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, 2020 Unaudited [IFRS]

August 7, 2020

Company name: Tsubaki Nakashima Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 6464
URL: http://www.tsubaki-nakashima.com/en/
Representative: Koji Hirota, Director and Representative Executive Officer, President, CEO
Contact: Shakil Ohara, Director and Executive Officer, Senior EVP, CFO
Phone: +81-6-6224-0193
Scheduled date of filing quarterly securities report: August 7, 2020
Availability of supplementary briefing material on quarterly financial results: Available
Schedule of quarterly financial results briefing session: Scheduled (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, 2020 (January 1, 2020 to June 30, 2020)

(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, 2020	24,018	(32.4)	1,326	(70.2)	990	(74.9)	692	(75.9)
June 30, 2019	35,519	(8.7)	4,442	(17.7)	3,936	(18.7)	2,870	(18.4)

	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, 2020	693	(75.8)	(912)	—	17.19	17.19
June 30, 2019	2,868	(18.4)	659	(33.7)	71.59	70.38

(Reference) EBITDA: Six months ended June 30, 2020: ¥3,023 million (down 50.8%)
Six months ended June 30, 2019: ¥6,148 million
EBITDA = Operating profit + depreciation and amortization. EBITDA is outside the scope of quarterly review pursuant to the Financial Instrument 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, 2020	128,393	43,315	43,284	33.7
As of December 31, 2019	135,156	45,878	45,846	33.9

The English translation is only for reference purpose. When there are discrepancies between original Japanese version and English translation version, the original Japanese version always prevails.

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, 2019	-	40.00	-	41.00	81.00
Fiscal year ending December 31, 2020	-	10.00			
Fiscal year ending December 31, 2020 (Forecast)			-	-	-

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes	
	Million yen	%	Million yen	%	Million yen	%
Full year	—	—	—	—	—	—

	Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Yen
Full year	—	—	—

(Note) Revision to the financial results forecast 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, 2020: 41,063,000 shares
December 31, 2019: 41,063,000 shares

2) Total number of treasury shares at the end of the period:
June 30, 2020: 720,368 shares
December 31, 2019: 733,668 shares

3) Average number of shares during the period:
Six months ended June 30, 2020: 40,337,772 shares
Six months ended June 30, 2019: 40,060,867 shares

* These quarterly financial results are outside the scope of quarterly review 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

The business environment surrounding the Company during the first half of the current consolidated cumulative period had seen extremely severe situation due to the expansion of COVID-19 impact on automobile production volume and machine tool orders have fallen sharply.

Under such a business environment, we were able to limit to an extent impact from sudden and substantial decline in sales through cost improvement, that we have continuously executed, and emergency cost measures.

As a result, revenue for the second quarter of the current consolidated cumulative period decreased 32.4% year-on-year to ¥24,018 million and operating income decreased 70.2% year on year to ¥1,326 million. The profit attributable to owners of the parent decreased 75.8% year on year to ¥693 million.

In such an environment, while ensuring safety of employees and their family, we will continue to conduct our business to ensure supply to our customers and improve our services. We also realize that major changes will likely continue for a long time and a business environment that differs from the past may emerge in the future, we intend to focus our efforts to rebuild the growth track for the company`s business.

The segment performance is as follows.

Precision Component Business

Precision Component Business revenue decreased 31.1% year-on-year to ¥22,230 million. Segment income (operating income) decreased 64.6% year on year to ¥1,321 million.

Linear business

Revenue in the linear business decreased 41.7% year on year to ¥1,787 million. Segment loss (operating loss) was ¥4 million due to revenue decreased ¥500 million year-on-year.

Other

In this segment, we mainly earn revenue from real estate. We sold land for the lease in the previous fiscal year to the outside of the group. As a result, revenue decreased 99.6% year-on-year to ¥1 million.

Segment profit (Operating income) decreased 95.5% year-on-year to ¥9 million.

(2) Explanation of Financial Position

Current assets as of the end of the second quarter of the fiscal year decreased ¥4,571 million from the end of the previous fiscal year to ¥50,965 million. This is mainly attributable to a decrease in trade and other receivables, net by ¥3,009 million and cash and cash equivalents by ¥2,200 million.

Non-current assets decreased ¥2,192 million from the end of the previous fiscal year to ¥77,428 million. This is mainly attributable to a decrease in property, plant and equipment, net by ¥1,605 million.

Current liabilities increased ¥4,877 million from the end of the previous fiscal year to ¥21,472 million. This is mainly attributable to an increase in loan borrowings by ¥8,567million, despite a decrease in income taxes payable by ¥1,907 million, trade and other payables by ¥1,056 million and other current liabilities by ¥727 million.

Non-current liabilities decreased ¥9,077 million from the end of the previous fiscal year to ¥63,606 million. This is mainly attributable to a decrease in loan borrowings by ¥8,974 million.

Equity decreased ¥2,563 million from the end of the previous fiscal year to ¥43,315 million. This is mainly attributable to a decrease in retained earnings by ¥959 million and accumulated other comprehensive loss by ¥1,604 million.

(Analysis of Status of Cash Flows)

Cash and cash equivalents as of the end of the second quarter of the fiscal year decreased ¥2,200 million year on year to ¥14,746 million. The status of cash flows of each activity during the six months ended June 30, 2020 and its cause are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥377 million. This is attributable to cash increase factors including profit before taxes of ¥990 million, depreciation and amortization of ¥1,697 million and a decrease in trade and other receivable, net of ¥2,671 million, despite cash decrease factors including a decrease in trade and other payables of ¥920 million, an increase in inventory of ¥888 million, and income taxes paid of ¥2,542 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥544 million. This is attributable to payments for acquisition of property, plant and equipment of ¥447 million and intangible assets of ¥128 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥1,883 million. This is attributable to repayments of short-term loans and borrowings of ¥2,967 million, cash dividends paid of ¥1,654 million, repayments of lease liabilities of ¥158 million, repayments of long-term loans and borrowings of ¥78 million and proceeds from short-term loans and borrowings of ¥2,974 million.

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

Given the continuing impact of COVID-19 on the global economy and market, we expect that the earnings forecast for automobile production and machine tolls orders will remain severe situation.

Although economic activities are being resumed in stages, uncertainty about the future is still strong and due to the difficulty of showing the earnings forecast numerically, the earnings forecast will be made public when reasonably predictable.

3. Unaudited Condensed Interim Consolidated Financial Statements

(1) Unaudited Condensed Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	16,946	14,746
Trade and other receivables, net	12,972	9,963
Inventories	24,576	25,077
Other current assets	1,042	1,179
Total current assets	55,536	50,965
Non-current assets		
Property, plant and equipment, net	32,896	31,291
Intangible assets, net and goodwill	45,944	45,378
Other investments	292	264
Deferred tax assets	377	392
Other non-current assets	111	103
Total non-current assets	79,620	77,428
Total assets	135,156	128,393
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	4,544	3,488
Current portion of loans and borrowings	5,715	14,282
Income taxes payable	2,483	576
Other current liabilities	3,853	3,126
Total current liabilities	16,595	21,472
Non-current liabilities		
Loans and borrowings, excluding current portion	62,995	54,021
Net defined benefit liability	2,855	2,821
Deferred tax liabilities	2,674	2,441
Other non-current liabilities	4,159	4,323
Total non-current liabilities	72,683	63,606
Total liabilities	89,278	85,078
Equity		
Share capital	16,831	16,831
Capital surplus	11,100	11,062
Treasury stock	(1,439)	(1,400)
Accumulated other comprehensive loss	(6,665)	(8,269)
Retained earnings	26,019	25,060
Equity attributable to owners of the parent	45,846	43,284
Non-controlling interests	32	31
Total equity	45,878	43,315
Total liabilities and equity	135,156	128,393

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

(Millions of yen)

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
Sales	35,519	24,018
Cost of sales	27,410	19,852
Gross profit	8,109	4,166
Selling, general and administrative expenses	3,719	2,863
Other income	118	32
Other expenses	66	9
Operating profit	4,442	1,326
Financial income	19	76
Financial expenses	525	412
Profit before taxes	3,936	990
Income tax expense	1,066	298
Net profit for the period	2,870	692
Net profit for the period attributable to.		
Owners of the parent	2,868	693
Non-controlling interests	2	(1)
Net profit for the period	2,870	692
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(47)	(19)
Total items that will not be reclassified to profit or loss	(47)	(19)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	(2,140)	(1,583)
Cash flow hedges	(56)	76
Hedges costs	32	(78)
Total items that may subsequently be reclassified to profit or loss	(2,164)	(1,585)
Other comprehensive loss, net of tax	(2,211)	(1,604)
Total comprehensive income (loss)	659	(912)
Total comprehensive income attributable to.		
Owners of the parent	659	(911)
Non-controlling interests	0	(1)
Total comprehensive income (loss)	659	(912)
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	71.59	17.19
Diluted earnings per share (yen)	70.38	17.19

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

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Sales	17,336	9,792
Cost of sales	13,404	8,200
Gross profit	3,932	1,592
Selling, general and administrative expenses	1,869	1,264
Other income	41	10
Other expenses	55	3
Operating profit	2,049	335
Financial income	14	16
Financial expenses	351	296
Profit before taxes	1,712	55
Income tax expense	488	54
Net profit for the period	1,224	1
Net profit for the period attributable to.		
Owners of the parent	1,223	2
Non-controlling interests	1	(1)
Net profit for the period	1,224	1
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(56)	27
Total items that will not be reclassified to profit or loss	(56)	27
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	(2,110)	67
Cash flow hedges	(17)	83
Hedges costs	(47)	32
Total items that may subsequently be reclassified to profit or loss	(2,174)	182
Other comprehensive loss, net of tax	(2,230)	209
Total comprehensive income (loss)	(1,006)	210
Total comprehensive income attributable to.		
Owners of the parent	(1,006)	210
Non-controlling interests	(0)	(0)
Total comprehensive income (loss)	(1,006)	210
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	30.43	0.05
Diluted earnings per share (yen)	29.91	0.05

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

For the six months ended June 30, 2019

(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, 2019	16,621	10,823	(1,439)	85	(4,414)	(1,259)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(47)	(2,138)	(56)
Total comprehensive income (loss)	—	—	—	(47)	(2,138)	(56)
Issuance of new shares	179	177	—	—	—	—
Dividends	—	—	—	—	—	—
Purchase of treasury stock	—	—	(1)	—	—	—
Disposition of treasury stock	—	—	—	—	—	—
Share based payment	—	49	—	—	—	—
Total transactions with owners and other	179	226	(1)	—	—	—
Balance as of June 30, 2019	16,800	11,049	(1,440)	38	(6,552)	(1,315)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedges costs	Total				
Balance as of January 1, 2019	174	(5,414)	24,462	45,053	27	45,080
Net profit for the period	—	—	2,868	2,868	2	2,870
Other comprehensive income (loss), net of tax	32	(2,209)	—	(2,209)	(2)	(2,211)
Total comprehensive income (loss)	32	(2,209)	2,868	659	—	659
Issuance of new shares	—	—	—	356	—	356
Dividends	—	—	(1,597)	(1,597)	—	(1,597)
Purchase of treasury stock	—	—	—	(1)	—	(1)
Disposition of treasury stock	—	—	—	—	—	—
Share based payment	—	—	—	49	—	49
Total transactions with owners and other	—	—	(1,597)	(1,193)	—	(1,193)
Balance as of June 30, 2019	206	(7,623)	25,733	44,519	27	44,546

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	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	39	—	—	—
Share based payment	—	(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)

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedges costs	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)
Purchase of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	39	—	39
Share based payment	—	—	—	(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

(4) Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended June 30, 2019	For the six months ended June 30, 2020
Cash flows from operating activities		
Profit before taxes	3,936	990
Depreciation and amortization	1,705	1,697
Increase (decrease) in net defined benefit liability	25	(22)
Interest and dividend income	(14)	(17)
Interest expense	406	393
Foreign exchange losses (gains)	228	107
(Gains) losses sale of fixed assets	(1)	(1)
Decrease (increase) in trade and other receivables	(794)	2,671
Decrease (increase) in inventories	(742)	(888)
(Decrease) increase in trade and other payables	(15)	(920)
Other, net	(381)	(709)
Sub total	4,353	3,301
Interest received	11	13
Dividends received	4	4
Interest paid	(405)	(399)
Income taxes paid	(1,038)	(2,542)
Net cash provided by operating activities	2,925	377
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(697)	(447)
Proceeds from sales of property, plant and equipment	1	28
Payments for acquisition of intangible properties	(141)	(128)
Other, net	0	3
Net cash used in investing activities	(837)	(544)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	6,719	2,974
Repayments of short-term loans and borrowings	(700)	(2,967)
Repayments of long-term loans and borrowings	(8,578)	(78)
Payments of lease liabilities	(130)	(158)
Proceeds from exercise of subscription rights	358	—
Cash dividends paid	(1,597)	(1,654)
Payments for purchase of treasury stock	(1)	—
Net cash used in financing activities	(3,929)	(1,883)
Effect of exchange rate changes on cash and cash equivalents	(206)	(150)
Net increase (decrease) in cash and cash equivalents	(2,047)	(2,200)
Cash and cash equivalents at the beginning of the period	13,304	16,946
Cash and cash equivalents at the end of the period	11,257	14,746

(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 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 "Precision components business", "Linear business" and "Other business". These businesses offer different products and are managed separately because they require different technologies and marketing strategies.

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 business" 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 are determined on an arm's length basis.

(2) Segment Information

Segment information for the six months ended June 30, 2019 and 2020 is as follows.

For the six months ended June 30, 2019

(Millions of yen)

	Precision components business	Linear business	Other business	Total	Reconciling items	Condensed interim consolidated financial statements
Sales						
External sales	32,264	3,067	188	35,519	—	35,519
Inter-segment sales	6	—	15	21	(21)	—
Total consolidated sales	32,270	3,067	203	35,540	(21)	35,519
Segment profit	3,736	496	210	4,442	0	4,442
				Financial income		19
				Financial expense		(525)
				Profit before taxes		3,936

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

For the six months ended June 30, 2020

(Millions of yen)

	Precision components business	Linear business	Other business	Total	Reconciling items	Condensed interim 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.

Segment information for the three months ended June 30, 2019 and 2020 is as follows.

For the three months ended June 30, 2019

(Millions of yen)

	Precision components business	Linear business	Other business	Total	Reconciling items	Condensed interim consolidated financial statements
Sales						
External sales	15,734	1,508	94	17,336	—	17,336
Inter-segment sales	4	—	7	11	(11)	—
Total consolidated sales	15,738	1,508	101	17,347	(11)	17,336
Segment profit	1,709	254	86	2,049	0	2,049
				Financial income		14
				Financial expense		(351)
				Profit before taxes		1,712

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

For the three months ended June 30, 2020

(Millions of yen)

	Precision components business	Linear business	Other business	Total	Reconciling items	Condensed interim consolidated financial statements
Sales						
External sales	9,039	753	0	9,792	—	9,792
Inter-segment sales	1	—	7	8	(8)	—
Total consolidated sales	9,040	753	7	9,800	(8)	9,792
Segment profit	337	(5)	3	335	0	335
				Financial income		16
				Financial expense		(296)
				Profit before taxes		55

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