TSUBAKI NAKASHIMA CO.,LTD.

1H FY2020 Results Presentation

1. 1H FY2020 results
2. Forecast for Earnings and Dividends for FY2020

August 7, 2020

Tsubaki Nakashima Co., Ltd.

(TSE 6464)

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1. 1H FY2020 RESULTS

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Highlights

Despite rapid slowdown in the global economy and significant decline in orders for automobile production and machine tools, due to the spread of new coronavirus infection on a global scale, we remained profitable by implementing emergency cost reduction measures and continued Dividend Payment

Sales

- Sales decreased by 30.2%※1 to ¥24 billion
- Ceramic sales increased by 5.9% from 2H 2019

Profits

- Operating profit decreased by 69.4%※1 to ¥1.3 billion
- Net profit was ¥693 million, a decrease of 76.5%※1

Dividend Policy

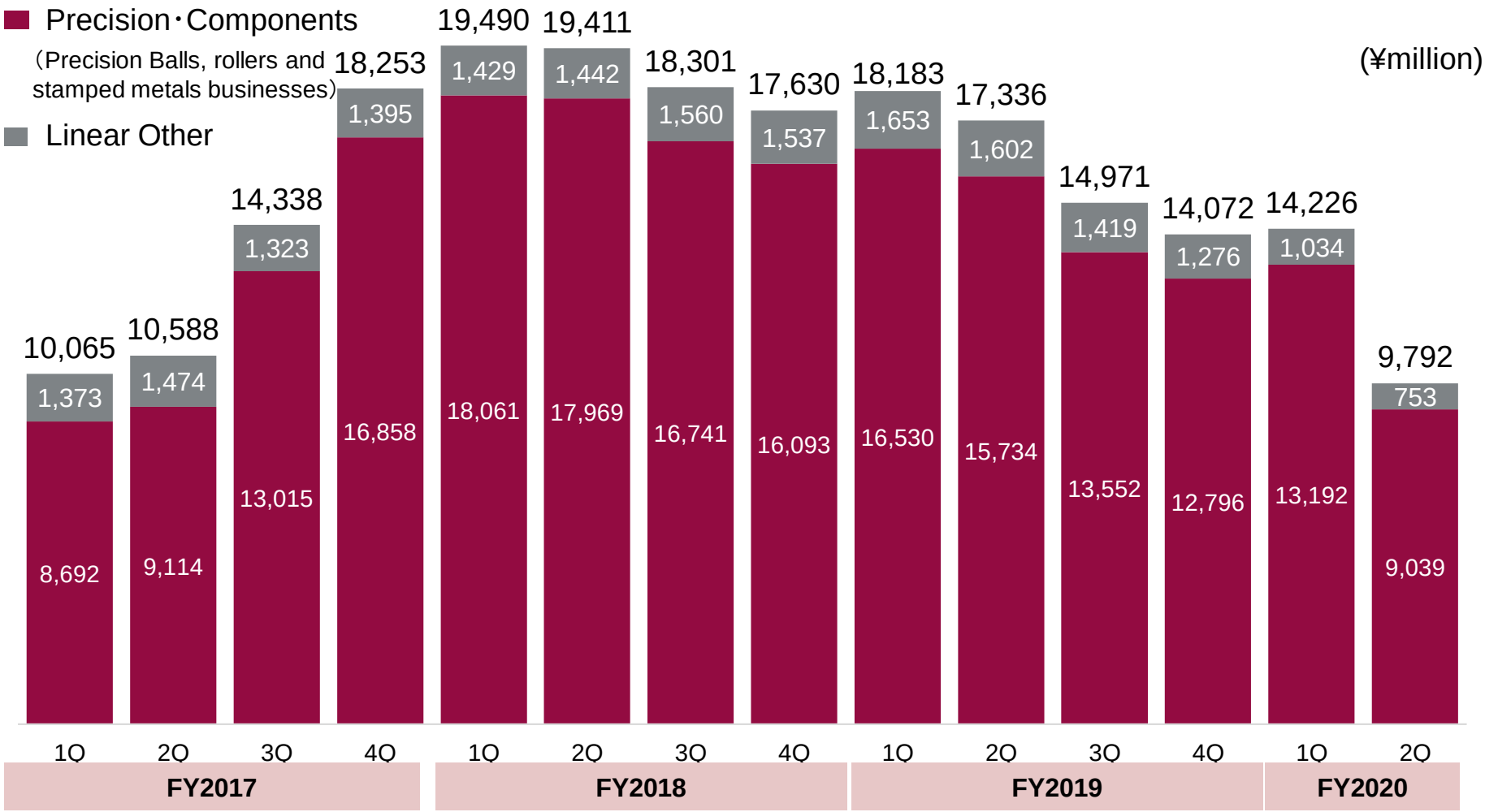
- Interim dividend ¥10 per share
- Year-end dividend is undecided. We will maintain a dividend payout ratio of 50%

※1 Excluding “FX impact”

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Sales by Quarter

2Q sales fell below 1Q sales as the impact of new coronavirus infection expanded worldwide

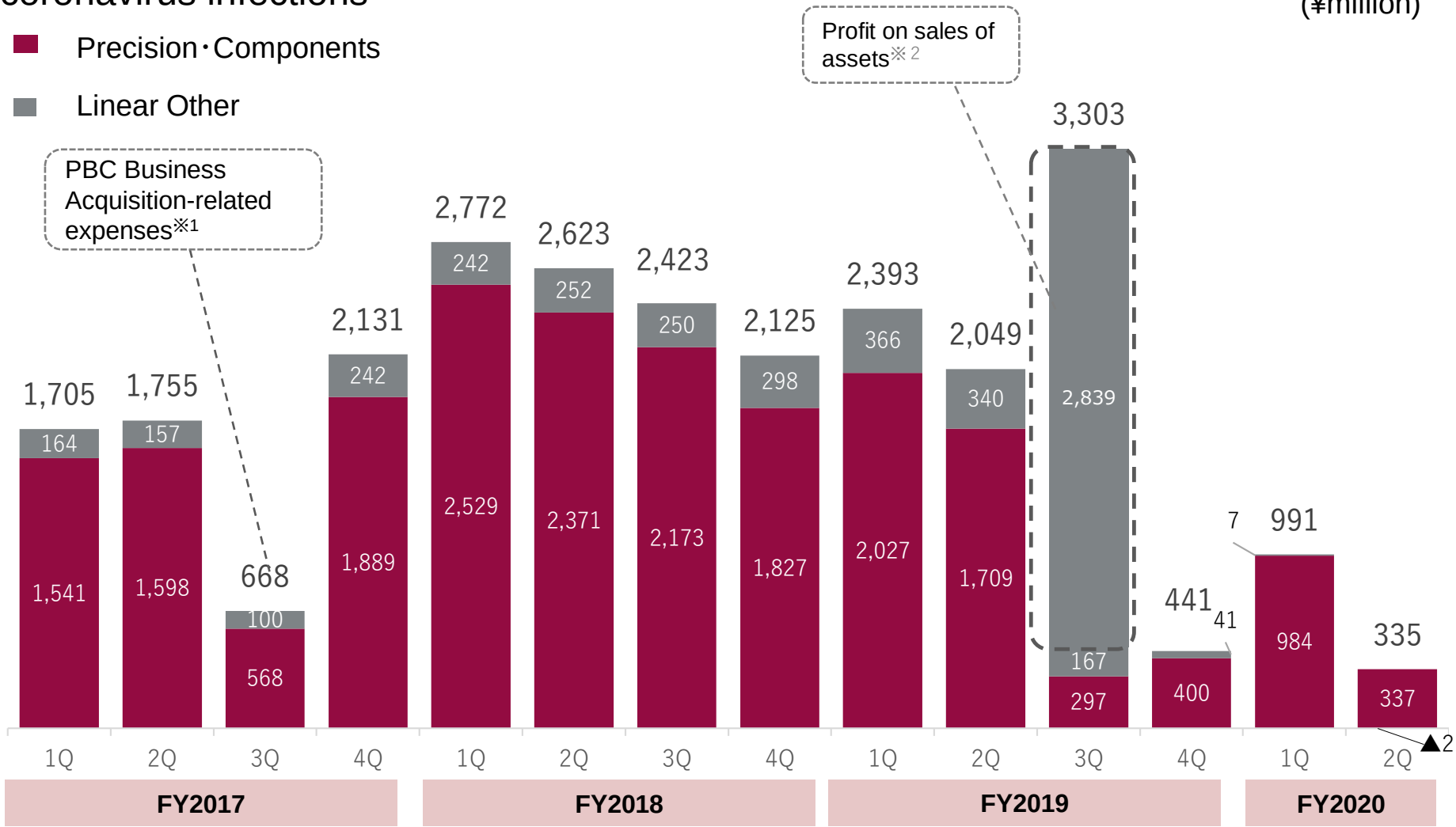


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Operating profit by quarter

2Q OP declined as the global economy deteriorated due to the spread of new coronavirus infections

(¥million)



※1 ¥1,285mil

※2 ¥2,839mil

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1H FY2020 Consolidated results (YoY)

Due to the global outbreak of the new coronavirus infection, global automobile production and machine tool orders declined significantly, and consequently sales decreased by 30.2% and OP decreased by 69.4% compared to 1H 2019 (excluding FX impact)

(¥million)

	FY2019 1H	FY2020 1H			
	Actual	Actual	FX impact	Inc/dec※1	Inc/dec%※1
Sales	35,519	24,018	▲772	▲10,729	▲30.2%
Operating profit	4,442	1,326	▲33	▲3,083	▲69.4%
OP%	12.5%	5.5%	—	—	—
EBITDA	6,148	3,023	▲90	▲3,035	▲49.4%
EBIT	3,936	990	58	▲3,004	▲76.3%
Net profit	2,868	693	19	▲2,194	▲76.5%

※1 “Inc/dec" and “Inc/dec%" exclude “FX impact”

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1H FY2020 Segment/Region Sales (YoY)

Sales declined in Asia(incl. China) was limited and declined by 22% only, amid sales decline due to the impact of the new coronavirus infection. Sales in Linear business fell in line with the drop in machine tool orders (▲45%)

(¥million)

	FY2019 1H	FY2020 1H			
	Actual	Actual	FX impact	Inc/dec※1	Inc/dec%※1
Consolidated	35,519	24,018	▲772	▲10,729	▲30.2%
Precision Components※2	32,264	22,230	▲777	▲9,257	▲28.7%
Japan	6,016	4,600	—	▲1,416	▲23.5%
North America	7,313	5,103	▲87	▲2,123	▲29.0%
Europe	12,545	7,816	▲399	▲4,330	▲34.5%
Asia	6,396	4,712	▲291	▲1,393	▲21.8%
Linear and Other	3,255	1,788	5	▲1,472	▲45.2%

※1 “Inc/dec" and “Inc/dec%" exclude “FX impact

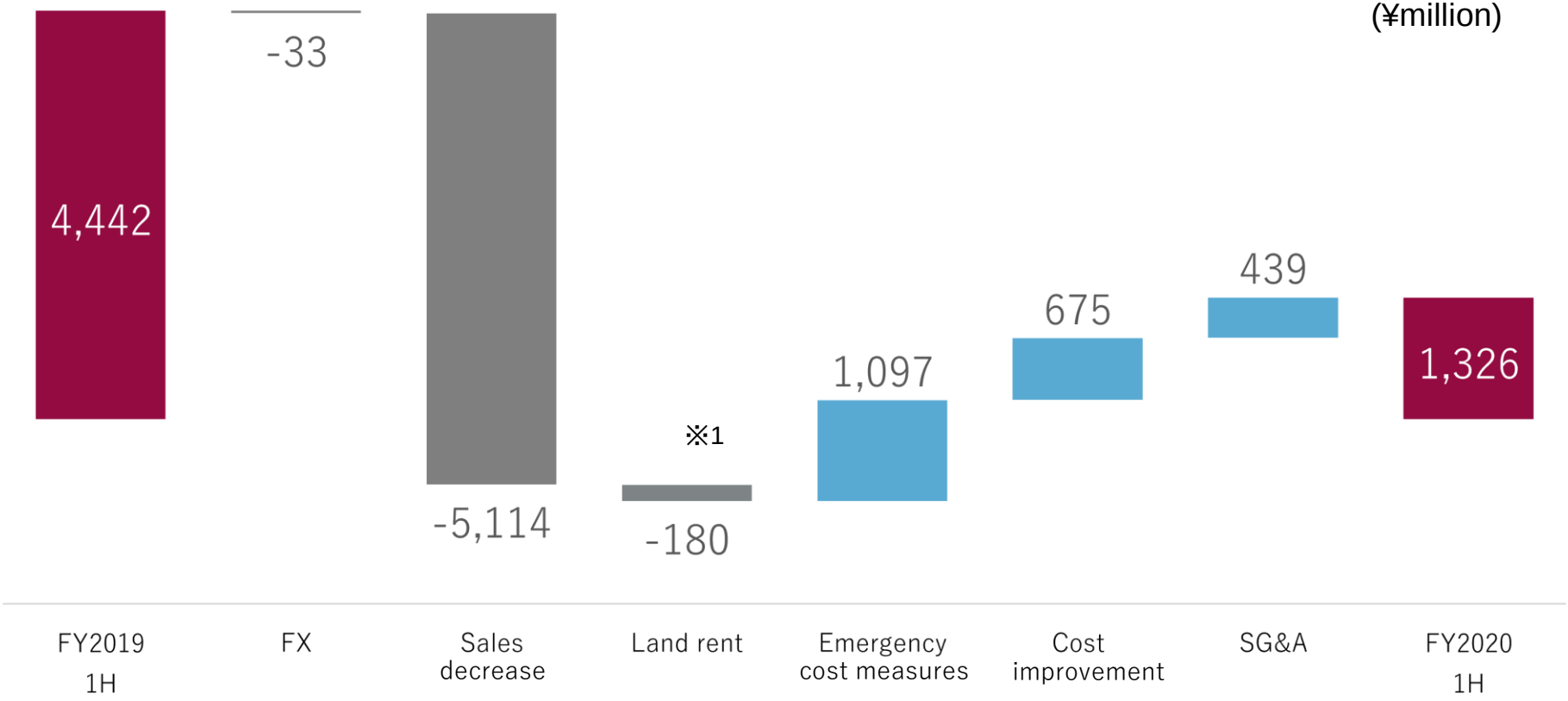
※2 Excluding inter-segment profit

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1H FY2020 Operating profit bridge
vs 1H FY2019

Cost improvements and SG&A cuts plus Emergency cost measures contributed to profits, but sales decline due to the impact of new Coronavirus infection had a significant impact.

(¥million)



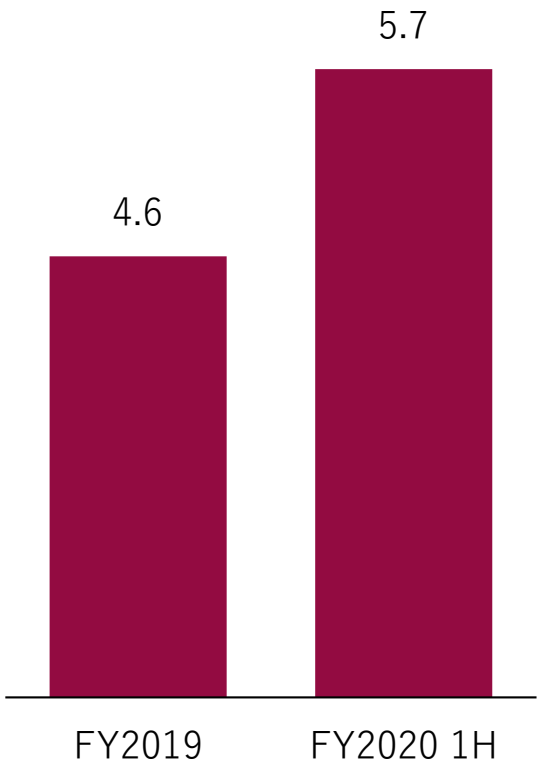
※1 Decrease in rent income due to land sales (FY2019).

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BS/CF

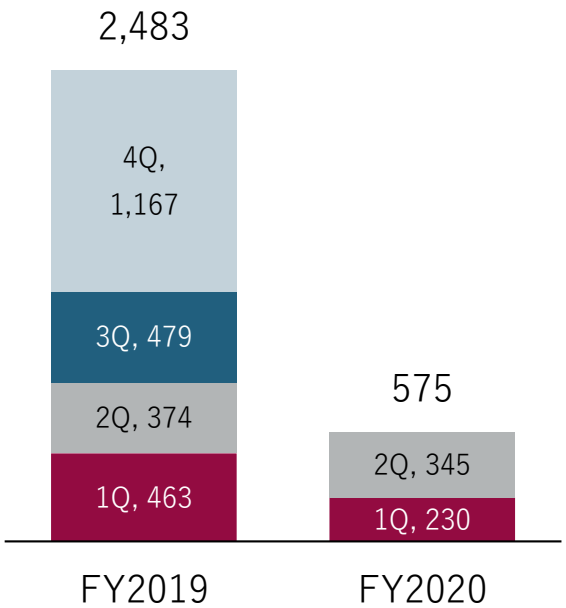
Inventory Turn-over (months)

Decrease in sales worsened Turn-over period



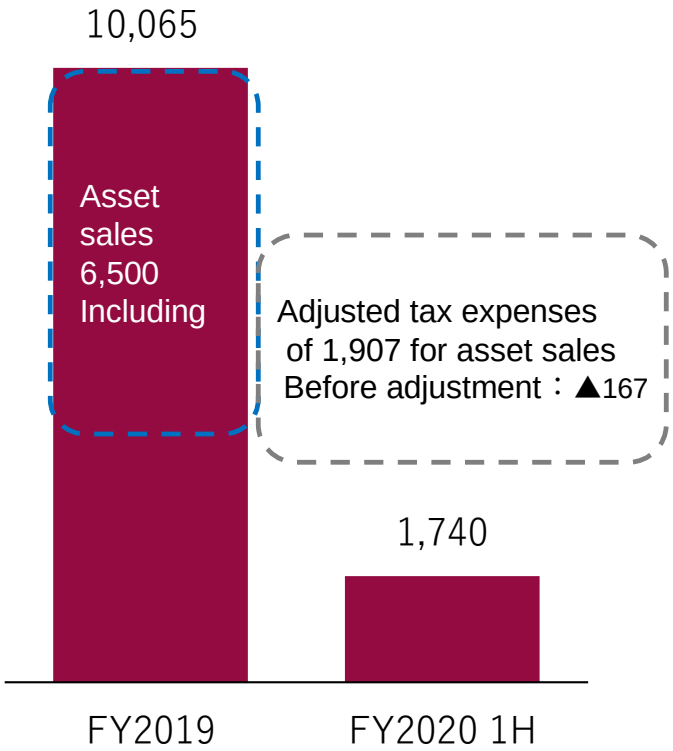
CAPEX(¥ million)

Dropped capex to bare minimum, excluding investments that contribute to growth in the next FY and prevent operational risk



Adjusted Free CF (¥million)

Continued to promote increase in cash on hand



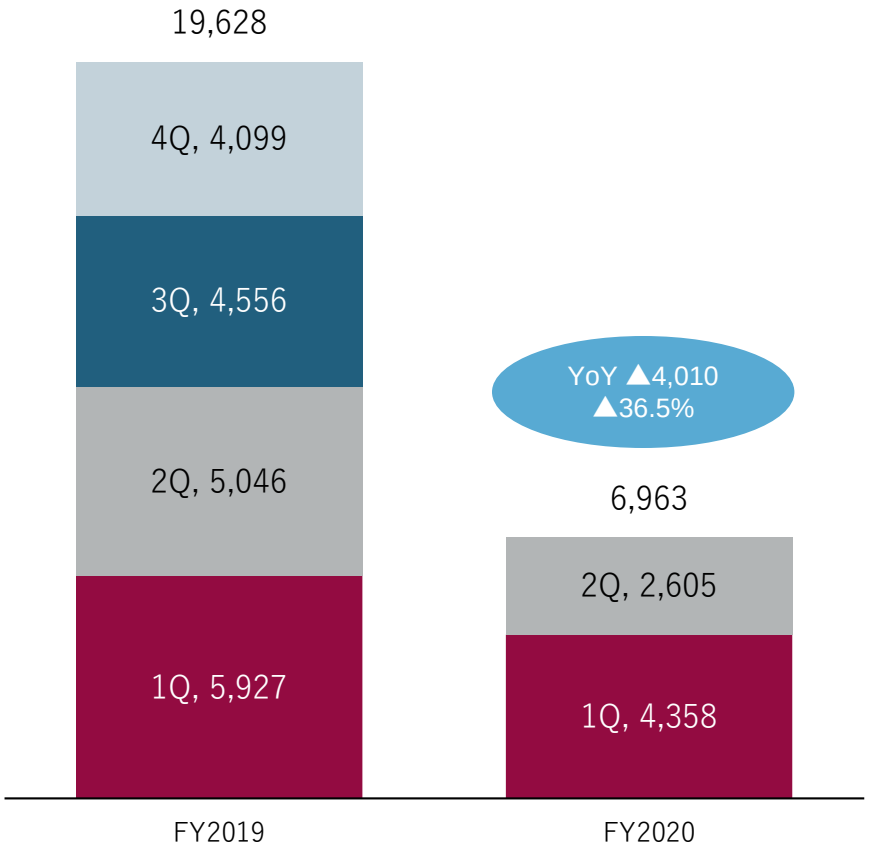
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1H FY2020 Sales initiatives

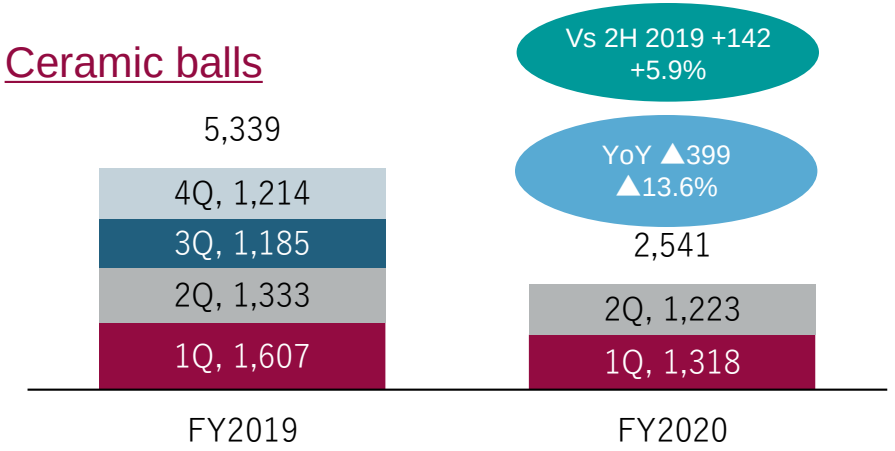
Sales of ceramic balls increased by 5.9% from 2H FY2019 owing to firm demand from 5G-related capital investment

(￥million)

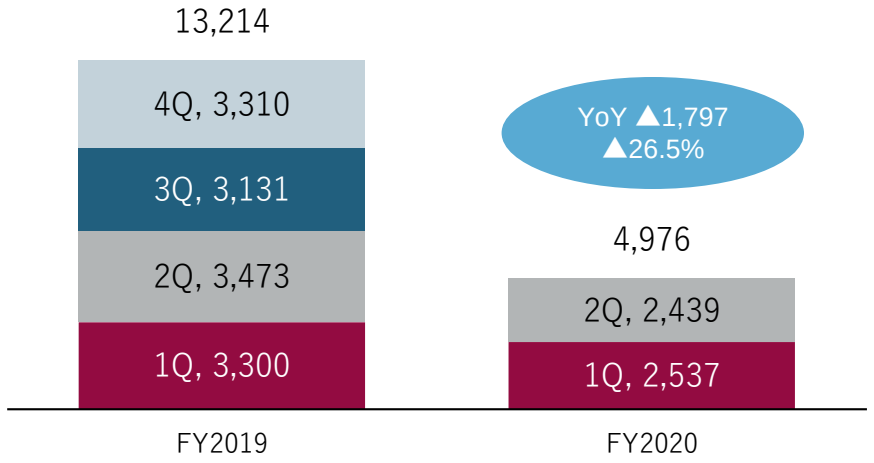
Non-Japanese customers



Ceramic balls



Asian Markets (China and others)



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2. FORECAST FOR EARNINGS AND DIVIDENDS FOR FY2020

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Forecast for Earnings and Dividends for FY2020

Earnings Forecast for FY2020

The expansion of the new coronavirus infection on a global scale has led to a rapid slowdown in the global economy, resulting in a significant decline in automobile production and machine tool orders. Although economic activity is being resumed gradually, there is strong uncertainty about the future, such as the timing of the spread of the infectious disease and the extent of its impact, and it is difficult to reasonably calculate the specific impact of the infectious disease.

Therefore, we will continue to defer our earnings forecast and announce it as soon as it becomes possible to estimate

Dividends Forecast for FY2020

Year-end dividend is undecided and will be announced as soon as it is possible to estimate the earnings forecast.

The basic policy of maintaining a dividend payout ratio of 50% remains unchanged

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