TSUBAKI NAKASHIMA CO.,LTD.

2Q Results Presentation FY12/2016

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Tsubaki Nakashima Co, Ltd.

(TSE 6464)

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This presentation is an English translation of the material initially written in Japanese, which should be considered to be the primary version.

2016/8/2

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Introduction

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「One ball, One heart」

To put our whole heart and soul into crating a single steel ball.



「One spirit(precision), one heart (sincerity)

Sincerity is having a true heart, and the same Chinese character stands for both precision and sprit. To put our whole heart and soul into our work and produce excellent, precisely-made products.

1. ABOUT US

Our profile

Independent Ball／Linear Manufacturer

- Established since 1934, long history of dealing with major global companies

Balanced exposure to automotive and non-automotive sectors

- 50% for automotive section, 35% for industrial/working machines, and 15% for others

Optimal balance of domestic and overseas business

- 40% for domestic, 60% for overseas
（FY2015 actual）

TSUBAKI NAKASHIMA CO.,LTD.

Superior position at the precision ball market

Efficient and active global production 15 bases in 9 countries

Realize high-volume manufacturing at low-cost through excellent technological capability. Ensure quality through 100% inspection

Extreme precision level to pursue sphericity

- 0.1μ (ten-thousandth of a millimeter) for control level of sphericity
, 0.01μ (hundred-thousandth of a millimeter
) in manufacturing process

Manufacturing technology to produce spheric ball from various raw materials

- Possible to make ball from hard and soft materials

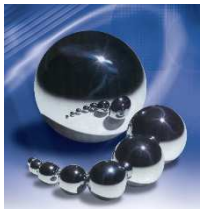
Corporate culture which embodies QCDS

- Quality × Cost × Delivery × Service

Application for precision balls

End-use of balls spans Automobile/EV, Industrial machines, Medicals, optical networks, Consumer products.

Precision balls



Steel



Ceramic



Glass



Plastic



Tungsten carbide

End-use



Auto/EV



Construction machines



Wind Turbine



Optical lens connector



Bottles



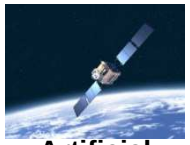
Ball point pen



Shinkansen



Spindle



Artificial Satellite



Industrial machines/ Robot



Air conditioner



Drone



Medical appliance

（※）Shown major end-use applications, there is a large number of end-use in addition to shown above.

Application for Linear products

Concentrate in niche market to leverage our strength

	Ball screws・Ball ways	Blowers
Linear products	  Ball screws  Ball ways	 Blowers
End-use	 Construction machines  Machine tools  Industrial robots	 Cooling facilities for plants

（※）Shown major end-use applications, there is a large number of end-use in addition to shown above.

Global footprint to provide local supply source for customers

15 bases in 9 countries for global customers



STT (Thailand)
- Rayong, Thailand
- Acquired in 2013

Chongqing Plant
- Chongqing, China
- Acquired in 2006

Taicang Plant
- Jiangsu, China
- Operation Started in 2002

STE (UK)
- West Sussex, UK
- Acquired in 2013





Sault Ste. Marie Plant
- Michigan, U.S.
- Acquired in 1990







Ball business

Linear business

Korea DC
- Seoul, Korea
- Operation Started in 2015



Cumming Plant
- Georgia, U.S.
- Acquired in 1990

Poland Plant
- Krasnik, Poland
- Acquired in 2003





Japan

Katsuragi Plant
- Nara, Japan

Okayama Plant
- Okayama, Japan

Koriyama Plant
- Nara, Japan

Sechibaru Plant
- Nagasaki, Japan







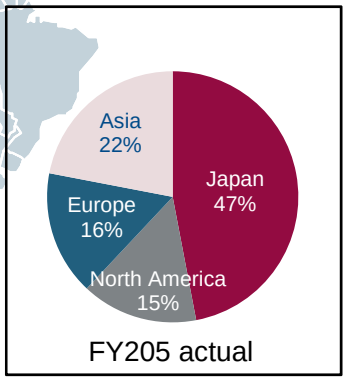


India
- Silvassa, India
- Operation Started in 2013

Singapore
- Raffles Place, Singapore
- Founded in 2013

Taiwan Plant
- Taichung, Taiwan
- Operation Started in 2010

Sales by region



FY205 actual

2. 2Q RESULTS FY12/2016

1H FY12/2016 Summary

Successfully executed growth strategies to mitigate adverse impact from weak macro environment and Strong Yen.

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External factors

Auto related business was on track as we expected at the beginning of the year

Demand from machine tools market was weaker than anticipated

Yen appreciation negatively impacted consolidated results

Internal factors

Ball business grew as expected including 4 strategic growth initiatives.

Kept focus on cost reduction and B/S management.

Highlights for 1H FY12/2016

Sales

- Business related to automotive sector did well globally as expected at the beginning of the year.
- Recovery in industrial machine related demand lagged behind more than anticipated.
- Execution of ball sales expansion strategy progressed well.
- Sales up 6.1% or ￥949M vs 1Q

Costs

- Achieved sales increase and cost reduction in 2Q(Apr-Jun) compared to 1Q(Jan-Mar) ,OP margin was 20.3% in 2Q an increase of 2.1%.

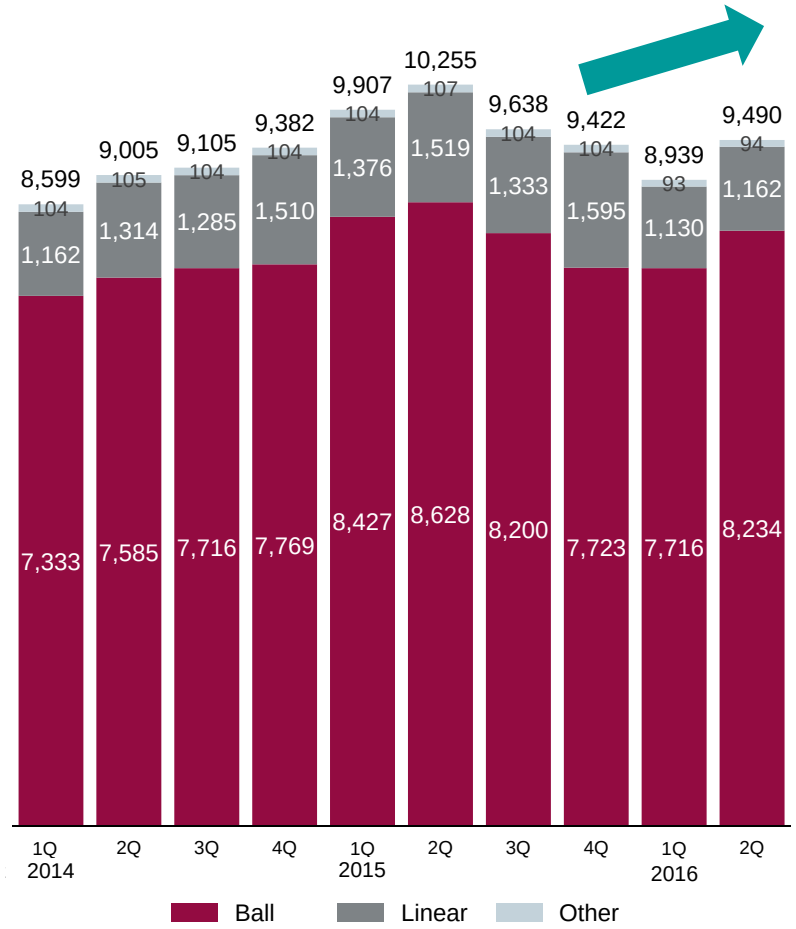
Cash

- Generated free cash flows from strong balance sheet management
- Interim dividend：30yen/share

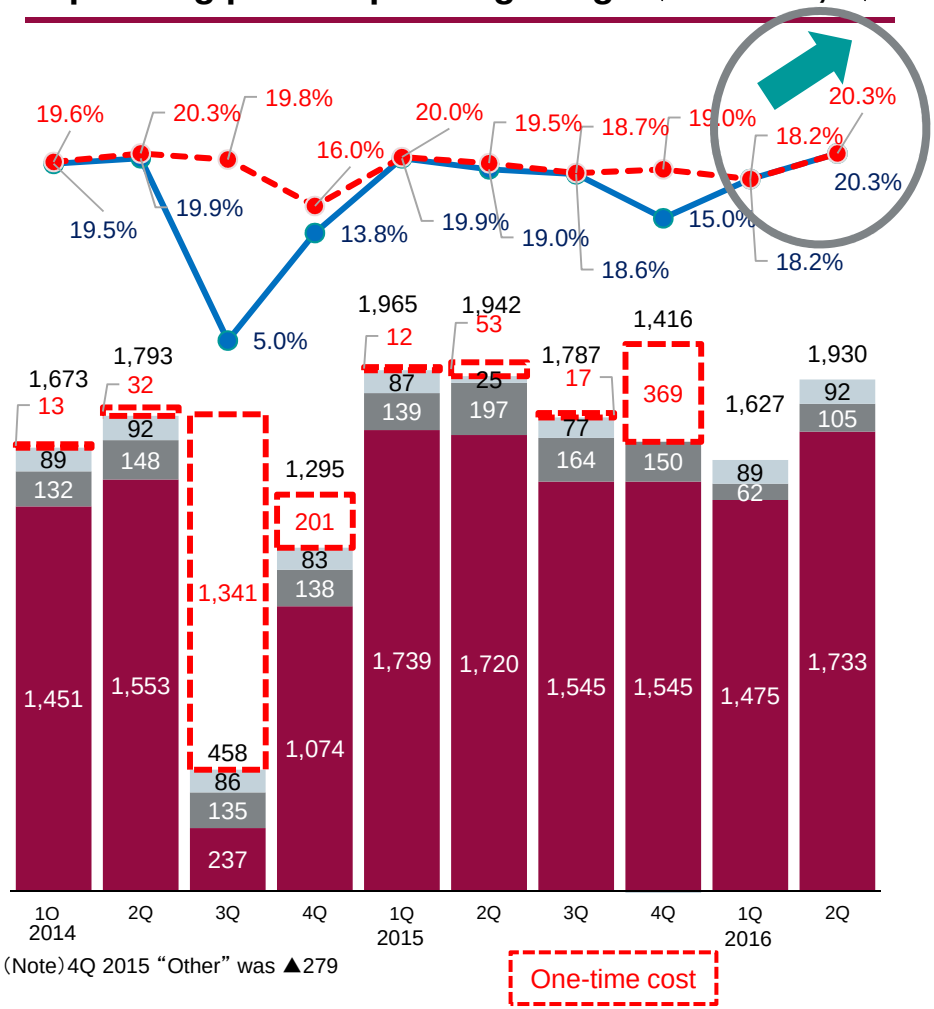
Sales and Operating margin trends by quarter

Operating margin increased to 20.3% in 2Q 2016 from 18.2% in 1Q 2016 through effective cost controls.

Sales（¥ million）



Operating profit･Operating Margin（¥ million,%）



（Note）4Q 2015 “Other” was ▲279

FY12/2016 1H Consolidated results vs FY12/2015 1H

Operating and EBITDA margin % remained at same level as in FY12/2015 1H despite sales decrease

（¥ million ）

	FY2015 1H	FY2016 1H			
	Actual	Actual	FX impact	inc/dec （w/o FX）	inc/dec% （w/o FX）
Sales	20,140	18,429	▲1,134	▲577	▲2.9%
Operating profit	3,907	3,557	▲139	▲211	▲5.4%
Operating margin	*19.4%*	*19.3%*	–	–	–
EBITDA	4,802	4,372	▲211	▲219	▲4.6%
EBITDA margin	*23.8%*	*23.7%*	–	–	–
EBIT	3,750	2,659	▲871	▲220	▲5.9%
Net profit（※1）	2,875	2,014	▲668	▲193	▲6.7%

（※1）“Net profit” on this slide refers to “Profit attributable to owners of the parent”

FY12/2016 1H Consolidated results vs Our earlier forecast

OP margin % and EBITDA margin % exceeded forecast.

（¥ million ）

	FY2016 1H	FY2016 1H			
	Prior forecasts	Actual	FX impact	inc/dec （w/o FX）	inc/dec% （w/o FX）
Sales	19,300	18,429	▲156	▲715	▲3.7%
Operating profit	3,700	3,557	▲44	▲99	▲2.7%
Operating margin	*19.2%*	*19.3%*	–	–	–
EBITDA	4,550	4,372	▲42	▲136	▲3.0%
EBITDA margin	*23.6%*	*23.7%*	–	–	–
EBIT	3,300	2,659	▲542	▲99	▲3.0%
Net profit（※1）	2,350	2,014	▲264	▲72	▲3.1%

（※1）“Net profit” on this slide refers to “Profit attributable to owners of the parent”

FY12/2016 1H Sales by business segment

Ball business bottomed out and recovering. Linear business continue to suffer from negative macro environment.

vs FY12/2015 1H

（¥ million ）

	FY2015 1H	FY2016 1H			
	Actual	Actual	FX impact	inc/dec (w/o FX)	inc/dec% (w/o FX)
Consolidated	20,140	18,429	▲1,134	▲577	▲2.9%
Ball business	17,056	15,950	▲1,134	+28	+0.2%
Linear business	2,895	2,292	―	▲603	▲20.8%
Other	189	187	―	▲2	▲1.0%

vs Prior forecast of 2016 1H

（¥ million ）

	FY2016 1H	FY2016 1H			
	Prior forecasts	Actual	FX impact	inc/dec (w/o FX)	inc/dec% (w/o FX)
Consolidated	19,300	18,429	▲156	▲715	▲3.7%
Ball business	16,400	15,950	▲156	▲294	▲1.8%
Linear business	2,710	2,292	―	▲418	▲15.4%
Other	190	187	―	▲3	▲1.6%

FY12/2016 1H Sales by region（Ball business only）

Sales to European customers increased, sales in Japan at target despite weaker demand from automotive sector, Sales in China bottomed out in 1Q and recovery set in 2Q.

（¥ million ）

vs FY12/2015 1H（Ball only）	FY2015 1H	FY2016 1H			
	Actual	Actual	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Japan	6,449	6,124	—	▲325	▲5.0%
North America	3,083	2,865	▲206	▲12	▲0.4%
Europe	3,165	3,113	▲414	+362	+11.4%
Asia	4,359	3,848	▲514	+3	+0.1%

（¥ million ）

vs Prior forecast of 2016 1H（Ball only）	FY2016 1H	FY2016 1H			
	Prior forecasts	Actual	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Japan	6,150	6,125	—	▲25	▲0.4%
North America	3,050	2,865	▲53	▲133	▲4.3%
Europe	3,150	3,113	▲42	+5	+0.2%
Asia	4,050	3,848	▲61	▲141	▲3.5%

（For reference only）FY12/2016 1H Sales by region（Segments as in consolidated results）

vs FY12/2015 1H

（¥ million ）

	FY2015 1H	FY2016 1H			
	Actual	Actual	FX impact	inc/dec （w/o FX）	inc/dec% （w/o FX）
Japan	9,353	8,525	—	▲827	▲8.8%
North America	3,083	2,865	▲206	▲12	▲0.4%
Europe	3,165	3,113	▲414	+362	+11.4%
Asia	4,539	3,926	▲514	▲99	▲2.2%

vs Prior forecast of 2016 1H

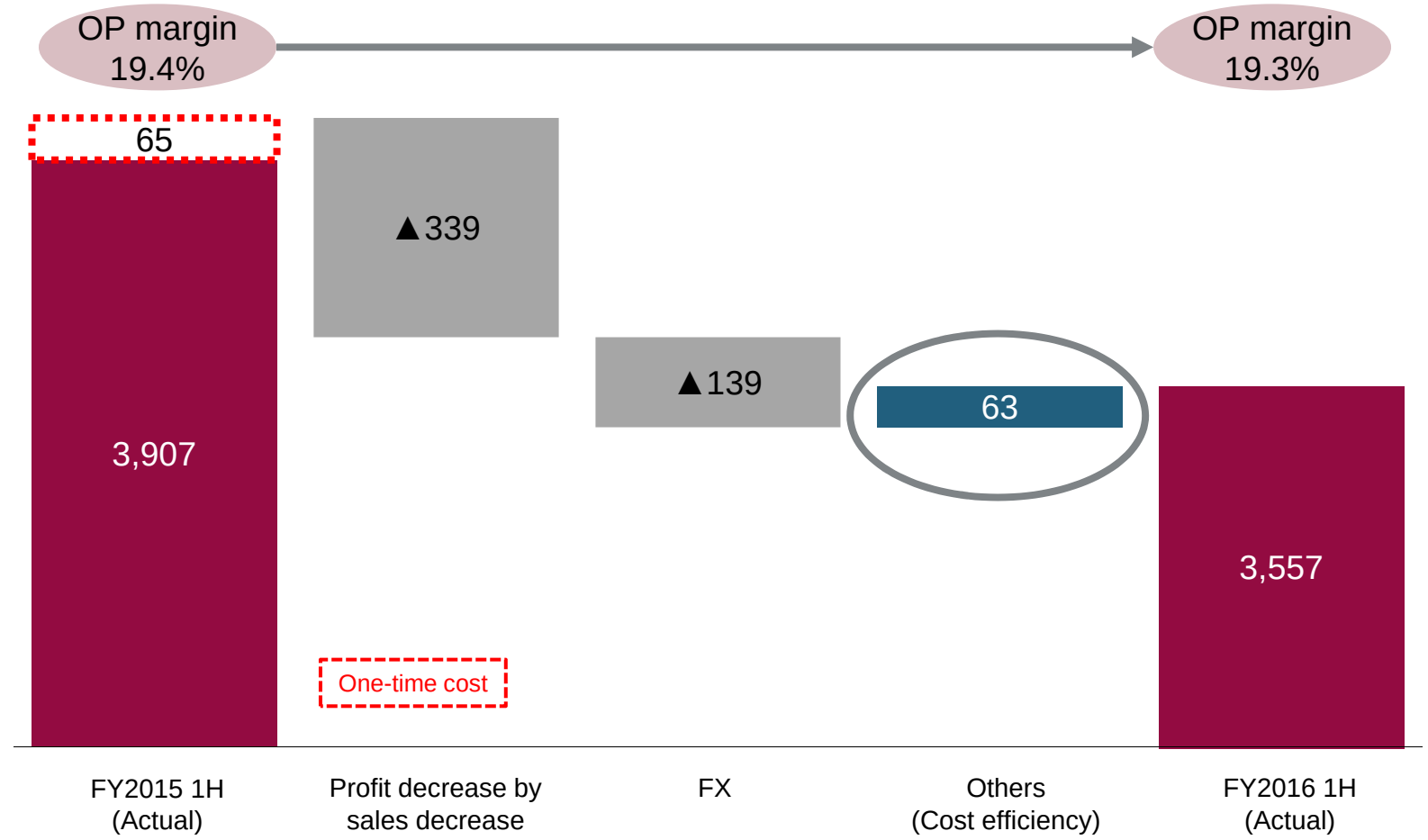
（¥ million ）

	FY2016 1H	FY2016 1H			
	Prior forecasts	Actual	FX impact	inc/dec （w/o FX）	inc/dec% （w/o FX）
Japan	8,900	8,525	—	▲375	▲4.2%
North America	3,050	2,865	▲53	▲133	▲4.3%
Europe	3,150	3,113	▲42	+5	+0.2%
Asia	4,200	3,926	▲61	▲213	▲*5.1%*

FY12/2016 1H Operating margin bridge

Achieved same level of OP margin % in FY12/2015 1H due to higher cost efficiency canceling out impact of decrease in sales and negative FX.

Operating profit（vs FY12/2015 1H）

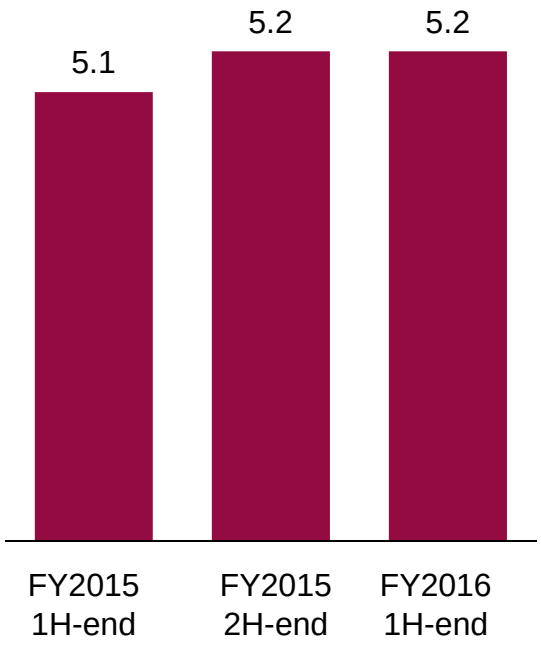


BS／CF

Steady cash flows from constant improvement of BS and CF.

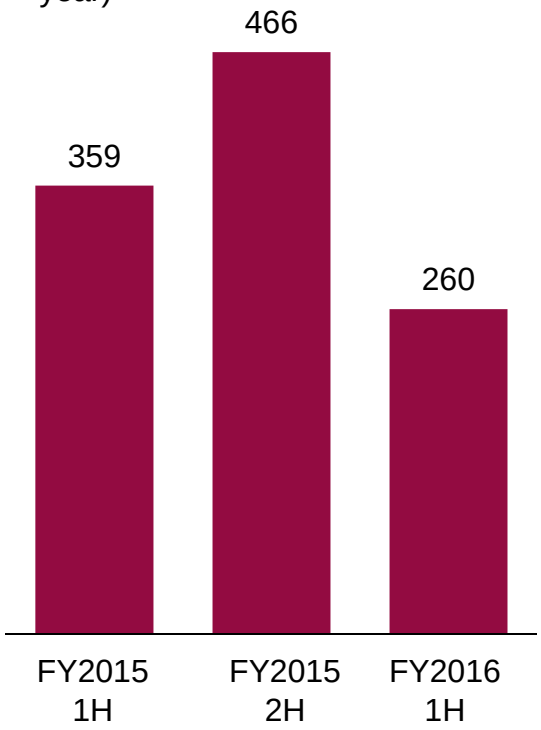
Inventory Turn-over（months）

■ Keep same level as last year due to efficient inventory control



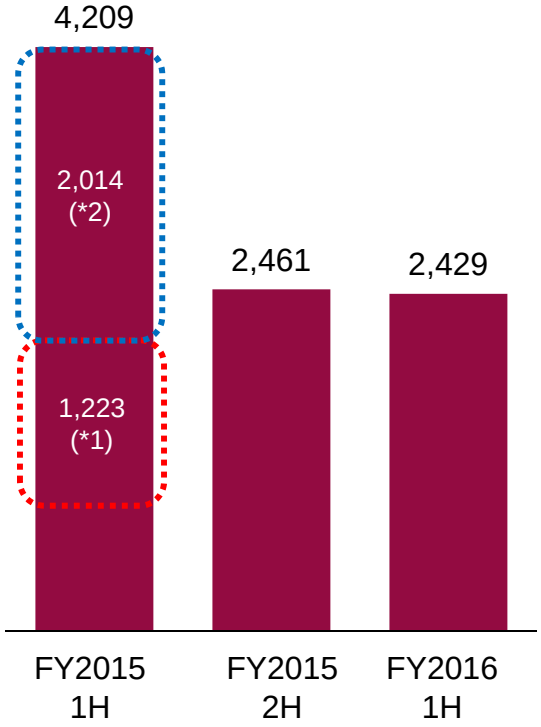
CAPEX（¥ million）

■ Keep necessary and sufficient level of CAPEX(Keep1 billion Yen per year)



FCF（¥ million）

■ Generate Cash flows constantly

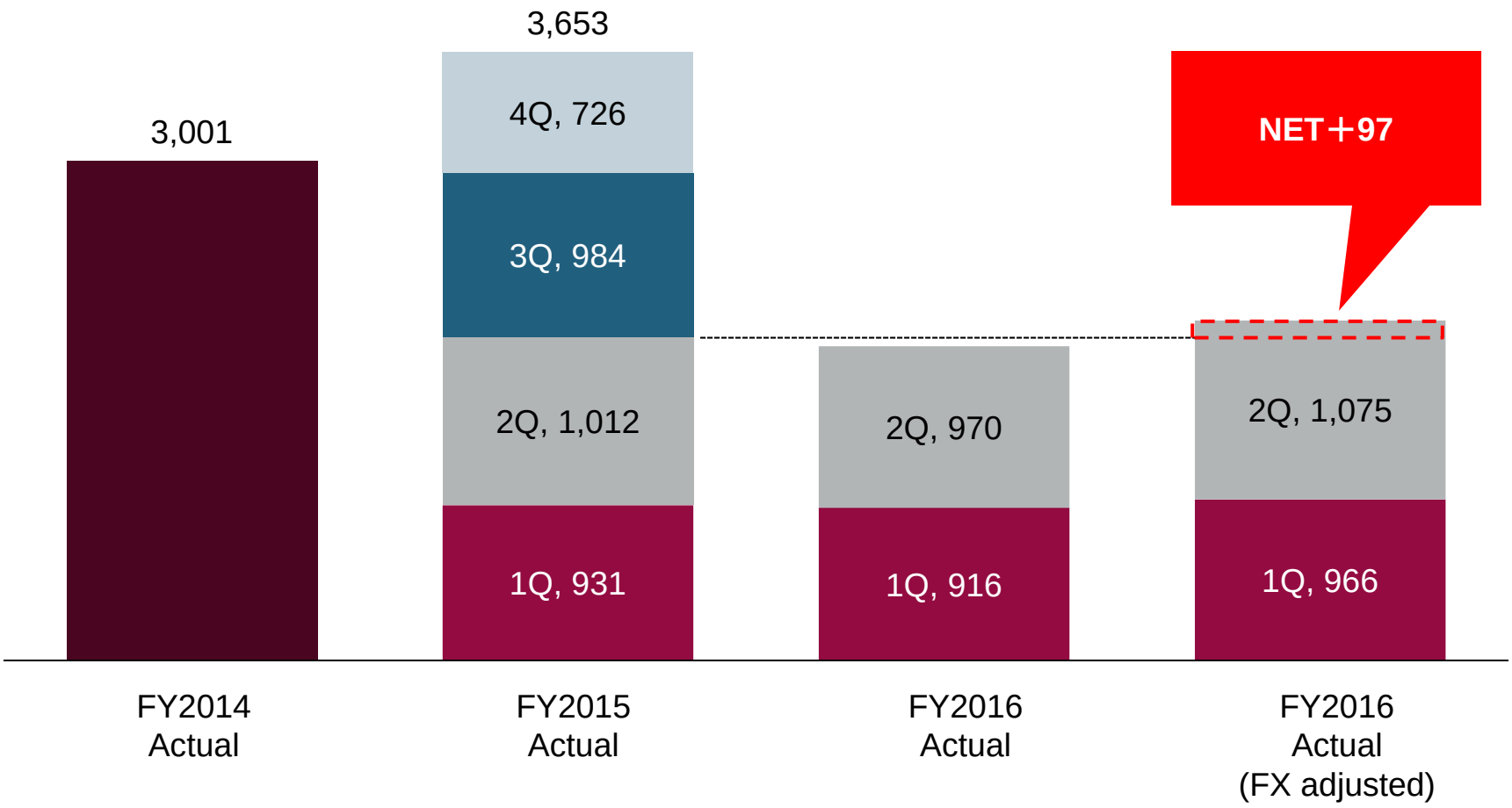


(*1)Initial effect of A/R liquidation
(*2)Initial effect of inventory reduction
（0.6months × Monthly average sales）

Growth strategy execution
①Sales to Non-Japanese Customers

Steadily gaining sales from new business despite negative FX impact and Macro environment.

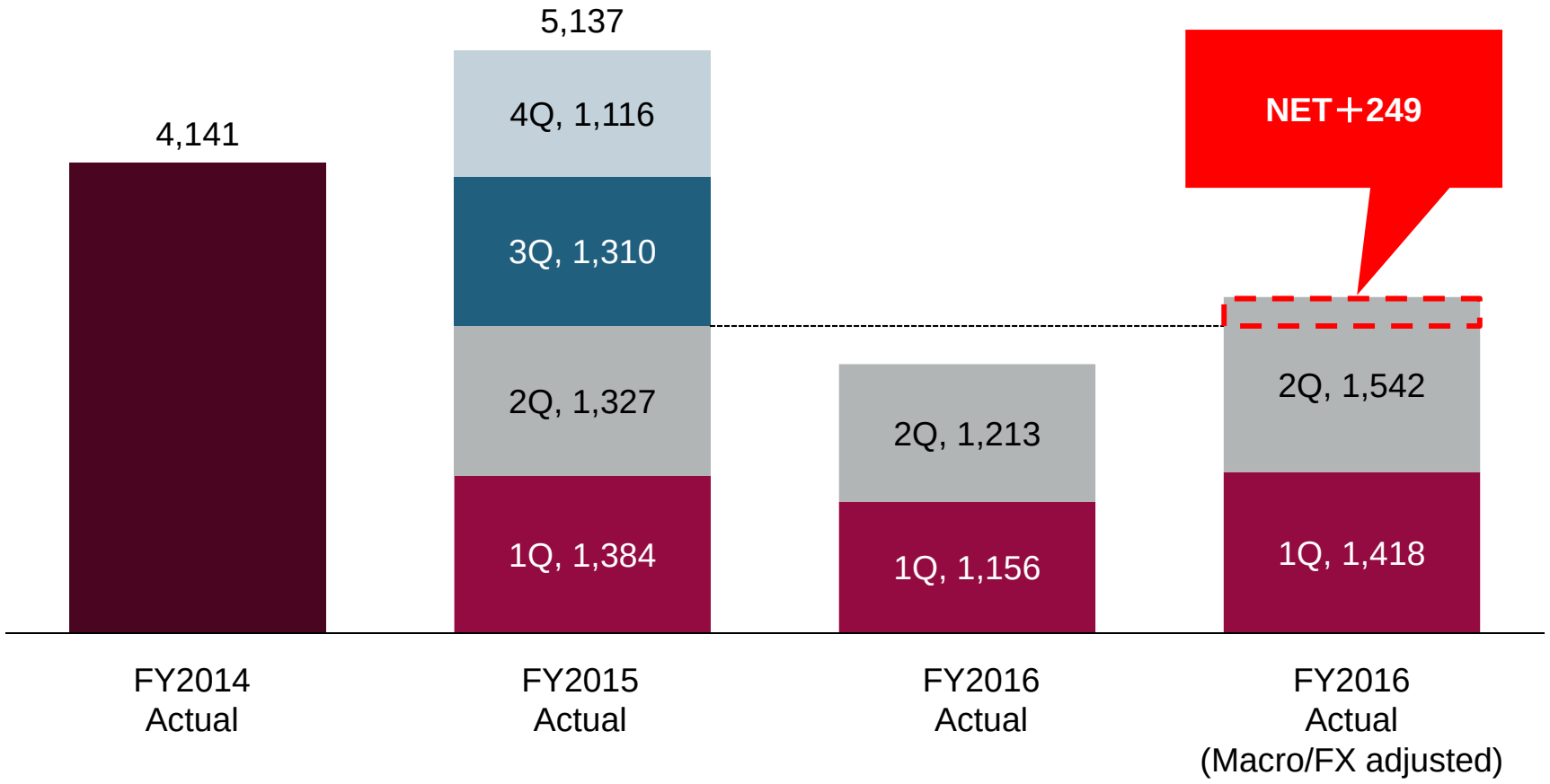
（¥ million）



Growth strategy execution
②Ceramic balls

Ceramic balls sales increased on performance basis, adjusted for FX impact and negative growth of machine tools industry.

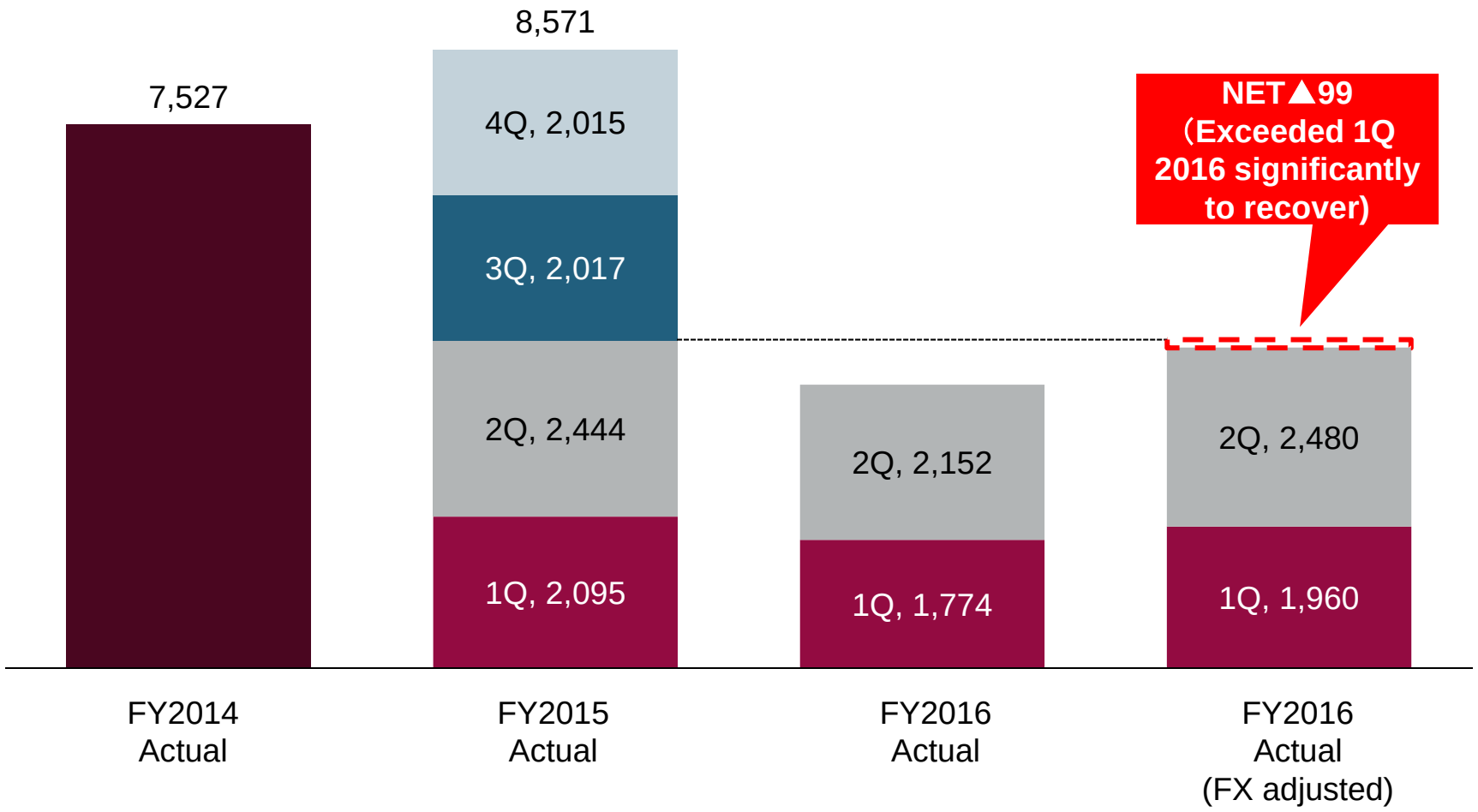
（¥ million）



Growth strategy execution
③Growth in Asia

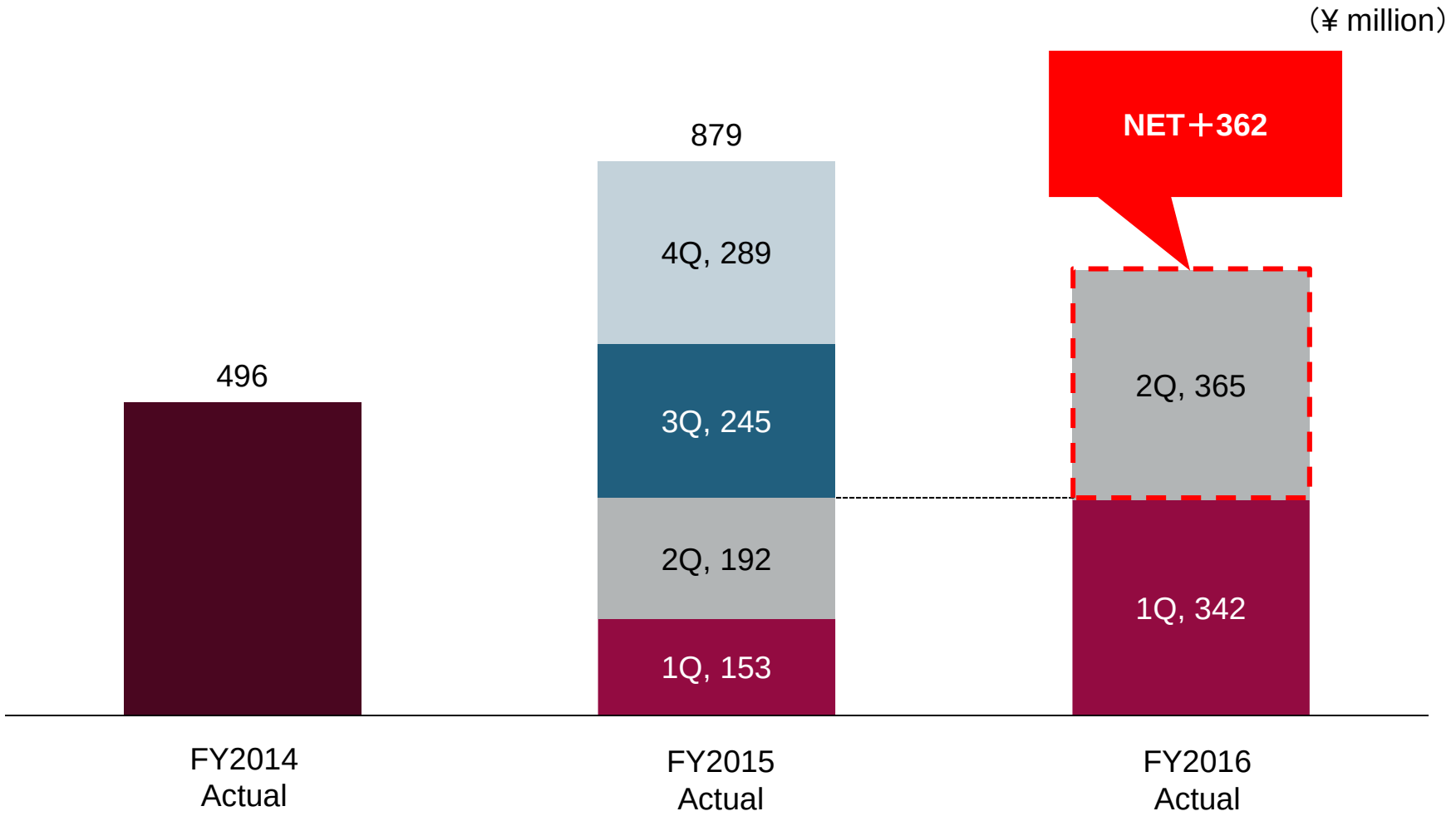
Achieved significant sales recovery in 2Q to make up for delay in 1Q, successfully gained new business.

（¥ million）



Growth strategy execution
④New Frontiers

Growth continued due to demand from emerging markets ― Especially from China optical network investments.



(※1) No FX impact due to domestic sales

3. FY12/2016 REVISED FORECAST AND DIVIDEND POLICY

Our policy for FY12/2016 2H

Assumption for external factors

Steady macro environment for automobile market

Delay in recovery of industrial machine tool demand

Yen appreciation trend will continue compared to expectation at the beginning of the year.
（2H assumption：USD＝￥105, RMB＝￥15.9）

Our policy

Sales	■ Will exceed FY2015 2H actual ■ Further progress on four(4) Growth strategies
Cost	■ Keep cost improvement initiatives
Cash	■ Strengthen B/S management and FCF generation ■ Keep 2H dividend of ¥ 33 as estimated at the beginning of the year

FY12/2016 Revised 2H forecasts

（¥ million ）

VS FY2016 1H	FY2016 1H（Actual）	2H forecasts（Revised）	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Sales	18,429	17,871	▲904	+346	+1.9%
Operating profit	3,557	3,593	▲128	+164	+4.6%
Operating margin	*19.3%*	*20.1%*	—	—	—
EBITDA	4,372	4,398	▲165	+191	+4.4%
EBITDA margin	*23.7%*	*24.6%*	—	—	—
EBIT	2,659	3,471	+636	+176	+6.6%
Net profit	2,014	2,486	+341	+131	+6.5%

VS FY2015 2H	FY2015 2H（Actual）	2H forecasts（Revised）	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Sales	19,038	17,871	▲2,273	+1,106	+5.8%
Operating profit	3,203	3,593	▲304	+694	+21.7%
Operating margin	*16.8%*	*20.1%*	—	—	—
EBITDA	4,088	4,398	▲405	+715	+17.5%
EBITDA margin	*21.5%*	*24.6%*	—	—	—
EBIT	2,611	3,471	+189	+671	+25.7%
Net profit	1,601	2,486	+147	+738	+46.1%

FY12/2016 Revised Forecasts

vs Prior forecast of 2016 1H

（¥ million ）

	Forecasts（Prior）	FY2016 Forecasts（Revised）	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Sales	39,200	36,300	▲ 1,489	▲ 1,411	▲ 3.6%
Operating profit	7,600	7,150	▲ 166	▲ 284	▲ 3.7%
Operating margin	19.4%	19.7%	—	—	—
EBITDA	9,300	8,770	▲ 231	▲ 299	▲ 3.2%
EBITDA margin	23.7%	24.2%	—	—	—
EBIT	6,900	6,130	▲ 484	▲ 286	▲ 4.1%
Net profit	5,000	4,500	▲ 335	▲ 165	▲ 3.3%

VS FY2015

	FY2015（Actual）	FY2016 Forecasts（Revised）	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Sales	39,178	36,300	▲ 3,407	+529	+1.4%
Operating profit	7,110	7,150	▲ 444	+484	+6.8%
Operating margin	18.1%	19.7%	—	—	—
EBITDA	8,890	8,770	▲ 616	+496	+5.6%
EBITDA margin	22.7%	24.2%	—	—	—
EBIT	6,361	6,130	▲ 682	+451	+7.1%
Net profit	4,476	4,500	▲521	+545	+12.2%