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Consolidated Financial Results for the Three Months Ended March 31, 2024 Unaudited [IFRS]

May 13, 2024

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, Director and Executive Officer, Senior EVP, CFO
Phone: +81-6-6224-0193
Scheduled date of filing quarterly securities report: May 13, 2024
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Scheduled

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

1. Consolidated Financial Results for the Three months ended March 31, 2024 (January 1, 2024 to March 31, 2024)

(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, 2024	19,966	6.0	1,507	(3.8)	1,098	(14.7)	906	38.4
March 31, 2023	18,837	-	1,567	-	1,286	-	655	-

	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, 2024	906	38.4	5,224	170.4	22.81	22.75
March 31, 2023	655	-	1,931	-	16.49	16.46

(Note) Effective from the first quarter of the current consolidated accounting period, ball screws and ball ways manufacturing and selling business have been classified as discontinued operations. As a result, sales, operating profit and profit before tax show the amount of continuing operations excluding discontinued operations, and net profit for the period net profit for the period attributable to owners of the parent are the sum of continuing operations and discontinued operations. Please note that the year-on-year consolidated cumulative period has been reclassified in the same way, so the percentage changes from the previous year are not shown.

(Reference) EBITDA: The three months ended March 31, 2024: 2,319 million yen (up 2.1%)
The three months ended March 31, 2023: 2,270 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 March 31, 2024	177,826	59,409	59,373	33.4
As of December 31, 2023	166,078	54,142	54,107	32.6

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, 2023	—	13.00	—	0.00	13.00
Fiscal year ending December 31, 2024	—				
Fiscal year ending December 31, 2024 (Forecast)					35.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% 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	77,300	0.3	6,860	36.7	5,650	32.4	3,960	—	99.68

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

Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 has not changed from the figures announced on February 9, 2024, but ball screws and ball ways manufacturing and selling business has been decided to be sold at December 2024, and is classified as a discontinued operations, and the sales, operating profit and profit before taxes are the forecast values from continuing operations and the year-on-year change rates for these items have been revised to the forecast amounts for continuing operations excluding discontinued operations.

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes, exclude Tsubaki Steel Ball Co., LTD

(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, 2024: 41,599,600 shares

December 31, 2023: 41,599,600 shares

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

March 31, 2024: 1,816,858 shares

December 31, 2023: 1,871,615 shares

3) Average number of shares during the period:

Three months ended March 31, 2024: 39,735,807 shares

Three months ended March 31, 2023: 39,727,985 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 Japan, overall economic improvement remains at a standstill. In the automobile industry some manufacturers have suspended production due to quality irregularities, and as a result orders from companies that supply automobile parts have decreased. Although this production suspension has now been lifted and the temporary downward pressure is expected to be resolved, concerns such as decline in demand due to rising prices, increased costs and worsening labor shortages continue to weigh on the economy. Oversees, US economy is in a solid state due to a strong labor market despite continued monetary tightening, but the European economy is sluggish due to the economic slowdown in Germany, and China's real estate market is also weak. The recession continues due to the slump and declining consumer sentiment. Furthermore, the situation in the Middle East could pose a downside risk to the global economy, so we are closely monitoring developments.

Effective from the first quarter of the current consolidated accounting period, ball screws and ball ways manufacturing and selling business has been classified as discontinued operations, and the group is reporting outline of continuing operations excluding discontinued operations.

Sales for the three months ended March 31, 2024, increased 6.0% year on year to 19,966 million yen, due to the impact of the effect of yen depreciation, despite sluggish sales of major products in the Precision components business, affected by production suspension of some automobile manufacturers in Japan.

On the profit front, operating profit decreased 3.8% year on year to 1,507 million yen due to the impact of time lag of raw material price hikes passed on to selling price and labor cost increasing etc., as well as sluggish sales growth, despite the positive effects of cost improvements. Net profit for the period attributable to owners of the parent for the quarter increased 38.4% year on year to 906 million yen.

Regarding segment performance, previously there were two reportable segments: "Precision Components Business" and "Linear Business", but ball screw and ball way sales and manufacturing business in Linear Business has been classified as discontinued operations. Accordingly, starting from the first quarter of the current consolidated accounting period, the "Precision Components Business" has been changed to a reportable segment.

(2) Explanation of Financial Position

Total assets at the end of first quarter increased by 11,748 million yen from the end of the previous fiscal year to 177,826 million yen. This was mainly due to an increase in in cash and cash equivalents by 4,039 million yen and posting 3,298 million yen in assets held for sale, resulting in 8,124 million yen increase in current assets,

Total liabilities decreased by 6,481 million yen from the end of the previous fiscal year to 118,417 million yen. This was mainly due to increases of 5,662 million yen in bonds and borrowings in current liabilities.

Total equity increased 5,231 million yen from the end of the previous fiscal year to 59,373 million yen. This was mainly due to an increase in other components of equity by 4,091 million yen, including foreign currency translation adjustments and an increase in retained earnings by 906 million yen.

(Analysis of Status of Cash Flows)

The cash flow status and factors for each activity during the first quarter are as follows.

Net cash used in operating activities amounted to 939 million yen. Cash increase factors included income before income taxes of 1,098 million yen and depreciation and amortization of 816 million yen, while cash decrease factors included an increase in inventories of 327 million yen and a decrease in trade and other receivables of 569 million yen.

Net cash used in investing activities amounted to 938 million yen, due to payments for acquisition of property, plant and equipment and intangible assets.

Net cash used in financing activities amounted to 3,888 million yen, due to incomes of long-term loans and

borrowings of 3,960 million yen.

After adding a translation adjustment of 625 million yen due to the appreciation of the U.S. dollar and Euro during the first quarter, cash and cash equivalents at the end of the first quarter increased by 4,514 million yen from the end of previous fiscal year to 27,517 million yen.

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

According to the decision of sales for ball screw and ball way sales and manufacturing business on February 9, 2024, the Linear Business is classified as discontinued operations. And sales, operating profit and profit before tax in Consolidated Financial Results Forecast for this fiscal year have been showed as the amounts of continuing operations excluding discontinued operations. But the forecast of continuing operations has not been changed from the one on February 9, 2024.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

During the period, Tsubaki Steel Ball Co., LTD., which is wholly owned by the Company, has been excluded from the scope of consolidation because they disappeared due to an absorption-type merger with the Company as the continuing company.

(2) Changes in accounting policies and accounting estimates

The accounting policies of materiality applied in the Group's condensed quarterly consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year.

(Changes in accounting estimates)

Not Applicable

3. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	23,003	27,042
Trade and other receivables, net	22,589	22,874
Inventories	36,936	37,287
Other current assets	1,697	1,848
Subtotal	84,225	89,051
Assets for sale	-	3,298
Total current assets	84,225	92,349
Non-current assets		
Property, plant and equipment, net	34,226	34,442
Intangible assets, net and goodwill	39,631	40,886
Other investments	259	281
Deferred tax assets	2,690	2,999
Other non-current assets	5,047	6,869
Total non-current assets	81,853	85,477
Total assets	166,078	177,826
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	6,949	6,667
Current portion of borrowings	15,974	16,068
Income taxes payable	1,685	1,504
Other current liabilities	7,428	8,334
Subtotal	32,036	32,573
Liabilities for sale	-	740
Total current liabilities	32,036	33,313
Non-current liabilities		
Bonds and borrowings, excluding current portion	74,383	80,045
Net defined benefit liability	2,256	1,805
Deferred tax liabilities	1,403	1,389
Other non-current liabilities	1,858	1,865
Total non-current liabilities	79,900	85,104
Total liabilities	111,936	118,417
Equity		
Share capital	17,117	17,117
Capital surplus	11,617	11,502
Treasury stock	(2,616)	(2,458)
Accumulated other comprehensive income (loss)	12,780	16,871
Accumulated other comprehensive income (loss) for sale	-	226
Retained earnings	15,209	16,115
Equity attributable to owners of the parent	54,107	59,373
Non-controlling interests	35	36
Total equity	54,142	59,409
Total liabilities and equity	166,078	177,826

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

(Millions of yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Continued operations		
Sales	18,837	19,966
Cost of sales	15,319	16,407
Gross profit	3,518	3,559
Selling, general and administrative expenses	1,952	2,073
Other income	33	27
Other expenses	32	6
Operating profit	1,567	1,507
Financial income	21	554
Financial expenses	302	963
Profit before taxes	1,286	1,098
Income tax expense	594	142
Net profit for the period of continued operations	692	956
Discontinued operations		
Net profit for the period of discontinued operations	(37)	(50)
Net profit for the period	655	906
Net profit for the period attributable to.		
Owners of the parent	655	906
Non-controlling interests	—	—
Net profit for the period	655	906
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	36	8
Total items that will not be reclassified to profit or loss	36	8
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	1,460	4,187
Cash flow hedges	(190)	48
Hedges costs	(30)	75
Total items that may subsequently be reclassified to profit or loss	1,240	4,310
Other comprehensive income (loss), net of tax	1,276	4,318
Total comprehensive income (loss)	1,931	5,224
Total comprehensive income attributable to.		
Owners of the parent	1,930	5,223
Non-controlling interests	1	1
Total comprehensive income (loss)	1,931	5,224

Earnings per share attributable to owners of the parent		
Basic earnings per share		
Continuing operation	17.43	24.06
Discontinued operation	(0.94)	(1.25)
Basic earnings per share (yen)	16.49	22.81
Diluted earnings per share		
Continuing operation	17.40	24.00
Discontinued operation	(0.94)	(1.25)
Diluted earnings per share (yen)	16.46	22.75

(3) Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023

(Millions of yen)

	Equity attributable to owners of the parent						
				Accumulated Other Comprehensive Income (Loss)			
	Share capital	Capital surplus	Treasury stock	Stock acquisition rights	Financial assets measured at FVOCI	Foreign currency translation differences	Cash flow hedges
Balance as of January 1, 2023	17,117	11,519	(2,616)	0	(3)	6,381	(154)
Net profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	—	36	1,459	(190)
Total comprehensive Income (loss)	—	—	—	—	36	1,459	(190)
Issuance of new shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	—	—	—
Stock-based rewards	—	29	—	—	—	—	—
Other components of equity related to discontinued operation for sale	—	—	—	—	—	—	—
Expiration of stock acquisition rights	—	—	—	—	—	—	—
Total transactions with owners and other	—	29	—	—	—	—	—
Balance as of March 31, 2023	17,117	11,548	(2,616)	0	33	7,840	(344)

	Equity attributable to owners of the parent					Non-controlling interests Total	Total equity
	Accumulated Other Comprehensive Income (Loss)		Other components of equity related to discontinued operation for sale	Retained earnings	Total		
	Hedge cost	Total					
Balance as of January 1, 2023	201	6,425	—	17,651	50,096	35	50,131
Net profit for the period	—	—	—	655	655	0	655
Other comprehensive income (loss), net of tax	(30)	1,275	—	—	1,275	1	1,276
Total comprehensive income (loss)	(30)	1,275	—	655	1,930	1	1,931
Issuance of new shares	—	—	—	—	—	—	—
Dividends	—	—	—	(675)	(675)	—	(675)
Disposition of treasury stock	—	—	—	—	—	—	—
Stock-based rewards	—	—	—	—	29	—	29
Other components of equity related to discontinued operation for sale	—	—	—	—	—	—	—
Expiration of stock acquisition rights	—	—	—	—	—	—	—
Total transactions with owners and other	—	—	—	(675)	(646)	—	(646)
Balance as of March 31, 2023	171	7,700	—	17,631	51,380	36	51,416

For the three months ended March 31, 2024

(Millions of yen)

	Equity attributable to owners of the parent						
				Accumulated Other Comprehensive Income (Loss)			
	Share capital	Capital surplus	Treasury stock	Stock acquisition rights	Financial assets measured at FVOCI	Foreign currency translation differences	Cash flow hedge
Balance as of January 1, 2024	17,117	11,617	(2,616)	0	22	12,774	(191)
Net profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	—	8	4,186	48
Total comprehensive Income (loss)	—	—	—	—	8	4,186	48
Issuance of new shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Disposition of treasury stock	—	—	158	—	—	—	
Stock-based rewards	—	(115)	—	—	—	—	
Other components of equity related to discontinued operation for sale	—	—	—	—	—	(226)	—
Expiration of stock acquisition rights	—	—	—	(0)	—	—	—
Total transactions with owners and other	—	(115)	158	(0)	—	(226)	—
Balance as of March 31, 2024	17,117	11,502	(2,458)	0	30	16,734	(143)

	Equity attributable to owners of the parent					Non-controlling interests Total	Total equity
	Accumulated Other Comprehensive Income (Loss)		Other components of equity related to discontinued operation for sale	Retained earnings	Total		
	Hedge cost	Total					
Balance as of January 1, 2024	175	12,780	—	15,209	54,107	35	54,142
Net profit for the period	—	—	—	906	906	0	906
Other comprehensive income (loss), net of tax	75	4,317	—	—	4,317	1	4,318
Total comprehensive income (loss)	75	4,317	—	906	5,223	1	5,224
Issuance of new shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	158	—	158
Stock-based rewards	—	—	—	—	(115)	—	(115)
Other components of equity related to discontinued operation for sale	—	(226)	226	—	—	—	—
Expiration of stock acquisition rights	—	—	—	—	—	—	—
Total transactions with owners and other	—	(226)	226	—	43	—	43
Balance as of March 31, 2024	250	16,871	226	16,115	59,373	36	59,409

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Cash flows from operating activities		
Profit before taxes	1,286	1,098
Profit before taxes from discontinued operation	(57)	(72)
Depreciation and amortization	759	816
Increase (decrease) in net defined benefit liability	(48)	(35)
Interest and dividend income	(12)	(54)
Interest expense	282	346
Foreign exchange losses (gains)	35	(503)
(Gains) losses on sale of fixed assets	(8)	(5)
Decrease (increase) in trade and other receivables	186	278
Decrease (increase) in inventories	(1,043)	(327)
(Decrease) increase in trade and other payables	(656)	(569)
Other, net	(851)	878
Sub Total	(127)	1,851
Interest received	11	54
Dividend received	0	0
Interest paid	(170)	(255)
Income taxes paid	(740)	(711)
Net cash used by operating activities	(1,026)	939
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(1,085)	(924)
Proceeds from sale of property, plant and equipment	8	7
Payments for acquisition of intangible properties	(6)	(21)
Other, net	0	(0)
Net cash used by investing activities	(1,083)	(938)
Cash flows from financing activities		
Incomes of long-term loans and borrowings	—	3,960
Payments of lease liabilities	(110)	(113)
Cash dividends paid	(626)	(1)
Proceeds from sales of treasury stock	—	42
Net cash used in financing activities	(736)	3,888
Effect of exchange rate changes on cash and cash equivalents	165	625
Net (decrease) increase in cash and cash equivalents	(2,680)	4,514
Cash and cash equivalents at the beginning of the period	24,119	23,003
Cash and cash equivalents at the end of the period	21,439	27,517

Significant events regarding premise of a going concern

Not Applicable

Change of disclosure contents

At our Board of Directors meeting held on February 9, 2024, it has resolved to enter into an agreement as of same day (the "Share Purchase Agreement") to transfer all shares in TN Linear Motion Co., Ltd. ("NewCo"), a new company to be incorporated through a company split (simplified incorporation-type company split) by having NewCo succeed to the Company's ball screws and ball ways manufacturing and selling business as well as the shares of the Company's subsidiary TN TAIWAN CO., LTD. ("TJT"), effectively making TJT a subsidiary of NewCo (and a sub-subsidiary of the Company), to MINEBEA MITSUMI Inc.. The Share Transfer is scheduled to take effect on December 10, 2024 pursuant to the Share Purchase Agreement.

As a result of this transaction, ball screws and ball ways manufacturing and selling business are classified and disclosed as discontinued operations from the first quarter of the fiscal year ending December 2024, and the numbers for the three months ended March 31, 2023 have also been updated in Consolidated Statements of Financial Position, Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss) and Consolidated Statements of Cash Flows.

Operating Segments

1. General information

(1) Basis of segmentation

The Group is composed of segments by product and service and there is "Precision component business" as reporting segments. The "Precision component business" segment engages in manufacturing and sales of several types of steel balls, rollers, cages and sheet metal parts.

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.

At our Board of Directors meeting held on February 9, 2024, it has resolved to enter into an agreement as of same day (the "Share Purchase Agreement") to transfer all shares in TN Linear Motion Co., Ltd. ("NewCo"), a new company to be incorporated through a company split (simplified incorporation-type company split) by having NewCo succeed to the Company's ball screws and ball ways manufacturing and selling business as well as the shares of the Company's subsidiary TN TAIWAN CO., LTD. ("TJT"), effectively making TJT a subsidiary of NewCo (and a sub-subsidiary of the Company), to MINEBEA MITSUMI Inc.. The Share Transfer is scheduled to take effect on December 10, 2024 pursuant to the Share Purchase Agreement.

As a result of this transaction, ball screws and ball ways manufacturing and selling business are classified and disclosed as discontinued operations from the first quarter of the fiscal year ending December 2024 and previously there were two reportable segments: "Precision Components Business" and "Linear Business", but starting from the first quarter of the current consolidated accounting period, the "Precision Components Business" has been changed to a reportable segment. The numbers for the three months ended March 31, 2023 have been updated based on reporting segment which has been changed from this current quarter.

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

For the three months ended March 31, 2023

(Millions of yen)

	Reporting Segments	Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business				
Sales					
External sales	18,682	155	18,837	—	18,837
Inter-segment sales	0	7	7	(7)	—
Total consolidated sales	18,682	162	18,844	(7)	18,837
Segment profit	1,554	13	1,567	—	1,567
			Financial income		21
			Financial expense		(302)
			Profit before taxes		1,286

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

For the three months ended March 31, 2024

(Millions of yen)

	Reporting Segments	Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business				
Sales					
External sales	19,621	345	19,966	—	19,966
Inter-segment sales	0	3	3	(3)	—
Total consolidated sales	19,621	348	19,969	(3)	19,966
Segment profit (loss)	1,345	162	1,507	(0)	1,507
			Financial income		554
			Financial expense		(963)
			Profit before taxes		1,098

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