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Consolidated Financial Results for the Three Months Ended March 31, 2021 Unaudited [IFRS]

May 14, 2021

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
Contact: Shakil Ohara, Director and Executive Officer, Senior EVP, CFO
Phone: +81-6-6224-0193
Scheduled date of filing quarterly securities report: May 14, 2021
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Available

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

1. Consolidated Financial Results for the Three Months Ended March 31, 2021 (January 1, 2021 to March 31, 2021)

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

	Sales		Operating profit		Profit before taxes		Net profit for the period	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	16,892	18.7	1,792	80.8	1,772	89.6	1,327	92.1
March 31, 2020	14,226	(21.8)	991	(58.6)	935	(58.0)	691	(58.0)

	Net profit for the period attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Three months ended	Million yen	%	Million yen	%	Yen	Yen
March 31, 2021	1,327	92.0	4,815	―	33.11	32.96
March 31, 2020	691	(58.0)	(1,122)	―	17.14	17.10

(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, 2021	137,196	49,059	49,029	35.7
As of December 31, 2020	130,466	44,712	44,683	34.2

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2020	―	10.00	―	14.00	24.00
Fiscal year ending December 31, 2021	―				
Fiscal year ending December 31, 2021 (Forecast)					46.00

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

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

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes	
	Million yen	%	Million yen	%	Million yen	%
Full year	60,800	16.9	6,100	68.9	5,200	102.2

	Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Yen
Full year	3,700	97.1	91.95

(Note) Revision to the financial results forecast 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, 2021: 41,176,600 shares

December 31, 2020: 41,086,200 shares

2) Total number of treasury shares at the end of the period:

March 31, 2021: 1,020,435 shares

December 31, 2020: 1,020,399 shares

3) Average number of shares during the period:

Three months ended March 31, 2021: 40,092,138 shares

Three months ended March 31, 2020: 40,332,913 shares

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

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

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

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

(1) Explanation of Business Results

During the three months ended March 31, 2021, the business environment surrounding the Company saw a recovery in automobile production volume and machine tool orders due to the expansion of the Chinese economy, which quickly recovered from the effects of the Covid-19 infection, and the recovery of the economies of developed countries, which benefited from economic and other measures. However, the outlook for the future remains uncertain due to the continuing prevalence of the new Covid-19 infection, concerns about a global shortage of semiconductors, and the prolonged problems between the U.S. and China.

Under this business environment, sales during the three months ended March 31, 2021 increased 18.7% year on year to ¥16,892 million. As for profits, operating profit increased 80.8% year on year to ¥1,792 million. Net profit for the period attributable to owners of the parent increased 92.0% year on year to ¥1,327 million.

Although it is expected that the situation will continue to be difficult to foresee in the future, the Group will conduct business to improve the value for our customers through continuous efforts to enhance quality, cost, delivery, and service, which are the basics of a manufacturing company. At the same time, we will strive to increase profits and corporate value while fulfilling our social responsibility to support global industry.

Performance by segment is as follows.

Precision Components Business

Sales of the Precision Components Business increased 19.9% year on year to ¥15,814 million due to the recovery in the market environment for automobiles and machine tools and expanding sales of ceramic balls. Segment profit (operating profit) increased 69.7% year on year to ¥1,670 million.

Linear Business

Sales of the Linear Business increased 4.3% year on year to ¥1,078 million due to the recovery in the market environment for machine tools. Segment profit (operating profit) increased 115.0% year on year to ¥115 million.

Other Business

Sales of other businesses is the same amount year on year to ¥0 million. Segment profit (operating profit) increased 16.7% year on year to ¥7 million.

(2) Explanation of Financial Position

In assets, current assets as of the end of the first quarter of the current fiscal year under review increased ¥5,076 million from the end of the previous fiscal year to ¥58,426 million. This is attributable to increase in trade and other receivables by ¥2,130 million, cash and cash equivalent by ¥2,118 million and inventories by ¥521 million.

Non-current assets increased ¥1,654 million from the end of the previous fiscal year to ¥78,770 million. This is attributable to increase in intangible assets, net and goodwill by ¥1,254 million.

Current liabilities increased ¥5,680 million from the end of the previous fiscal year to ¥28,087 million. This is attributable to increase in current portion of loans and borrowings by ¥3,385 million and trade and other payables by ¥1,386 million.

Non-current liabilities decreased ¥3,297 million from the end of the previous fiscal year to ¥60,050 million. This is attributable to decrease in loans and borrowings by ¥1,615 million and other non-current liabilities by ¥1,489 million.

Equity increased ¥4,347 million from the end of the previous fiscal year to ¥49,059 million. This is attributable to increase in accumulated other comprehensive loss by ¥3,487 million and retained earnings by ¥767 million.

(Analysis of Status of Cash Flows)

Cash and cash equivalents as of the end of the three months ended March 31, 2021 increased ¥2,118 million year on year to ¥17,105 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 provided by operating activities amounted to ¥2,049 million. This is attributable to cash increase factors including profit before taxes of ¥1,772 million, depreciation and amortization of ¥829 million and increase in trade and other payables of ¥1,172 million, despite cash decrease factors including increase in trade and other receivables of ¥1,588 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥234 million. This is attributable to payments for acquisition of property, plant and equipment of ¥250 million and payments for acquisition of intangible assets of ¥48 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥106 million. This is attributable to proceeds from long-term loans and borrowings of ¥6,000 million, proceeds from short-term loans and borrowings of ¥3,000 million, repayments of long-term loans and borrowings of ¥8,563 million, cash dividends paid of ¥561 million.

(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, 2021, which was announced on February 12, 2021.

2. Unaudited Condensed Interim Consolidated Financial Statements

(1) Unaudited Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	14,987	17,105
Trade and other receivables, net	13,463	15,593
Inventories	23,597	24,118
Other current assets	1,303	1,610
Total current assets	53,350	58,426
Non-current assets		
Property, plant and equipment, net	31,108	31,756
Intangible assets, net and goodwill	45,049	46,303
Other investments	288	296
Deferred tax assets	553	295
Other non-current assets	118	120
Total non-current assets	77,116	78,770
Total assets	130,466	137,196
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,434	5,820
Current portion of loans and borrowings	14,282	17,667
Income taxes payable	568	742
Other current liabilities	3,123	3,858
Total current liabilities	22,407	28,087
Non-current liabilities		
Loans and borrowings, excluding current portion	53,160	51,545
Net defined benefit liability	2,682	2,648
Deferred tax liabilities	2,651	2,492
Other non-current liabilities	4,854	3,365
Total non-current liabilities	63,347	60,050
Total liabilities	85,754	88,137
Equity		
Share capital	16,843	16,889
Capital surplus	11,010	11,056
Treasury stock	(1,651)	(1,651)
Accumulated other comprehensive loss	(7,466)	(3,979)
Retained earnings	25,947	26,714
Equity attributable to owners of the parent	44,683	49,029
Non-controlling interests	29	30
Total equity	44,712	49,059
Total liabilities and equity	130,466	137,196

(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, 2020	For the three months ended March 31, 2021
Sales	14,226	16,892
Cost of sales	11,652	13,422
Gross profit	2,574	3,470
Selling, general and administrative expenses	1,599	1,745
Other income	22	68
Other expenses	6	1
Operating profit	991	1,792
Financial income	155	285
Financial expenses	211	305
Profit before taxes	935	1,772
Income tax expense	244	445
Net profit for the period	691	1,327
Net profit for the period attributable to.		
Owners of the parent	691	1,327
Non-controlling interests	(0)	0
Net profit for the period	691	1,327
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(46)	4
Total items that will not be reclassified to profit or loss	(46)	4
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	(1,650)	3,415
Cash flow hedges	(7)	74
Hedges costs	(110)	(5)
Total items that may subsequently be reclassified to profit or loss	(1,767)	3,484
Other comprehensive income (loss), net of tax	(1,813)	3,488
Total comprehensive income (loss)	(1,122)	4,815
Total comprehensive income attributable to.		
Owners of the parent	(1,121)	4,814
Non-controlling interests	(1)	1
Total comprehensive income (loss)	(1,122)	4,815
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	17.14	33.11
Diluted earnings per share (yen)	17.10	32.96

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

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				Non-controlling interests	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedge cost	Total				
Balance as of January 1, 2020	251	(6,665)	26,019	45,846	32	45,878
Net profit for the period	—	—	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

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	Changes in fair value of available-for-sale financial assets	Foreign currency translation differences	Cash flow hedges
Balance as of January 1, 2021	16,843	11,010	(1,651)	60	(6,872)	(949)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	4	3,414	74
Total comprehensive Income (loss)	—	—	—	4	3,414	74
Issuance of new shares	46	46	—	—	—	—
Dividends	—	—	—	—	—	—
Disposition of 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				Non-controlling interests	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	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 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

(4) Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Cash flows from operating activities		
Profit before taxes	935	1,772
Depreciation and amortization	865	829
Increase (decrease) in net defined benefit liability	(19)	(50)
Interest and dividend income	(6)	(4)
Interest expenses	199	192
Foreign exchange losses (gain)	26	(245)
(Gains) losses sale of fixed assets	(0)	(49)
Decrease (increase) in trade and other receivables	(121)	(1,588)
Decrease (increase) in inventories	(45)	230
(Decrease) increase in trade and other payables	711	1,172
Other, net	(308)	244
Sub total	2,237	2,503
Interest received	5	4
Dividends received	0	0
Interest paid	(131)	(124)
Income taxes paid	(2,407)	(334)
Net cash provided by operating activities	(296)	2,049
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(220)	(250)
Proceeds from sales of property, plant and equipment	1	63
Payments for acquisition of intangible properties	(10)	(48)
Other, net	1	1
Net cash used in investing activities	(228)	(234)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	2,974	3,000
Repayments of short-term loans and borrowings	(2,967)	—
Proceeds from long-term loans and borrowings	—	6,000
Repayments of long-term loans and borrowings	(58)	(8,563)
Payments of lease liabilities	(71)	(75)
Proceeds from exercise of subscription rights	—	93
Cash dividends paid	(1,654)	(561)
Purchase of treasury shares	—	(0)
Net cash used in financing activities	(1,776)	(106)
Effect of exchange rate changes on cash and cash equivalents	(172)	409
Net increase in cash and cash equivalents	(2,472)	2,118
Cash and cash equivalents at the beginning of the period	16,946	14,987
Cash and cash equivalents at the end of the period	14,474	17,105

Operating Segments

1. General information

(1) Basis of segmentation

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

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

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

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

(2) Segment Information

Segment information for the three months ended March 31, 2020 and 2021 is as follows.

For the three months ended March 31, 2020

(Millions of yen)

	Precision components business	Linear business	Other	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.

For the three months ended March 31, 2021

(Millions of yen)

	Precision components business	Linear business	Other	Total	Reconciling items	Consolidated financial statements
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

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