Consolidated Financial Results for the Six Months Ended June 30, 2021 Unaudited [IFRS]

August 10, 2021

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Stock exchange listing: Tokyo Stock Exchange
Code number: 6464
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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 June 30, 2021 (January 1, 2021 to June 30, 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	%
June 30, 2021	34,738	44.6	3,625	173.4	3,258	229.2	2,681	287.2
June 30, 2020	24,018	(32.4)	1,326	(70.2)	990	(74.9)	692	(75.9)

	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
June 30, 2021	2,680	286.6	6,889	—	66.65	66.10
June 30, 2020	693	(75.8)	(912)	—	17.19	17.19

(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 June 30, 2021	149,753	51,458	51,427	34.3
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	—	28.00			
Fiscal year ending December 31, 2021 (Forecast)			—	29.00	57.00

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

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	69,000	32.6	7,100	96.6	6,100	137.2

	Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Yen
Full year	4,600	145.1	114.41

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

*** 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):

June 30, 2021: 41,438,700 shares

December 31, 2020: 41,086,200 shares

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

June 30, 2021: 1,020,435 shares

December 31, 2020: 1,020,399 shares

3) Average number of shares during the period:

Six months ended June 30, 2021: 40,207,250 shares

Six months ended June 30, 2020: 40,337,772 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

In the business environment during the six months ended June 30, 2021, although there are some concerns about the impact of the re-expansion of the Covid-19 infection, the economic recovery continues in China, which resumed economic activity early, and vaccination in developed countries. Economic activity is recovering due to the acceleration of the pace and the effects of additional economic measures, and strong recovery is also seen in automobile production and machine tool orders.

Under this business environment, sales during the six months ended June 30, 2021 increased 44.6% year-on-year to ¥34,738 million, and operating income increased 173.4% year-on-year to ¥3,625 million. In addition, quarterly income attributable to owners of the parent increased 286.6% year on year to ¥2,680 million.

The Group has projected the "Medium-term management strategy" for the three years up to the fiscal year ending December 2023, with the current fiscal year as the first year. The "Medium-Term Management Strategy" is based on the "Growth Strategy", "ESG Strategy", and ""Best in Class" Manufacturing Company", and we will carry out business to steadily implement this basic strategy and globally. We will strive to provide better value to our customers and improve their profits and corporate value while being aware of the social responsibilities that support our industry.

Performance by segment is as follows.

Precision Components Business

Sales of the Precision Components Business increased 45.2% year on year to ¥32,269 million. Segment profit (operating profit) increased 151.6% year on year to ¥3,324 million.

Linear Business

Sales of the Linear Business increased 38.2% year on year to ¥2,468 million. Segment profit (operating profit) increased ¥294 million year on year to ¥290 million.

Other Business

Sales of Other businesses is the same amount year on year to ¥1 million. Segment profit (operating profit) increased 22.0% year on year to ¥11 million.

(2) Explanation of Financial Position

Total assets during the six months ended June 30, 2021 increased by ¥19,287 million from the end of the previous fiscal year. This is mainly based on the Medium-term management strategy for the three years up to the fiscal year ending December 2023, and in order to strengthen the financial position and maintain / improve capital efficiency, we will raise funds through a syndicated loan with subordinated covenants. This was due to an increase in cash and deposits, and an increase in trade receivables and other receivables due to the recovery of market conditions.

Liability increased by ¥12,541 million from the end of the previous fiscal year. This was mainly due to an increase in borrowing from subordinated syndicated loans.

Capital increased by ¥6,746 million from the end of the previous fiscal year. This was mainly due to an increase in foreign exchange translation adjustments among other capital components due to the impact of the appreciation of the US dollar and the Chinese yuan from the end of the previous fiscal year.

(Analysis of Status of Cash Flows)

The cash flow status and factors for each activity during the six months ended June 30, 2021 are as follows.

Net cash used in operating activities increased by ¥4,077 million, mainly due to income before income taxes. Cash flows from investing activities decreased by ¥782 million, mainly due to expenditures from the acquisition of fixed assets. Cash flows from financing activities increased by ¥10,063 million, mainly due to financing of ¥10,000 million through syndicated loans with subordinated covenants. As a result of adding the conversion difference of ¥447 million due to the appreciation of the US dollar and the Chinese yuan during the current consolidated cumulative period, cash and cash equivalents increased by ¥13,805 million from the end of the previous consolidated fiscal year to the current consolidated fiscal year were ¥28,792 million.

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

There is the revision on the full-year business forecast announced in 2021 based on recent business trends.

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 June 30, 2021
Assets		
Current assets		
Cash and cash equivalents	14,987	28,792
Trade and other receivables, net	13,463	15,815
Inventories	23,597	25,080
Other current assets	1,303	1,273
Total current assets	53,350	70,960
Non-current assets		
Property, plant and equipment, net	31,108	31,800
Intangible assets, net and goodwill	45,049	46,325
Other investments	288	279
Deferred tax assets	553	283
Other non-current assets	118	106
Total non-current assets	77,116	78,793
Total assets	130,466	149,753
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,434	6,246
Current portion of loans and borrowings	14,282	17,647
Income taxes payable	568	1,142
Other current liabilities	3,123	3,907
Total current liabilities	22,407	28,942
Non-current liabilities		
Loans and borrowings, excluding current portion	53,160	61,221
Net defined benefit liability	2,682	2,636
Deferred tax liabilities	2,651	2,025
Other non-current liabilities	4,854	3,471
Total non-current liabilities	63,347	69,353
Total liabilities	85,754	98,295
Equity		
Share capital	16,843	17,024
Capital surplus	11,010	11,246
Treasury stock	(1,651)	(1,651)
Accumulated other comprehensive loss	(7,466)	(3,259)
Retained earnings	25,947	28,067
Equity attributable to owners of the parent	44,683	51,427
Non-controlling interests	29	31
Total equity	44,712	51,458
Total liabilities and equity	130,466	149,753

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

(Millions of yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Sales	24,018	34,738
Cost of sales	19,852	27,484
Gross profit	4,166	7,254
Selling, general and administrative expenses	2,863	3,647
Other income	32	86
Other expenses	9	68
Operating profit	1,326	3,625
Financial income	76	128
Financial expenses	412	495
Profit before taxes	990	3,258
Income tax expense	298	578
Net profit for the period	692	2,680
Net profit for the period attributable to.		
Owners of the parent	693	2,680
Non-controlling interests	(1)	―
Net profit for the period	692	2,680
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(19)	(7)
Total items that will not be reclassified to profit or loss	(19)	(7)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	(1,583)	4,116
Cash flow hedges	76	56
Hedges costs	(78)	44
Total items that may subsequently be reclassified to profit or loss	(1,585)	4,216
Other comprehensive income (loss), net of tax	(1,604)	4,209
Total comprehensive income (loss)	(912)	6,889
Total comprehensive income attributable to.		
Owners of the parent	(911)	6,887
Non-controlling interests	(1)	2
Total comprehensive income (loss)	(912)	6,889
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	17.19	66.65
Diluted earnings per share (yen)	17.19	66.10

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

(Millions of yen)

	For the second quarter ended June 30, 2020	For the second quarter ended June 30, 2021
Sales	9,792	17,846
Cost of sales	8,200	14,062
Gross profit	1,592	3,784
Selling, general and administrative expenses	1,264	1,902
Other income	10	18
Other expenses	3	67
Operating profit	335	1,833
Financial income	16	12
Financial expenses	296	359
Profit before taxes	55	1,486
Income tax expense	54	133
Net profit for the period	1	1,353
Net profit for the period attributable to.		
Owners of the parent	2	1,353
Non-controlling interests	(1)	—
Net profit for the period	1	1,353
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	27	(11)
Total items that will not be reclassified to profit or loss	27	(11)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	67	701
Cash flow hedges	83	(18)
Hedges costs	32	49
Total items that may subsequently be reclassified to profit or loss	182	732
Other comprehensive income (loss), net of tax	209	721
Total comprehensive income (loss)	210	2,074
Total comprehensive income attributable to.		
Owners of the parent	210	2,073
Non-controlling interests	—	1
Total comprehensive income (loss)	210	2,074
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	0.05	33.54
Diluted earnings per share (yen)	0.05	33.24

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

For the six months ended June 30, 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	—	—	—	(19)	(1,583)	76
Total comprehensive Income (loss)	—	—	—	(19)	(1,583)	76
Issuance of new shares	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Disposition of stock	—	—	39	—	—	—
Stock-based rewards	—	(38)	—	—	—	—
Total transactions with owners and other	—	(38)	39	—	—	—
Balance as of June 30, 2020	16,831	11,062	(1,400)	50	(7,489)	(1,003)

	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	—	—	693	693	(1)	692
Other comprehensive income (loss), net of tax	(78)	(1,604)	—	(1,604)	—	(1,604)
Total comprehensive income (loss)	(78)	(1,604)	693	(911)	(1)	(912)
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 June 30, 2020	173	(8,269)	25,060	43,284	31	43,315

For the six months ended June 30, 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	—	—	—	(7)	4,114	56
Total comprehensive Income (loss)	—	—	—	(7)	4,114	56
Issuance of new shares	181	180	—	—	—	—
Dividends	—	—	—	—	—	—
Disposition of stock		—	—	—	—	—
Stock-based rewards	—	56	—	—	—	—
Total transactions with owners and other	181	236	—	—	—	—
Balance as of June 30, 2021	17,024	11,246	(1,651)	53	(2,758)	(893)

	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	—	—	2,680	2,680	—	2,680
Other comprehensive income (loss), net of tax	44	4,207	—	4,207	2	4,209
Total comprehensive income (loss)	44	4,207	2,680	6,887	2	6,889
Issuance of new shares	—	—	—	361	—	361
Dividends	—	—	(560)	(560)	—	(560)
Disposition of stock	—	—	—	—	—	—
Stock-based rewards	—	—	—	56	—	56
Total transactions with owners and other	—	—	(560)	(143)	—	(143)
Balance as of June 30, 2021	339	(3,259)	28,067	51,427	31	51,458

(4) Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2020	For the six months ended June 30, 2021
Cash flows from operating activities		
Profit before taxes	990	3,258
Depreciation and amortization	1,697	1,687
Increase (decrease) in net defined benefit liability	(22)	(71)
Interest and dividend income	(17)	(11)
Interest expenses	393	367
Foreign exchange losses (gain)	107	(108)
(Gains) losses sale of fixed assets	(1)	(40)
Decrease (increase) in trade and other receivables	2,671	(1,684)
Decrease (increase) in inventories	(888)	(569)
(Decrease) increase in trade and other payables	(920)	1,548
Other, net	(709)	604
Sub total	3,301	4,981
Interest received	13	13
Dividends received	4	2
Interest paid	(399)	(382)
Income taxes paid	(2,542)	(537)
Net cash provided by operating activities	377	4,077
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(447)	(731)
Proceeds from sales of property, plant and equipment	28	71
Payments for acquisition of intangible properties	(128)	(123)
Other, net	3	1
Net cash used in investing activities	(544)	(782)
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	―	16,000
Repayments of long-term loans and borrowings	(78)	(8,583)
Payments of lease liabilities	(158)	(156)
Proceeds from exercise of subscription rights	―	363
Cash dividends paid	(1,654)	(561)
Purchase of treasury shares	―	―
Net cash used in financing activities	(1,883)	10,063
Effect of exchange rate changes on cash and cash equivalents	(150)	447
Net increase in cash and cash equivalents	(2,200)	13,805
Cash and cash equivalents at the beginning of the period	16,946	14,987
Cash and cash equivalents at the end of the period	14,746	28,792

(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 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 is determined on an arm's length basis.

(2) Segment Information

Segment information for the six months ended June 30, 2020 and 2021 is as follows.

For the six months ended June 30, 2020

(Millions of yen)

	Precision components business	Linear business	Other	Total	Reconciling items	Consolidated financial statements
Sales						
External sales	22,230	1,787	1	24,018	—	24,018
Inter-segment sales	1	—	15	16	(16)	—
Total consolidated sales	22,231	1,787	16	24,034	(16)	24,018
Segment profit	1,321	(4)	9	1,326	0	1,326
				Financial income		76
				Financial expense		(412)
				Profit before taxes		990

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

For the six months ended June 30, 2021

(Millions of yen)

	Precision components business	Linear business	Other	Total	Reconciling items	Consolidated financial statements
Sales						
External sales	32,269	2,468	1	34,738	—	34,738
Inter-segment sales	2	—	15	17	(17)	—
Total consolidated sales	32,271	2,468	16	34,755	(17)	34,738
Segment profit	3,324	290	11	3,625	0	3,625
				Financial income		128
				Financial expense		(495)
				Profit before taxes		3,258

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