to ¥57,202 million (an increase of 60.2% excluding the impact of exchange rates for overseas consolidated subsidiaries; of which, sales for the PBC acquired from NN, Inc. US (the "former PBC") during the previous fiscal year was ¥24,687 million.).

As for profits, operating profit increased 89.4% year on year to ¥7,817 million (an increase of 93.5% excluding one-time cost and the impact of exchange rates for overseas consolidated subsidiaries; of which, operating profit for the former PBC was ¥2,065 million).

Net profit for the period attributable to owners of the parent increased 141.7% year on year to ¥5,441 million (an increase of 147.1% excluding one-time cost and the impact of exchange rates for overseas consolidated subsidiaries; of which, net profit for the period attributable to owners of the parent for the former PBC was ¥1,582 million.).

As such, 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 strive to become a company that can further contribute to society and customers as "New TSUBAKI NAKASHIMA."

Performance by segment is as follows.

Precision Components Business

During the previous fiscal year, because of the inclusion of TN TENNESSEE, LLC. and eight other companies in the scope of consolidation due to stock acquisition for transferring the PBC of NN, Inc. US, the name of the segment has been changed from "Ball Business" to "Precision Components Business."

Sales of the Precision Components Business increased 71.2% year on year to ¥52,771 million (an increase of 67.5% excluding the impact of exchange rates for overseas subsidiaries). Segment profit (operating profit) increased 90.8% year on year to ¥7,073 million (an increase of 87.1% excluding one-time cost and the impact of exchange rates for overseas subsidiaries).

Linear Business

Sales of the Linear Business increased 6.7% year on year to ¥4,152 million (an increase of 6.7% excluding the impact of exchange rates for overseas subsidiaries). Segment profit (operating profit) increased 196.3% year on year to ¥499 million (an increase of 196.3% excluding the impact of exchange rates for overseas subsidiaries.).

Other Business

Sales of other businesses decreased 0.3% year on year to ¥279 million (a decrease of 0.3% excluding the impact of exchange rates for overseas subsidiaries). Segment profit (operating profit) decreased 3.1% year on year to ¥245 million (a decrease of 3.1% excluding the impact of exchange rates for overseas subsidiaries).

(2) Explanation of Financial Position

Current assets as of the end of the third quarter of the fiscal year under review increased ¥1,449 million

from the end of the previous fiscal year to ¥54,566 million. This is attributable to increases in inventories by ¥1,572 million, and other current assets by ¥369 million, and decrease in cash and cash equivalents by ¥459 million.

Non-current assets decreased ¥1,152 million from the end of the previous fiscal year to ¥85,307 million. This is attributable to decreases in property, plant and equipment, net by ¥989 million and intangible assets, net and goodwill by ¥252 million.

Current liabilities increased ¥8,498 million from the end of the previous fiscal year to ¥19,669 million. This is attributable to increases in trade and other payables by ¥257 million and loans and borrowings by ¥8,500 million, and decrease in income taxes payable by ¥421 million.

Non-current liabilities decreased ¥9,543 million from the end of the previous fiscal year to ¥74,256 million. This is attributable to a decrease in loans and borrowings, excluding current portion by ¥8,530 million and other non-current liabilities by ¥837 million.

Equity increased ¥1,342 million from the end of the previous fiscal year to ¥45,948 million. This is attributable to an increase in retained earnings by ¥2,580 million and treasury stock by ¥468 million and accumulated other comprehensive loss by ¥931 million.

In the second quarter consolidated accounting period, provisional accounting for business combinations has been finalized. By the settlement of provisional accounting, the review of the initial allocation of acquisition costs are reflected on previous fiscal year amounts.

(Analysis of Status of Cash Flows)

Cash and cash equivalents as of the end of the third quarter of the fiscal year under review decreased ¥459 million year on year to ¥11,542 million. The status of cash flows of each activity during the nine months ended September 30, 2018 and its cause are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥5,083 million. This is attributable to cash increase factors including profit before taxes of ¥6,938 million, depreciation and amortization of ¥2,506 million and increase in trade and other payables of ¥430 million, despite cash decrease factors including increase in trade and other receivables of ¥441 million, increase in inventories of ¥1,909 million and income taxes paid of ¥2,619 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥2,138 million. This is attributable to payments for acquisition of property, plant and equipment of ¥2,068 million and payments for acquisition of subsidiary stock of ¥90 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥3,350 million. This is attributable to cash dividends paid of ¥2,861 million, repayments of long-term loans and borrowings of ¥135 million, payments for purchase of treasury stock of ¥468 million and proceeds from exercise of subscription rights of ¥114 million.

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

Tsubaki Nakashima advises that is revised the earnings forecast announced on February 14, 2018 considering recent trends.

Revision to consolidated earnings forecast for fiscal year ending December 31, 2018

（January 1, 2018 to December 31, 2018）

	Sales	Operating profit	Profit before tax	Net profit for the period attributable to owners of the parent	Basic earnings per share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Previous forecast (A)	75,000	11,500	10,600	7,790	195.88
Revision (B)	75,000	10,350	9,300	7,100	178.52
Change (B-A)	―	(1,150)	(1,300)	(690)	(17.36)
Change (%)	―	(10.0%)	(12.3%)	(8.9%)	(8.9%)
(Reference) Previous year results (December 31, 2017)	53,244	6,259	5,266	2,658	67.09

Reasons for Revision:

Sales is expected to be the same as previously announced. With regards to profits, we will revise because of following reasons.

1. Increase in raw material prices and time lag in passing through the cost increase.
2. Imposition of tariff on steel imports in US and resulting increase on cost of raw materials. Time lag in passing through the impact of tariff.
3. One-time decrease in output rate due to typhoon in Japan.
4. One-time expenses incurred due to inappropriate conduct in the past.

The assumed exchange rate is 112 yen for 1 dollar, 132 yen for 1 euro, 16.6 yen for 1 RMB as originally assumed.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries During the Period under Review

Not applicable.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

(1) Financial Instruments, Revenue from Contracts with Customers

The Group has adopted the following standards from the first quarter ended March 31, 2018:

Standard	Title of standard	Description of new standards and amendments
IFRS 9	Financial Instruments	New standard on the recognition, classification, measurement and hedge accounting of financial instruments
IFRS 15	Revenue from Contracts with Customers	New standard on accounting and disclosure for revenue recognition

IFRS 9 “Financial Instruments”

The Group has adopted IFRS 9 “Financial Instruments” effective January 1, 2018. The description and effects of major changes in accounting policies resulting from the adoption of IFRS 9 are summarized as follows:

The application of IFRS 9 has made consequential amendments to IAS 1 “Presentation of Financial

Statements," which has also been applied. The amendments require that the impairment of financial assets should be presented separately in the statement of profit or loss and other comprehensive income.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The following assessments have been made based on the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation of investments in equity instruments not held for trading as measured at FVOCI (measured at fair value through other comprehensive income).
- Except for the approach to account for currency basis spread as hedge cost, changes to hedge accounting policies resulting from the adoption of IFRS 9 have been applied prospectively.
- All hedging relationships designated under IAS 39 on December 31, 2017 met the criteria for hedge accounting under IFRS 9 on January 1, 2018 and have therefore been regarded as continuing hedging relationships.

As a result of applying IFRS 9, the foreign currency basis spreads of financial instruments are separately accounted for as a cost of hedging; they are recognized in other comprehensive income and accumulated in a cost of hedging reserve within equity.

There is no material impact on the Group's financial results or position.

Classification of financial assets and financial liabilities

Under IFRS 9, financial assets are classified into three major categories as measured at: amortized cost; FVOCI; and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which financial assets are managed and their contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale. Derivatives embedded in contracts where the host contract is a financial asset in the scope of IFRS 9 are never separated. Instead, the hybrid financial instrument in its entirety is assessed for classification.

The application of IFRS 9 does not have a material effect on the Group's accounting policies related to financial liabilities.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt financial assets measured at FVOCI, but not to investments in equity financial assets.

Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses cross-currency interest rate swaps to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings.

The Group designates the change in fair value of the spot element and the interest element of foreign exchange rates as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under IFRS 9, the foreign currency basis spreads of financial instruments are separately accounted for as a cost of hedging; they are recognized in other comprehensive income and accumulated in a cost of hedging reserve within equity.

IFRS 15 “Revenue from Contracts with Customers”

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” effective January 1, 2018.

In applying IFRS 15, the Group uses a method of recognizing the cumulative effect of applying this standard at the date of initial application, which is accepted as a transitional measure, and accordingly financial information for the comparative year is not restated.

In accordance with IFRS 15, the Group has recognized revenue based on the following five-step approach from the first quarter ended March 31, 2018, except for interest and dividend income under IFRS 9.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group engages in manufacturing and selling precision balls, precision rollers, stamped steel cages, sheet metal parts, ball screws, air blowers and other products. For the sale of such products, revenue is recognized upon delivery of the products because the customer obtains control of the products upon delivery, by which the Group determines that the performance obligation is satisfied. The amount of revenue is measured at the net amount of consideration promised in a contract less returns, discounts and rebates.

As a result of identifying performance obligations under contracts with customers based on the above five-step approach, certain cost of sales that has been previously recognized as such is accounted for as a reduction of revenue from the first quarter ended March 31, 2018.

The impact on revenue and other profit or loss is immaterial.

(2) Share-based payment

The Group has adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter referred to as the “BIP Trust”) as a performance-linked share-based payment to ensure steady execution and progress of the Midterm Business Plan from the second quarter ended June 30, 2018. The BIP Trust is a system of granting the Company’s shares to officers (in certain cases, the Company’s shares are converted into money within the trust and money equivalent to the value of the Company’s shares is paid) in accordance with the officers’ rank and level of achievement of the Midterm Business Plan, etc. The value of the services received is measured by the fair value of the Company’s shares at the grant date. This value is expensed over the vesting period from the grant date, and the corresponding amount is recognized as an increase in equity.

3. Unaudited Condensed Interim Consolidated Financial Statements

(1) Unaudited Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	12,001	11,542
Trade and other receivables, net	17,017	16,984
Inventories	23,372	24,944
Other current assets	727	1,096
Total current assets	53,117	54,566
Non-current assets		
Property, plant and equipment, net	34,092	33,103
Intangible assets, net and goodwill	47,940	47,688
Investment property	3,755	3,755
Other investments	398	438
Deferred tax assets	176	192
Other non-current assets	98	131
Total non-current assets	86,459	85,307
Total assets	139,576	139,873
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,487	6,744
Current portion of loans and borrowings	155	8,655
Income taxes payable	1,052	631
Other current liabilities	3,477	3,639
Total current liabilities	11,171	19,669
Non-current liabilities		
Loans and borrowings, excluding current portion	72,441	63,911
Net defined benefit liability	2,905	2,771
Deferred tax liabilities	4,233	4,191
Other non-current liabilities	4,220	3,383
Total non-current liabilities	83,799	74,256
Total liabilities	94,970	93,925
Equity		
Share capital	16,459	16,515
Capital surplus	10,630	10,733
Treasury stock	(971)	(1,439)
Accumulated other comprehensive loss	(2,085)	(3,016)
Retained earnings	20,549	23,129
Equity attributable to owners of the parent	44,582	45,922
Non-controlling interests	24	26
Total equity	44,606	45,948
Total liabilities and equity	139,576	139,873

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

(Millions of yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Sales	34,991	57,202
Cost of sales	25,938	43,814
Gross profit	9,053	13,388
Selling, general and administrative expenses	5,000	5,535
Other income	97	101
Other expenses	22	137
Operating profit	4,128	7,817
Financial income	29	76
Financial expenses	643	955
Profit before taxes	3,514	6,938
Income tax expense	1,263	1,495
Net profit for the period	2,251	5,443
Net profit for the period attributable to.		
Owners of the parent	2,251	5,441
Non-controlling interests	—	2
Net profit for the period	2,251	5,443
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	—	40
Total items that will not be reclassified to profit or loss	—	40
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	48	(1,185)
Cash flow hedges	64	139
Hedges costs	—	75
Changes in fair value of available-for-sale financial assets	42	—
Total items that may subsequently be reclassified to profit or loss	154	(971)
Other comprehensive income (loss), net of tax	154	(931)
Total comprehensive income (loss)	2,405	4,512
Total comprehensive income attributable to.		
Owners of the parent	2,404	4,510
Non-controlling interests	1	2
Total comprehensive income (loss)	2,405	4,512
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	56.89	136.80
Diluted earnings per share (yen)	55.55	133.43

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

(Millions of yen)

	For the three months ended September 30, 2017	For the three months ended September 30, 2018
Sales	14,338	18,301
Cost of sales	11,031	14,060
Gross profit	3,307	4,241
Selling, general and administrative expenses	2,651	1,804
Other income	32	48
Other expenses	20	62
Operating profit	668	2,423
Financial income	175	58
Financial expenses	423	383
Profit before taxes	420	2,098
Income tax expense	445	170
Net profit for the period	(25)	1,928
Net profit for the period attributable to.		
Owners of the parent	(25)	1,928
Non-controlling interests	—	—
Net profit for the period	(25)	1,928
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	—	(16)
Total items that will not be reclassified to profit or loss	—	(16)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	110	1,528
Cash flow hedges	21	154
Hedges costs	—	(76)
Changes in fair value of available-for-sale financial assets	(1)	—
Total items that may subsequently be reclassified to profit or loss	130	1,606
Other comprehensive income (loss), net of tax	130	1,590
Total comprehensive income (loss)	105	3,518
Total comprehensive income attributable to.		
Owners of the parent	104	3,517
Non-controlling interests	1	1
Total comprehensive income (loss)	105	3,518
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	(0.62)	48.53
Diluted earnings per share (yen)	(0.62)	47.45

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

For the nine months ended September 30, 2017

(Millions of yen)

	Equity attributable to owners of the parent				
				Accumulated Other Comprehensive Income (Loss)	
	Share capital	Capital surplus	Treasury stock	Foreign currency translation differences	Cash flow hedges
Balance as of January 1, 2017	16,299	10,472	(971)	(1,968)	(332)
Net profit for the period	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	47	64
Total comprehensive Income (loss)	—	—	—	47	64
Issuance of new shares	119	118	—	—	—
Dividends	—	—	—	—	—
Business combination	—	—	—	—	—
Total transactions with owners and other	119	118	—	—	—
Balance as of September 30, 2017	16,418	10,590	(971)	(1,921)	(268)

(Millions of yen)

	Equity attributable to owners of the parent					
	Accumulated Other Comprehensive Income (Loss)					
	Changes in fair value of available-for-sale financial assets	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of January 1, 2017	(5)	(2,305)	20,497	43,992	19	44,011
Net profit for the period	—	—	2,251	2,251	—	2,251
Other comprehensive income (loss), net of tax	42	153	—	153	1	154
Total comprehensive income (loss)	42	153	2,251	2,404	1	2,405
Issuance of new shares	—	—	—	237	—	237
Dividends	—	—	(2,531)	(2,531)	—	(2,531)
Business combination	—	—	—	—	4	4
Total transactions with owners and other	—	—	(2,531)	(2,294)	4	(2,290)
Balance as of September 30, 2017	37	(2,152)	20,217	44,102	24	44,126

For the nine months ended September 30, 2018

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated Other Comprehensive Income (Loss)		
	Share capital	Capital surplus	Treasury stock	Foreign currency translation differences	Cash flow hedges	Hedges costs
Balance as of January 1, 2018	16,459	10,630	(971)	(1,110)	(1,110)	—
Adjustment to apply IFRS 9 (after tax)	—	—	—	—	(130)	130
Adjusted balance as of January 1, 2018	16,459	10,630	(971)	(1,110)	(1,240)	130
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(1,185)	139	75
Total comprehensive Income (loss)	—	—	—	(1,185)	139	75
Purchase of treasury stock	—	—	(468)	—	—	—
Issuance of new shares	56	55	—	—	—	—
Dividends	—	—	—	—	—	—
Share based payment	—	48	—	—	—	—
Total transactions with owners and other	56	103	(468)	—	—	—
Balance as of September 30, 2018	16,515	10,733	(1,439)	(2,295)	(1,101)	205

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Changes in fair value of available-for-sale financial assets	Total				
Balance as of January 1, 2018	135	(2,085)	20,549	44,582	24	44,606
Adjustment to apply IFRS 9 (after tax)	—	—	—	—	—	—
Adjusted balance as of January 1, 2018	135	(2,085)	20,549	44,582	24	44,606
Net profit for the period	—	—	5,441	5,441	2	5,443
Other comprehensive income (loss), net of tax	40	(931)	—	(931)	—	(931)
Total comprehensive income (loss)	40	(931)	5,441	4,510	2	4,512
Purchase of treasury stock	—	—	—	(468)	—	(468)
Issuance of new shares	—	—	—	111	—	111
Dividends	—	—	(2,861)	(2,861)	—	(2,861)
Share based payment	—	—	—	48	—	48
Total transactions with owners and other	—	—	(2,861)	(3,170)	—	(3,170)
Balance as of September 30, 2018	175	(3,016)	23,129	45,922	26	45,948

(4) Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the nine months ended September 30, 2017	For the nine months ended September 30, 2018
Cash flows from operating activities		
Profit before taxes	3,514	6,938
Depreciation and amortization	1,428	2,506
Decrease in net defined benefit liability	(18)	(120)
Interest and dividend income	(24)	(68)
Interest expense	349	658
Foreign exchange losses	108	236
Loss (gain) on sale of fixed assets	(13)	8
Increase in trade and other receivables	(148)	(441)
Increase in inventories	(176)	(1,909)
Increase in trade and other payables	572	430
Other, net	(187)	(30)
Interest and dividends received	24	72
Interest paid	(353)	(578)
Income taxes paid	(2,093)	(2,619)
Net cash provided by operating activities	2,983	5,083
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(994)	(2,068)
Proceeds from sales of property, plant and equipment	13	13
Payments for acquisition of investment securities	(1)	(1)
Payments for acquisition of subsidiary stock	(42,272)	(90)
Other, net	(4)	8
Net cash used in investing activities	(43,258)	(2,138)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	34,000	1,000
Repayments of short-term loans and borrowings	(34,000)	(1,000)
Proceeds from long-term loans and borrowings	34,000	—
Repayments of long-term loans and borrowings	(135)	(135)
Proceeds from exercise of subscription rights	238	114
Cash dividends paid	(2,514)	(2,861)
Payments for purchase of treasury stock	—	(468)
Net cash provided by (used in) financing activities	31,589	(3,350)
Effect of exchange rate changes on cash and cash equivalents	119	(54)
Net decrease in cash and cash equivalents	(8,567)	(459)
Cash and cash equivalents at the beginning of the period	19,132	12,001
Cash and cash equivalents at the end of the period	10,565	11,542

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 component Business, "Linear Business" and "Others" 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 component business", "Linear business" and "Others business". These businesses offer different products and are managed separately because they require different technologies and marketing strategies.

The "Precision component 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 "Others 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.

During the third quarter of the previous consolidated fiscal year, we acquired TN TENNESSEE, LLC. and eight other companies in the scope of consolidation. The name of the segment has been changed from "Ball business" to "Precision component Business".

(2) Segment Information

Segment information for the nine months ended September 30, 2017 and 2018 is as follows.

For the nine months ended September 30, 2017

(Millions of yen)

	Precision component business	Linear business	Others business	Total	Reconciling items	Condensed interim consolidated financial statements
Sales						
External sales	30,821	3,890	280	34,991	—	34,991
Inter-segment sales	3	1	33	37	(37)	—
Total consolidated sales	30,824	3,891	313	35,028	(37)	34,991
Segment profit	3,707	168	253	4,128	—	4,128
				Financial income		29
				Financial expense		(643)
				Profit before taxes		3,514

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

For the nine months ended September 30, 2018

(Millions of yen)

	Precision component business	Linear business	Others business	Total	Reconciling items	Condensed interim consolidated financial statements
Sales						
External sales	52,771	4,152	279	57,202	—	57,202
Inter-segment sales	6	—	32	38	(38)	—
Total consolidated sales	52,777	4,152	311	57,240	(38)	57,202
Segment profit	7,073	499	245	7,817	—	7,817
				Financial income		76
				Financial expense		(955)
				Profit before taxes		6,938

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

Segment information for the three months ended September 30, 2017 and 2018 is as follows.

For the three months ended September 30, 2017

(Millions of yen)

	Precision component business	Linear business	Others business	Total	Reconciling items	Condensed interim consolidated financial statements
Sales						
External sales	13,015	1,229	94	14,338	—	14,338
Inter-segment sales	1	1	11	13	(13)	—
Total consolidated sales	13,016	1,230	105	14,351	(13)	14,338
Segment profit	568	18	82	668	—	668
				Financial income		175
				Financial expense		(423)
				Profit before taxes		420

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

For the three months ended September 30, 2018

(Millions of yen)

	Precision component business	Linear business	Others business	Total	Reconciling items	Condensed interim consolidated financial statements
Sales						
External sales	16,741	1,468	92	18,301	—	18,301
Inter-segment sales	1	—	11	12	(12)	—
Total consolidated sales	16,742	1,468	103	18,313	(12)	18,301
Segment profit	2,173	165	85	2,423	—	2,423
				Financial income		58
				Financial expense		(383)
				Profit before taxes		2,098

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