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Consolidated Financial Results for the Six Months Ended June 30, 2024 Unaudited [IFRS]



August 9, 2024

Company name: Tsubaki Nakashima Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6464

URL: <https://www.tsubaki-nakashima.com/en/>

Representative: Itaru Matsuyama, Representative Executive Officer, CEO

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Scheduled date of filing Semi-annual securities report: August 9, 2024

Scheduled date to commence dividend payments: September 2, 2024

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, 2024 (January 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

| | Sales | | Operating profit | | Profit before taxes | | Net profit for the period | |
|------------------|-------------|-----|------------------|------|---------------------|------|---------------------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended | | | | | | | | |
| June 30, 2024 | 40,304 | 6.9 | 2,170 | 17.9 | 2,764 | 58.1 | 1,704 | 86.9 |
| June 30, 2023 | 37,695 | - | 1,841 | - | 1,748 | - | 912 | - |

| | Net profit for the period attributable to owners of the parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|------------------|--|------|----------------------------|------|--------------------------|----------------------------|
| | Million yen | % | Million yen | % | Yen | Yen |
| Six months ended | | | | | | |
| June 30, 2024 | 1,703 | 86.9 | 11,194 | 44.4 | 42.80 | 35.09 |
| June 30, 2023 | 911 | - | 7,750 | - | 22.93 | 22.88 |

(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 six months ended June 30, 2024: 3,826 million yen (up 16.8%)

The six months ended June 30, 2023: 3,275 million yen

EBITDA = Operating profit + depreciation and amortization.

EBITDA is not subject to periodic review under the Financial Instruments 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 June 30, 2024 | 181,415 | 65,361 | 65,322 | 36.0 |
| 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 | — | 15.00 | | | |
| Fiscal year ending December 31, 2024 (Forecast) | | | — | 20.0 | 35.00 |

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

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: None

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: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
- (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, 2024: | 41,599,600 shares |
| December 31, 2023: | 41,599,600 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|--------------------|------------------|
| June 30, 2024: | 1,760,958 shares |
| December 31, 2023: | 1,871,615 shares |
 - 3) Average number of shares during the period:

| | |
|---------------------------------|-------------------|
| Six months ended June 30, 2024: | 39,782,003 shares |
| Six months ended June 30, 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

During the current interim consolidated accounting period, while there was solid economic growth in the European and North American regional economies, the outlook for the global economy remained uncertain due to such factors as high raw material prices associated with the protracted situation in Ukraine, growing tensions in the Middle East, and slowing growth in the Chinese economy

In the Japanese economy, the normalization of economic activity, wage increase, and accommodative fiscal and monetary policies supported the economy, and a gradual recovery was in sight, However, the economy remained at a standstill due to rising prices caused by the sharp depreciation of the yen and other factors, reduction in production by some automobile manufacturers, and declining demand for general industrial machinery and machine tools.

The Group's interim consolidation financial results are reported primarily from continuing operations, excluding discontinued operations, as the manufacturing and sales of ball screws and ball ways have been classified as discontinued operations.

Net sales in the Precision Components business for the interim period under review increased 6.9% from the same period of the previous year to 40,304 million yen, partly due to the weaker yen, although sales decreased due to the suspension of production and shipments by some automobile manufacturers in Japan and the delayed recovery in demand for some industrial equipment and machine tools.

As for profits, operating income increased 17.9% from the same period of the previous year to 2,170 million yen due to the elimination of factory closure costs recorded in the previous period and the effect of cost improvements, despite lower sales, inventory write-downs, a time lag in passing raw material price on to customers, and higher labor costs. In addition, interim income attributable to owners of the parent company increased 86.9% from the same interim period of the previous year to 1,703 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 a solo reportable segment.

(2) Explanation of Financial Position

Total assets at the end of the current interim consolidated accounting period increased by 15,337 million yen from the end of the previous fiscal year to 181,415 million yen.

Current assets increased by 6,073 million yen due to an increase in inventories by 1,740 million yen and the recording of assets expected to be transferred as assets held for sale of 3,378 million yen following the conclusion of a share transfer agreement for the transfer of the ball screw and ball way manufacturing and sales business. In addition, noncurrent assets increased by 9,264 million yen because property, plant and equipment increased by 2,598 million yen due to capital investment, intangible assets and goodwill increased by 2,648 million yen, and other noncurrent assets increased by 3,607 million yen.

Total liabilities increased by 4,118 million yen from the end of the previous fiscal year to 116,054 million yen. This was due to an increase in bonds and borrowings of 2,569 million yen.

Total equity increased by 11,219 million yen from the end of the previous fiscal year to 65,361 million yen. This was mainly due to an increase in other components of equity, such as foreign currency translation adjustments, of 9,229 million yen.

(Analysis of Status of Cash Flows)

The status of cash flows for each activity and their factors during the current interim consolidated accounting period are as follows.

Net cash provided by operating activities amounted to 2,157 million yen. Major factors of cash increase included profit before taxes of 2,764 million and depreciation and amortization of 1,662 million yen, while major factors of cash decrease included foreign exchange gain of 1,151 million yen, and payment of corporate acquisition taxes of 1,532 million yen.

Net cash used in investing activities amounted to 2,039 million yen, mainly due to purchase of property, plant and equipment.

Net cash used in financing activities amounted to 1,169 million yen, mainly due to proceeds from long term loans payable of 3,960 million yen, which offset repayment of short-term loans payable of 5,000 million yen.

After adding the translation adjustments of 1,534 million yen due to mainly to the appreciation of the U.S. dollar and euro during the period, cash and cash equivalents at the end of the interim period totaled 23,486 million yen, an increase of 483 million yen from the end of the previous fiscal year.

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

As for the full-year 2024 (January 1 to December 31, 2024) earnings forecast, it is unchanged from the forecast announced on May 13th, 2024.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Effective from the first quarter of the current consolidated accounting 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 interim consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year.

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

| | As of December 31, 2023 | As of June 30, 2024 |
|--|-------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 23,003 | 23,009 |
| Trade and other receivables, net | 22,589 | 23,742 |
| Inventories | 36,936 | 38,676 |
| Other current assets | 1,697 | 1,493 |
| Subtotal | 84,225 | 86,920 |
| Assets held for sale | - | 3,378 |
| Total current assets | 84,225 | 90,298 |
| Non-current assets | | |
| Property, plant and equipment, net | 34,226 | 36,824 |
| Intangible assets, net and goodwill | 39,631 | 42,279 |
| Other investments | 259 | 280 |
| Deferred tax assets | 2,690 | 3,080 |
| Other non-current assets | 5,047 | 8,654 |
| Total non-current assets | 81,853 | 91,117 |
| Total assets | 166,078 | 181,415 |
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 6,949 | 7,446 |
| Current portion of borrowings | 15,974 | 11,163 |
| Income taxes payable | 1,685 | 1,862 |
| Other current liabilities | 7,428 | 7,779 |
| Subtotal | 32,036 | 28,250 |
| Liabilities directly associated with assets held for sale | - | 766 |
| Total current liabilities | 32,036 | 29,016 |
| Non-current liabilities | | |
| Bonds and borrowings, excluding current portion | 74,383 | 81,763 |
| Net defined benefit liability | 2,256 | 1,813 |
| Deferred tax liabilities | 1,403 | 1,785 |
| Other non-current liabilities | 1,858 | 1,677 |
| Total non-current liabilities | 79,900 | 87,038 |
| Total liabilities | 111,936 | 116,054 |
| Equity | | |
| Share capital | 17,117 | 17,117 |
| Capital surplus | 11,617 | 11,324 |
| Treasury stock | (2,616) | (2,298) |
| Other components of equity | 12,780 | 22,009 |
| Other components of equity related to the disposal group held for sale | - | 258 |
| Retained earnings | 15,209 | 16,912 |
| Equity attributable to owners of the parent | 54,107 | 65,322 |
| Non-controlling interests | 35 | 39 |
| Total equity | 54,142 | 65,361 |
| Total liabilities and equity | 166,078 | 181,415 |

(2) Condensed Interim Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the six months ended June 30, 2023 | For the six months ended June 30, 2024 |
|---|---|---|
| Continued operations | | |
| Sales | 37,695 | 40,304 |
| Cost of sales | 30,642 | 34,020 |
| Gross profit | 7,053 | 6,284 |
| Selling, general and administrative expenses | 3,889 | 4,122 |
| Other income | 53 | 49 |
| Other expenses | 1,376 | 41 |
| Operating profit | 1,841 | 2,170 |
| Financial income | 518 | 1,382 |
| Financial expenses | 611 | 788 |
| Profit before taxes | 1,748 | 2,764 |
| Income tax expense | 893 | 1,065 |
| Net profit for the period of continued operations | 855 | 1,699 |
| Discontinued operations | | |
| Net profit for the period of discontinued operations | 57 | 5 |
| Net profit for the period | 912 | 1,704 |
| Net profit for the period attributable to. | | |
| Owners of the parent | 911 | 1,703 |
| Non-controlling interests | 1 | 1 |
| Net profit for the period | 912 | 1,704 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at FVOCI | 42 | 16 |
| Total items that will not be reclassified to profit or loss | 42 | 16 |
| Items that may subsequently be reclassified to profit or loss | | |
| Foreign currency translation differences | 7,014 | 9,293 |
| Cash flow hedges | (175) | 644 |
| Hedge costs | (43) | (463) |
| Total items that may subsequently be reclassified to profit or loss | 6,796 | 9,474 |
| Other comprehensive income (loss), net of tax | 6,838 | 9,490 |
| Total comprehensive income (loss) | 7,750 | 11,194 |
| Total comprehensive income attributable to. | | |
| Owners of the parent | 7,746 | 11,190 |
| Non-controlling interests | 4 | 4 |
| Total comprehensive income (loss) | 7,750 | 11,194 |

| | For the six months ended June 30, 2023 | For the six months ended June 30, 2024 |
|---|---|---|
| Earnings per share attributable to owners of the parent | | |
| Basic earnings per share (yen) | | |
| Continuing operation | 21.53 | 42.71 |
| Discontinued operation | 1.40 | 0.09 |
| Basic earnings per share | 22.93 | 42.80 |
| Diluted earnings per share (yen) | | |
| Continuing operation | 21.49 | 35.02 |
| Discontinued operation | 1.39 | 0.07 |
| Diluted earnings per share | 22.88 | 35.09 |

| | (Millions of yen) | |
|--|--|--|
| | For the three months ended June 30, 2023 (April 1, 2023 to June 30, 2023) | For the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024) |
| Continued operations | | |
| Sales | 18,858 | 20,338 |
| Cost of sales | 15,323 | 17,613 |
| Gross profit | 3,535 | 2,725 |
| Selling, general and administrative expenses | 1,937 | 2,049 |
| Other income | 20 | 22 |
| Other expenses | 1,344 | 35 |
| Operating profit | 274 | 663 |
| Financial income | 493 | 1,398 |
| Financial expenses | 305 | 395 |
| Profit before taxes | 462 | 1,666 |
| Income tax expense | 299 | 923 |
| Net profit for the period of continued operations | 163 | 743 |
| Discontinued operations | | |
| Net profit for the period of discontinued operations | 94 | 55 |
| Net profit for the period | 257 | 798 |
| Net profit for the period attributable to. | | |
| Owners of the parent | 256 | 797 |
| Non-controlling interests | 1 | 1 |
| Net profit for the period | 257 | 798 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at FVOCI | 6 | 8 |
| Total items that will not be reclassified to profit or loss | 6 | 8 |
| Items that may subsequently be reclassified to profit or loss | | |
| Foreign currency translation differences | 5,554 | 5,106 |
| Cash flow hedges | 15 | 596 |
| Hedge costs | (13) | (538) |
| Total items that may subsequently be reclassified to profit or loss | 5,556 | 5,164 |
| Other comprehensive income (loss), net of tax | 5,562 | 5,172 |
| Total comprehensive income (loss) | 5,819 | 5,970 |
| Total comprehensive income attributable to. | | |
| Owners of the parent | 5,816 | 5,967 |
| Non-controlling interests | 3 | 3 |
| Total comprehensive income (loss) | 5,819 | 5,970 |

| | For the three months ended June 30, 2023 (April 1, 2023 to June 30, 2023) | For the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024) |
|---|--|--|
| Earnings per share attributable to owners of the parent | | |
| Basic earnings per share (yen) | | |
| Continuing operation | 4.10 | 18.65 |
| Discontinued operation | 2.34 | 1.34 |
| Basic earnings per share | 6.44 | 19.99 |
| Diluted earnings per share (yen) | | |
| Continuing operation | 4.09 | 4.12 |
| Discontinued operation | 2.33 | 1.00 |
| Diluted earnings per share | 6.42 | 5.12 |

(3) Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

(Millions of yen)

| | Equity attributable to owners of the parent | | | | | | |
|---|---|-----------------|----------------|----------------------------|------------------------------------|--|------------------|
| | Share capital | Capital surplus | Treasury stock | Other components of equity | | | |
| | | | | 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 | — | — | — | — | 42 | 7,011 | (175) |
| Total comprehensive income (loss) | — | — | — | — | 42 | 7,011 | (175) |
| Issuance of new shares | — | — | — | — | — | — | — |
| Dividends | — | — | — | — | — | — | — |
| Disposition of treasury stock | — | — | — | — | — | — | — |
| Stock-based rewards | — | 50 | — | — | — | — | — |
| Expiration of stock acquisition rights | — | — | — | — | — | — | — |
| Total transactions with owners and other | — | 50 | — | — | — | — | — |
| Balance as of June 30, 2023 | 17,117 | 11,569 | (2,616) | 0 | 39 | 13,392 | (329) |

| | Equity attributable to owners of the parent | | | | Non-controlling interests Total | Total equity |
|---|---|--------|-------------------|--------|---------------------------------|--------------|
| | Other components of equity | | Retained earnings | Total | | |
| | Hedge costs | Total | | | | |
| Balance as of January 1, 2023 | 201 | 6,425 | 17,651 | 50,096 | 35 | 50,131 |
| Net profit for the period | — | — | 911 | 911 | 1 | 912 |
| Other comprehensive income (loss), net of tax | (43) | 6,835 | — | 6,835 | 3 | 6,838 |
| Total comprehensive income (loss) | (43) | 6,835 | 911 | 7,746 | 4 | 7,750 |
| Issuance of new shares | — | — | — | — | — | — |
| Dividends | — | — | (675) | (675) | — | (675) |
| Disposition of treasury stock | — | — | — | — | — | — |
| Stock-based rewards | — | — | — | 50 | — | 50 |
| Expiration of stock acquisition rights | — | — | — | — | — | — |
| Total transactions with owners and other | — | — | (675) | (625) | — | (625) |
| Balance as of June 30, 2023 | 158 | 13,260 | 17,887 | 57,217 | 39 | 57,256 |

For the six months ended June 30, 2024

(Millions of yen)

| | Equity attributable to owners of the parent | | | | | | |
|---|---|-----------------|----------------|----------------------------|------------------------------------|--|-----------------|
| | Share capital | Capital surplus | Treasury stock | Other components of equity | | | |
| | | | | 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 | — | — | — | — | 16 | 9,290 | 644 |
| Total comprehensive income (loss) | — | — | — | — | 16 | 9,290 | 644 |
| Issuance of new shares | — | — | — | — | — | — | — |
| Dividends | — | — | — | — | — | — | — |
| Disposition of treasury stock | — | — | 318 | — | — | — | — |
| Stock-based rewards | — | (293) | — | — | — | — | — |
| Other components of equity related to discontinued operation for sale | — | — | — | — | — | (258) | — |
| Expiration of stock acquisition rights | — | — | — | (0) | — | — | — |
| Total transactions with owners and other | — | (293) | 318 | (0) | — | (258) | — |
| Balance as of June 30, 2024 | 17,117 | 11,324 | (2,298) | 0 | 38 | 21,806 | (453) |

| | Equity attributable to owners of the parent | | | | | Non-controlling interests Total | Total equity |
|---|---|--------|---|-------------------|--------|---------------------------------|--------------|
| | Other components of equity | | Other components of equity related to discontinued operation for sale | Retained earnings | Total | | |
| | Hedge costs | Total | | | | | |
| Balance as of January 1, 2024 | 175 | 12,780 | — | 15,209 | 54,107 | 35 | 54,142 |
| Net profit for the period | — | — | — | 1,703 | 1,703 | 1 | 1,704 |
| Other comprehensive income (loss), net of tax | (463) | 9,487 | — | — | 9,487 | 3 | 9,490 |
| Total comprehensive income (loss) | (463) | 9,487 | — | 1,703 | 11,190 | 4 | 11,194 |
| Issuance of new shares | — | — | — | — | — | — | — |
| Dividends | — | — | — | — | — | — | — |
| Disposition of treasury stock | — | — | — | — | 318 | — | 318 |
| Stock-based rewards | — | — | — | — | (293) | — | (293) |
| Other components of equity related to discontinued operation for sale | — | (258) | 258 | — | — | — | — |
| Expiration of stock acquisition rights | — | (0) | — | — | (0) | — | (0) |
| Total transactions with owners and other | — | (258) | 258 | — | 25 | — | 25 |
| Balance as of June 30, 2024 | (288) | 22,009 | 258 | 16,912 | 65,322 | 39 | 65,361 |

(4) Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

| | For the six months ended June 30, 2023 | For the six months ended June 30, 2024 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before taxes | 1,748 | 2,764 |
| Profit before taxes from discontinued operation | 73 | (0) |
| Depreciation and amortization | 1,547 | 1,662 |
| Increase (decrease) in net defined benefit liability | (75) | (49) |
| Interest and dividend income | (45) | (121) |
| Interest expense | 562 | 716 |
| Foreign exchange losses (gains) | (795) | (1,151) |
| (Gains) losses on sale of fixed assets | (15) | (11) |
| Decrease (increase) in trade and other receivables | 459 | 396 |
| Decrease (increase) in inventories | (1,197) | 20 |
| (Decrease) increase in trade and other payables | (1,255) | (224) |
| Other, net | 110 | 287 |
| Sub Total | 1,117 | 4,289 |
| Interest received | 41 | 121 |
| Dividend received | 4 | — |
| Interest paid | (564) | (721) |
| Income taxes paid | (1,512) | (1,532) |
| Net cash used by operating activities | (914) | 2,157 |
| Cash flows from investing activities | | |
| Payments for acquisition of property, plant and equipment | (2,023) | (2,027) |
| Proceeds from sale of property, plant and equipment | 35 | 13 |
| Payments for acquisition of intangible properties | (18) | (24) |
| Other, net | 1 | (1) |
| Net cash used by investing activities | (2,005) | (2,039) |
| Cash flows from financing activities | | |
| Payments of short-term loans and borrowings | — | (5,000) |
| Incomes of long-term loans and borrowings | — | 3,960 |
| Payments of long-term loans and borrowings | (5,000) | — |
| Payments of lease liabilities | (183) | (170) |
| Cash dividends paid | (653) | (1) |
| Proceeds from sales of treasury stock | — | 42 |
| Net cash used in financing activities | (5,836) | (1,169) |
| Effect of exchange rate changes on cash and cash equivalents | 983 | 1,534 |
| Net (decrease) increase in cash and cash equivalents | (7,772) | 483 |
| Cash and cash equivalents at the beginning of the period | 24,119 | 23,003 |
| Cash and cash equivalents at the end of the period | 16,347 | 23,486 |

Significant events regarding premise of a going concern

Not Applicable

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 a solo reportable segment. The numbers for the six months ended June 30, 2023 have been updated based on reporting segment which has been changed from this current first 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 six months ended June 30, 2023

(Millions of yen)

| | Reporting Segments | Other business | Total | Reconciling items | Consolidated financial statements |
|--------------------------|------------------------------|----------------|--------|-------------------|-----------------------------------|
| | Precision component business | | | | |
| Sales | | | | | |
| External sales | 37,365 | 330 | 37,695 | — | 37,695 |
| Inter-segment sales | 1 | 15 | 16 | (16) | — |
| Total consolidated sales | 37,366 | 345 | 37,711 | (16) | 37,695 |
| Segment profit | 1,816 | 26 | 1,842 | (1) | 1,841 |
| Financial income | | | | | 518 |
| Financial expense | | | | | (611) |
| Profit before taxes | | | | | 1,748 |

(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 six months ended June 30, 2024

(Millions of yen)

| | Reporting Segments | Other business | Total | Reconciling items | Consolidated financial statements |
|--------------------------|------------------------------|----------------|--------|-------------------|-----------------------------------|
| | Precision component business | | | | |
| Sales | | | | | |
| External sales | 39,807 | 497 | 40,304 | — | 40,304 |
| Inter-segment sales | 0 | 3 | 3 | (3) | — |
| Total consolidated sales | 39,807 | 500 | 40,307 | (3) | 40,304 |
| Segment profit (loss) | 1,988 | 182 | 2,170 | (0) | 2,170 |
| Financial income | | | | | 1,382 |
| Financial expense | | | | | (788) |
| Profit before taxes | | | | | 2,764 |

(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 June 30, 2023(April 1, 2023 to June 30, 2023)

(Millions of yen)

| | Reporting Segments | Other business | Total | Reconciling items | Consolidated financial statements |
|--------------------------|------------------------------|----------------|--------|-------------------|-----------------------------------|
| | Precision component business | | | | |
| Sales | | | | | |
| External sales | 18,683 | 175 | 18,858 | — | 18,858 |
| Inter-segment sales | 1 | 8 | 9 | (9) | — |
| Total consolidated sales | 18,684 | 183 | 18,867 | (9) | 18,858 |
| Segment profit | 262 | 13 | 275 | (1) | 274 |
| Financial income | | | | | 493 |
| Financial expense | | | | | (305) |
| Profit before taxes | | | | | 462 |

(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 June 30, 2024(April 1, 2024 to June 30, 2024)

(Millions of yen)

| | Reporting Segments | Other business | Total | Reconciling items | Consolidated financial statements |
|--------------------------|------------------------------|----------------|--------|-------------------|-----------------------------------|
| | Precision component business | | | | |
| Sales | | | | | |
| External sales | 20,186 | 152 | 20,338 | — | 20,338 |
| Inter-segment sales | 0 | — | 0 | (0) | — |
| Total consolidated sales | 20,186 | 152 | 20,338 | (0) | 20,338 |
| Segment profit (loss) | 643 | 20 | 663 | (0) | 663 |
| Financial income | | | | | 1,398 |
| Financial expense | | | | | (395) |
| Profit before taxes | | | | | 1,666 |

(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.