This document is an English excerpt translation of the Japanese version of the consolidated financial summary of Tsubaki Nakashima has produced for immediate reference purpose. In the event of any discrepancy between the translated document and the Japanese version, the original shall prevail.

Consolidated Financial Results for the Six Months Ended June 30, 2022 Unaudited [IFRS]

August 9, 2022

Company name: Tsubaki Nakashima Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 6464
URL: https://www.tsubaki-nakashima.com/en/
Representative: Koji Hirota, Director and Representative Executive Officer, CEO
Contact: Hisashi Tate, Executive Officer, Senior EVP, CFO
Phone: +81-6-6224-0193
Scheduled date to file quarterly securities report: August 9, 2022
Scheduled date to commence dividend payments: September 1, 2022
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Available (For institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

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

	Sales		Operating profit		Profit before taxes		Net profit for the period	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2022	38,258	10.1	1,352	(62.7)	1,542	(52.7)	403	(85.0)
June 30, 2021	34,738	44.6	3,625	173.4	3,258	229.2	2,681	287.2

	Net profit for the period attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Million yen	%	Million yen	%	Yen	Yen
June 30, 2022	399	(85.1)	10,682	55.1	9.84	9.84
June 30, 2021	2,680	286.6	6,889	—	66.65	66.10

(Reference) EBITDA: The six months ended June 30, 2022: 3,147 million yen (down 40.8%)
The six months ended June 30, 2021: 5,312 million yen
EBITDA = Operating profit + depreciation and amortization.

(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, 2022	167,039	63,474	63,433	38.0
As of December 31, 2021	157,174	53,369	53,335	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, 2021	—	28.00	—	16.00	44.00
Fiscal year ending December 31, 2022	—	13.00			
Fiscal year ending December 31, 2022 (Forecast)				17.00	30.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes		Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	77,000	13.4	5,650	(2.9)	4,555	(9.0)	2,432	(31.6)	59.75

(Note) Revision to the forecast for dividends 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):

June 30, 2022: 41,581,800 shares

December 31, 2021: 41,571,500 shares

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

June 30, 2022: 1,008,275 shares

December 31, 2021: 1,019,286 shares

3) Average number of shares during the period:

Six months ended June 30, 2022: 40,566,119 shares

Six months ended June 30, 2021: 40,207,250 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 Financial Results

(1) Explanation of Business Results

In the first half of the current fiscal year, a certain degree of economic recovery was observed in Europe, the U.S., and Japan, in consumption and investment, as the balance between epidemic prevention of the coronavirus and economic activities gradually progressed. On the other hand, the recovery of economy is slowdown globally as a result of production cuts in automobiles due to a shortage of semiconductors, lockdown in China due to measures against the coronavirus, and soaring raw material, energy, and transportation prices, which are weighing down business activities and consumer spending.

Under these circumstances, our sales for the first half of the current fiscal year increased 10.1% year on year to 38,258 million yen, contribution with a steady increase in EV production and demand for machine tools, as well as the price pass-on of surging raw material costs and the rapid and significant effect of the yen's depreciation. Operating profit decreased 62.7% year on year to 1,352 million yen due to expenses of 2.3 billion yen incurred in the second quarter for business restructuring of the roller business in Europe, despite the positive effects of increased sales and cost improvements. Net profit for the period attributable to owners of the parent decreased 85.1% year on year to 399 million yen.

We will continue to take effective steps to achieve our management targets for the fiscal year ending December 31, 2022, focusing on cost improvement and promotion of growth strategies.

The segment performance is as follows.

Precision Components Business

Sales in the segment increased 10.3% year on year to 35,581 million yen, mainly due to continued growth in demand for ceramic balls for machine tools and EVs and for steel balls in the Asian region.

Segment profit (operating profit) decreased 64.3% year on year to 1,187 million yen due to expenses of 2.3 billion yen for structural reform of the roller business in Europe.

Linear Business

Sales in the segment increased 8.4% year on year to 2,676 million yen due to strong demand for machine tools and other products. Segment profit (operating profit) decreased 46.4% year on year to 155 million yen due to the product mix and other factors.

(2) Explanation of Financial Position

Total assets at the end of the second quarter increased by 9,865 million yen from the end of the previous fiscal year to 167,039 million yen. This was mainly due to an increase of 2,632 million yen in trade and other receivables and 6,047 million yen in inventories, both attributable to the depreciation of the yen, while a decrease of 10,047 million yen in cash and cash equivalents due to the repayment of 9,030 million yen in current portion of borrowings caused current assets to decrease by 995 million yen. Non-current assets increased by 10,860 million yen mainly due to increases in property, plant and equipment by 3,809 million yen, intangible assets and goodwill by 3,530 million yen, and other non-current assets by 3,671 million yen, attributable to the depreciation of the yen.

Liabilities decreased by 240 million yen from the end of the previous fiscal year to 103,565 million yen. This was mainly due to a decrease of 9,030 million yen in borrowings, despite increase of 2,138 million yen in trade and other payables and 4,031 million yen in bonds and borrowings, excluding current portion due to the depreciation of the yen against dollar-denominated borrowings, and an increase of 2,274 million yen in other current liabilities.

Equity increased by 10,105 million yen from the end of the previous fiscal year to 63,474 million yen. This was mainly due to an increase of 10,400 million yen in foreign currency translation adjustments in other components of equity, reflecting the appreciation of the US dollar and the Euro since the end of the previous fiscal year.

(Analysis of Status of Cash Flows)

The cash flow status and factors for each activity during the first half of the current fiscal year are as follows.

Net cash provided by operating activities was 586 million yen. While there were positive factors such as income before income taxes of 1,542 million yen and depreciation and amortization of 1,795 million yen, there were negative factors such as an increase in trade and other receivables of 937 million yen due to increased sales and an increase in inventories of 3,002 million yen in preparation for sales expansion in the third quarter.

Net cash used in investing activities was 2,210 million yen, mainly due to the purchase of fixed assets.

Net cash used in financing activities was 9,813 million yen, mainly due to repayment of long-term loans payable of 9,030 million yen. After adding the foreign currency translation adjustments of 1,390 million yen, mainly due to the appreciation of the U.S. dollar and Euro during the period, cash and cash equivalents at the end of the period totaled 22,477 million yen, a decrease of 10,047 million yen from the end of the previous fiscal year.

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

Although we expect the business environment to remain uncertain for the full year ending December 31, 2022, we will strive to achieve our consolidated earnings forecast for the year ending December 31, 2022, while maximizing the benefits of our cost improvement and growth strategies.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Not Applicable

(2) Changes in accounting policies and accounting estimates

Not Applicable

3. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	32,524	22,477
Trade and other receivables, net	15,096	17,728
Inventories	28,021	34,068
Other current assets	1,389	1,762
Total current assets	77,030	76,035
Non-current assets		
Property, plant and equipment, net	32,370	36,179
Intangible assets, net and goodwill	46,878	50,408
Other investments	293	207
Deferred tax assets	480	416
Other non-current assets	123	3,794
Total non-current assets	80,144	91,004
Total assets	157,174	167,039
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,551	8,689
Current portion of borrowings	12,030	3,000
Income taxes payable	1,365	1,825
Other current liabilities	4,864	7,138
Total current liabilities	24,810	20,652
Non-current liabilities		
Bonds and borrowings, excluding current portion	71,958	75,989
Net defined benefit liability	2,507	2,478
Deferred tax liabilities	2,172	2,287
Other non-current liabilities	2,358	2,159
Total non-current liabilities	78,995	82,913
Total liabilities	103,805	103,565
Equity		
Share capital	17,102	17,108
Capital surplus	11,415	11,451
Treasury stock	(1,648)	(1,616)
Accumulated other comprehensive income (loss)	(1,378)	8,898
Retained earnings	27,844	27,592
Equity attributable to owners of the parent	53,335	63,433
Non-controlling interests	34	41
Total equity	53,369	63,474
Total liabilities and equity	157,174	167,039

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

(Millions of yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Sales	34,738	38,258
Cost of sales	27,484	30,853
Gross profit	7,254	7,405
Selling, general and administrative expenses	3,647	3,982
Other income	86	32
Other expenses	68	2,103
Operating profit	3,625	1,352
Financial income	128	784
Financial expenses	495	594
Profit before taxes	3,258	1,542
Income tax expense	578	1,139
Net profit for the period	2,680	403
Net profit for the period attributable to.		
Owners of the parent	2,680	399
Non-controlling interests	—	4
Net profit for the period	2,680	403
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(7)	(58)
Total items that will not be reclassified to profit or loss	(7)	(58)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	4,116	10,403
Cash flow hedges	56	82
Hedges costs	44	(148)
Total items that may subsequently be reclassified to profit or loss	4,216	10,337
Other comprehensive income (loss), net of tax	4,209	10,279
Total comprehensive income (loss)	6,889	10,682
Total comprehensive income attributable to.		
Owners of the parent	6,887	10,675
Non-controlling interests	2	7
Total comprehensive income (loss)	6,889	10,682
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	66.65	9.84
Diluted earnings per share (yen)	66.10	9.84

	For the second quarter ended June 30, 2021	For the second quarter ended June 30, 2022
Sales	17,846	19,631
Cost of sales	14,062	15,675
Gross profit	3,784	3,956
Selling, general and administrative expenses	1,902	2,040
Other income	18	13
Other expenses	67	2,102
Operating profit (loss)	1,833	(173)
Financial income	12	553
Financial expenses	359	276
Profit before taxes	1,486	104
Income tax expense	133	747
Net profit for the period (loss)	1,353	(643)
Net profit for the period attributable to.		
Owners of the parent	1,353	(646)
Non-controlling interests	—	3
Net profit for the period (loss)	1,353	(643)
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(11)	(21)
Total items that will not be reclassified to profit or loss	(11)	(21)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	701	5,990
Cash flow hedges	(18)	(2)
Hedges costs	49	(176)
Total items that may subsequently be reclassified to profit or loss	732	5,812
Other comprehensive income (loss), net of tax	721	5,791
Total comprehensive income (loss)	2,074	5,148
Total comprehensive income attributable to.		
Owners of the parent	2,073	5,143
Non-controlling interests	1	5
Total comprehensive income (loss)	2,074	5,148
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	33.54	(15.92)
Diluted earnings per share (yen)	33.24	(15.92)

(3) Consolidated Statements of Changes in Equity

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	Financial assets measured at FVOCI	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 treasury 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 treasury 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

For the six months ended June 30, 2022

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated Other Comprehensive Income (Loss)		
	Share capital	Capital surplus	Treasury stock	Financial assets measured at FVOCI	Foreign currency translation differences	Cash flow hedge
Balance as of January 1, 2022	17,102	11,415	(1,648)	54	(1,021)	(724)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(58)	10,400	82
Total comprehensive Income (loss)	—	—	—	(58)	10,400	82
Issuance of new shares	6	6	—	—	—	—
Dividends	—	—	—	—	—	—
Disposition of treasury stock	—	—	32	—	—	—
Stock-based rewards	—	30	—	—	—	—
Total transactions with owners and other	6	36	32	—	—	—
Balance as of June 30, 2022	17,108	11,451	(1,616)	(4)	9,379	(642)

	Equity attributable to owners of the parent				Non-controlling interests Total	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedge cost	Total				
Balance as of January 1, 2022	313	(1,378)	27,844	53,335	34	53,369
Net profit for the period	—	—	399	399	4	403
Other comprehensive income (loss), net of tax	(148)	10,276	—	10,276	3	10,279
Total comprehensive income (loss)	(148)	10,276	399	10,675	7	10,682
Issuance of new shares	—	—	—	12	—	12
Dividends	—	—	(651)	(651)	—	(651)
Disposition of treasury stock	—	—	—	32	—	32
Stock-based rewards	—	—	—	30	—	30
Total transactions with owners and other	—	—	(651)	(577)	—	(577)
Balance as of June 30, 2022	165	8,898	27,592	63,433	41	63,474

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2021	For the six months ended June 30, 2022
Cash flows from operating activities		
Profit before taxes	3,258	1,542
Depreciation and amortization	1,687	1,795
Increase (decrease) in net defined benefit liability	(71)	(79)
Interest and dividend income	(11)	(38)
Interest expense	367	562
Foreign exchange losses (gains)	(108)	(636)
(Gains) losses on sale of fixed assets	(40)	(1)
Decrease (increase) in trade and other receivables	(1,684)	(937)
Decrease (increase) in inventories	(569)	(3,002)
(Decrease) increase in trade and other payables	1,548	1,174
Other, net	604	1,610
Sub Total	4,981	1,990
Interest received	13	35
Dividend received	2	4
Interest paid	(382)	(553)
Income taxes paid	(537)	(890)
Net cash provided by operating activities	4,077	586
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(731)	(2,166)
Proceeds from sale of property, plant and equipment	71	2
Payments for acquisition of intangible properties	(123)	(46)
Other, net	1	0
Net cash used by investing activities	(782)	(2,210)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	3,000	―
Proceeds from long-term loans and borrowings	16,000	―
Repayments of long-term loans and borrowings	(8,583)	(9,030)
Payments of lease liabilities	(156)	(166)
Proceeds from exercise of subscription rights	363	12
Cash dividends paid	(561)	(634)
Proceeds from sales of treasury stock	―	5
Payments for purchase of treasury stock	―	―
Net cash provided (used) in financing activities	10,063	(9,813)
Effect of exchange rate changes on cash and cash equivalents	447	1,390
Net (decrease) increase in cash and cash equivalents	13,805	(10,047)
Cash and cash equivalents at the beginning of the period	14,987	32,524
Cash and cash equivalents at the end of the period	28,792	22,477

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" and "Linear business" as reporting segments.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and is subject to regular review by the Chief Executive Officer of the Group for assessing performance and making resource allocation decisions. The Company's operating segments consist of the "Precision component business" and the "Linear business." These businesses offer various products and are managed separately because they require different technologies and marketing strategies.

The "Precision component business" segment engages in manufacturing and sales of several types of steel balls, rollers, cages and sheet metal parts. The "Linear business" segment engages in manufacturing and sales of ball screws and air blowers.

Segment information is 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.

The "Other business" is not included in the reporting segments.

(2) Segment Information

For the six months ended June 30, 2021

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
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

(Note) The "Other business" category is a business segment that is not included in the reporting segments and includes real estate rentals. Reconciling items to segment profit include elimination of inter-segment transactions.

For the six months ended June 30, 2022

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	35,581	2,676	1	38,258	—	38,258
Inter-segment sales	4	—	14	18	(18)	—
Total consolidated sales	35,585	2,676	15	38,276	(18)	38,258
Segment profit	1,187	155	10	1,352	0	1,352
				Financial income		784
				Financial expense		(594)
				Profit before taxes		1,542

(Note) The "Other business" category is a business segment that is not included in the reporting segments and includes real estate rentals. Reconciling items to segment profit include elimination of inter-segment transactions.