TSUBAKI NAKASHIMA CO.,LTD.

Annual Results Presentation FY12/2016

February 14, 2017

Tsubaki Nakashima Co, Ltd.

(TSE 6464)

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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.

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1. ANNUAL RESULTS FY12/2016

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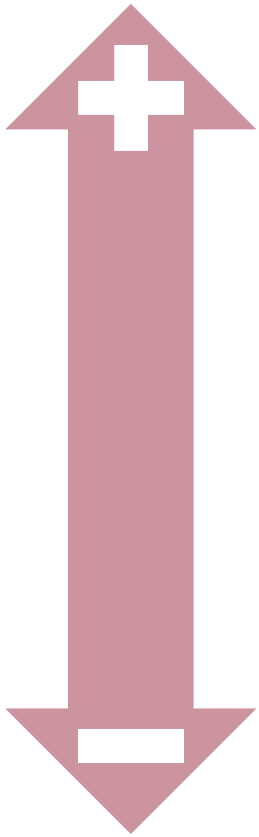
FY12/2016 Summary

Achieved record high net profit despite delayed recovery in Industrial machinery demand and Yen appreciation

External factors	TSUBAKI NAKASHIMA CO.,LTD.	Internal factors



Ball business grew as expected including 4 strategic growth initiatives.

Kept focus on cost reduction and B/S management.

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

Demand from machine tools market was weaker than anticipated（a sign of recovery）

Negative impact from Yen appreciation till the presidential race in U.S

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Highlights for FY12/2016

Sales

- Achieved +2.3% YoY consolidated sales excluding FX impacts
- Achieved +5.9% YoY of ball business sales excluding FX, made up for the decrease in weak demand of the machinery sector

Profits

- Recorded historic high net profit of 4,632MJPY(+3.5% YoY), +9.0% of YoY excluding FX
- Achieved 18.8% of OP margin, an increase of +0.7% over LY

Cash

- Achieved 5.8 billion yen of FCF through constant B/S management
- Year end dividend: 33 yen/share (as in guidance), Forecasted annual dividend is 63 yen/share which will put pay out ratio at 54.1%
- Forecasted total return ratio including Buy-back is 74.9%

（※）Total return = (Interim + Expected year end dividend) / Net profit

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FY12/2016 Consolidated results

Achieved year-on-year increase in Sales, Operating profit and Net profit excluding FX impacts.

（￥million）

	FY2015	FY2016			
	Actual	Actual	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Sales	39,178	36,886	▲ 3,198	906	2.3%
Operating profit	7,110	6,922	▲ 616	428	6.0%
Operating margin	*18.1%*	*18.8%*	–	–	–
EBITDA	8,890	8,509	▲ 791	410	4.6%
EBITDA margin	*22.7%*	*23.1%*	–	–	–
EBIT	6,361	6,409	▲ 350	398	6.3%
Net profit（※1）	4,476	4,632	▲ 247	403	9.0%

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

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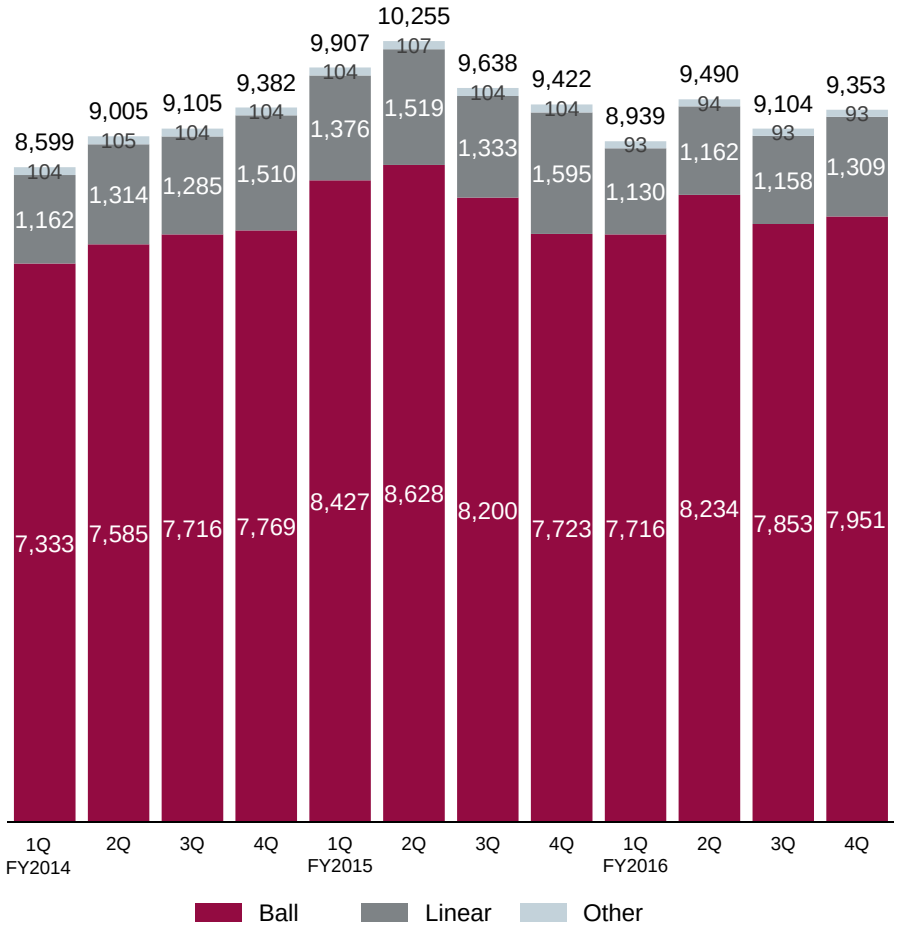
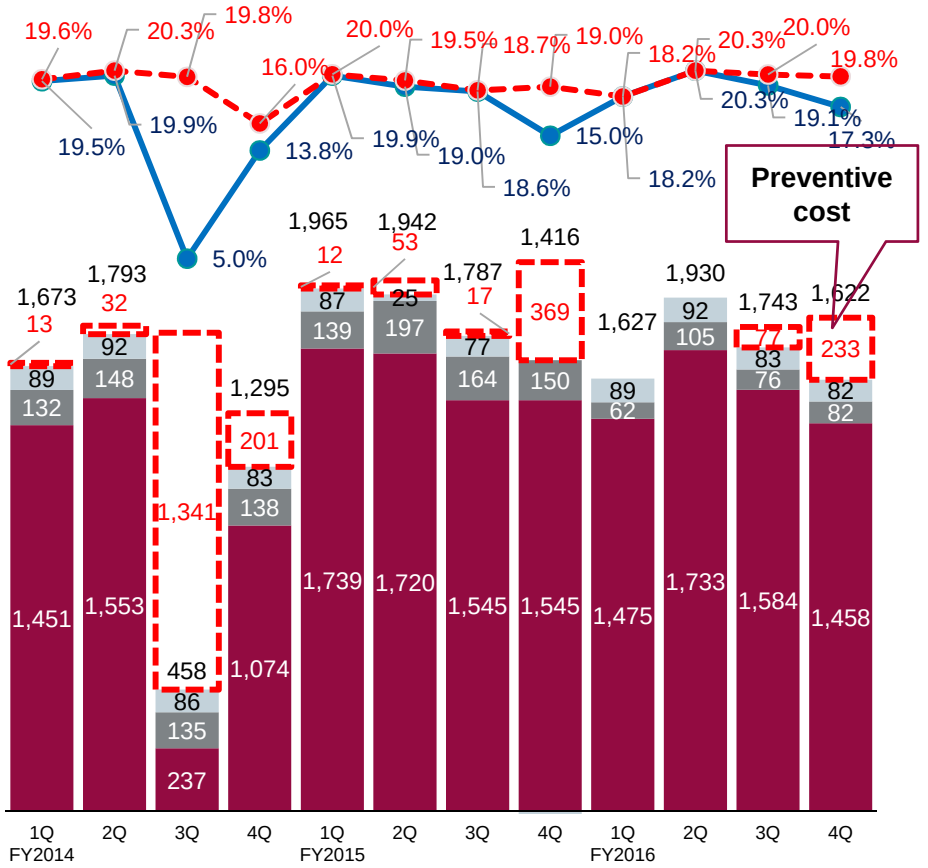
Sales and Operating margin trends by quarter

Sales trending upward after bottoming out in Q1 2016, high margin ratio maintained

Sales（¥ million ）



Operating profit･Operating Margin（¥ million ,%）



（Note）4Q 2015 “Other” was ▲279

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FY12/2016 Sales by business segment

Achieved +5.9% YoY increase in ball business sales excluding FX. Minimized the impact of weak demand from machinery sector on Linear business

（¥ million）

	FY2015	FY2016			
	Actual	Actual	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Consolidated	39,178	36,886	▲ 3,198	906	2.3%
Ball business	32,979	31,754	▲ 3,164	1,939	5.9%
Linear business	5,824	4,759	▲ 34	▲ 1,031	▲ 17.7%
Other	375	373	–	▲ 2	▲ 0.7%

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FY12/2016 Sales by region（Ball business only）

Achieved strong sales in Europe and Asia, made up for the decrease in Japan due to weak demand from machinery sector

（￥million）

	FY2015	FY2016			
	Actual	Actual	FX impact	inc/dec（w/o FX）	inc/dec%（w/o FX）
Japan	12,631	12,367	－	▲ 264	▲ 2.1%
North America	6,055	5,409	▲ 607	▲ 39	▲ 0.6%
Europe	6,055	5,818	▲ 1,191	954	15.8%
Asia	8,238	8,160	▲ 1,366	1,288	15.6%

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(For reference only) FY12/2016 Sales by region

(¥ million)

	FY2015	FY2016			
	Actual	Actual	FX impact	inc/dec (w/o FX)	inc/dec% (w/o FX)
Japan	18,497	17,252	–	▲ 1,245	▲ 6.7%
North America	6,055	5,409	▲ 607	▲ 39	▲ 0.6%
Europe	6,055	5,818	▲ 1,192	955	15.8%
Asia	8,571	8,407	▲ 1,399	1,235	14.4%

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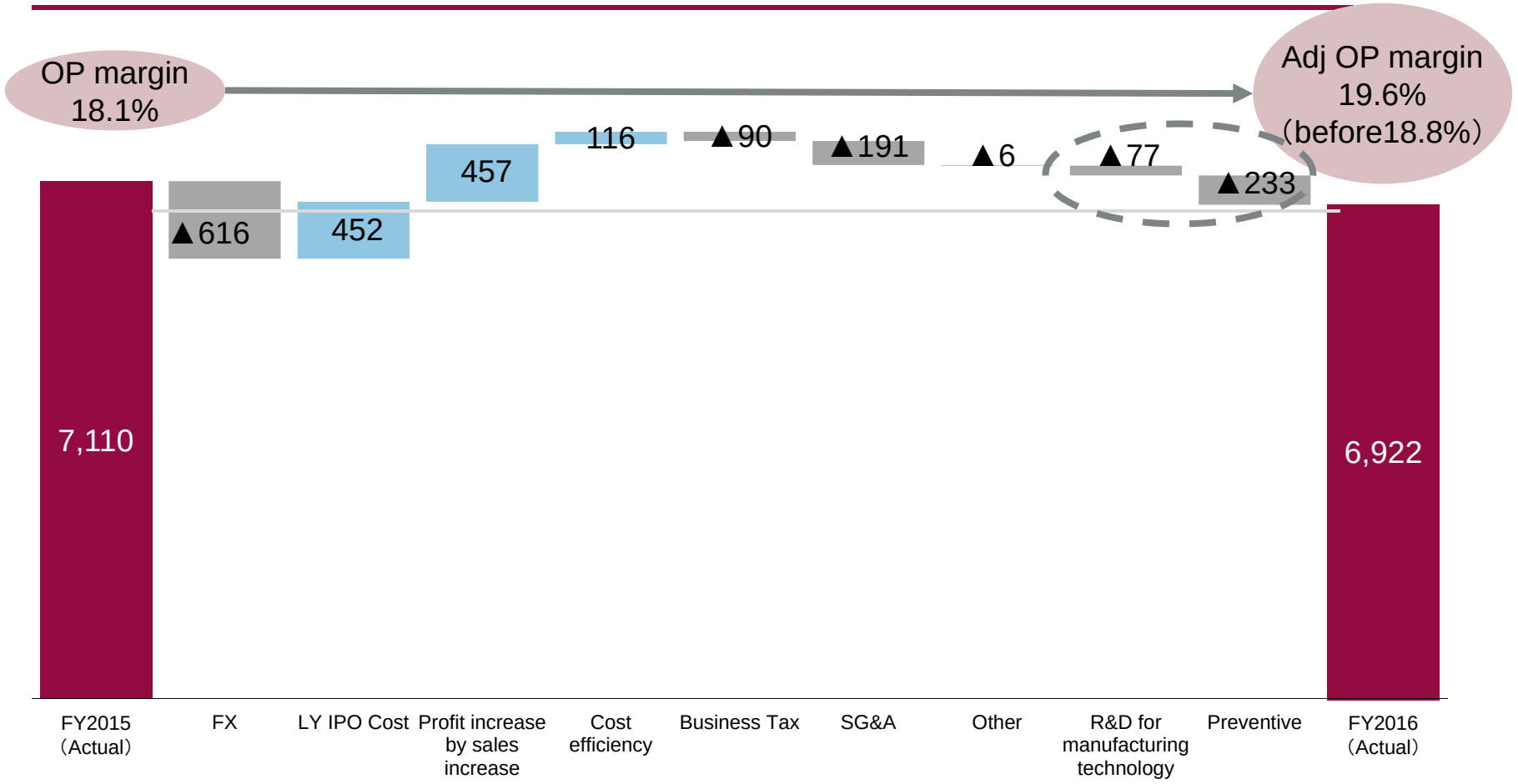
FY12/2016 Operating margin bridge

Kept high OP margin ratio excluding one-time preventive cost incurred

Operating profits（vs FY12/2015）



（※）Adj Op margin excludes one-time cost of “R&D for Manufacturing technology” and “Preventive cost”

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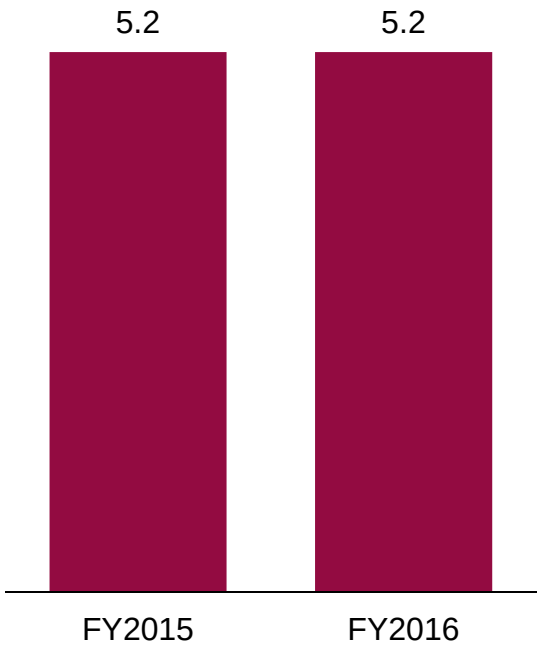
BS／CF

Steady cash flows from constant improvement of BS and CF.

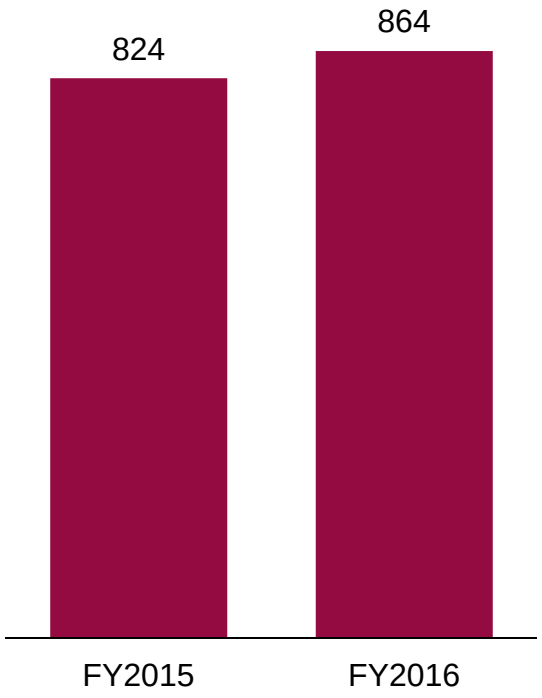
Inventory Turn-over（months）

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



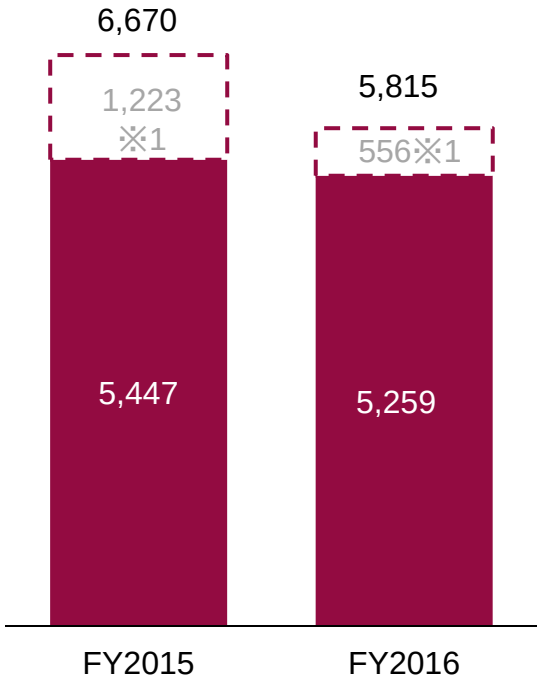
CAPEX（¥ million）

■ Keep necessary and sufficient level of CAPEX



FCF（¥ million）

■ Generate Cash flows constantly



(※1) Initial effect of A/R liquidation

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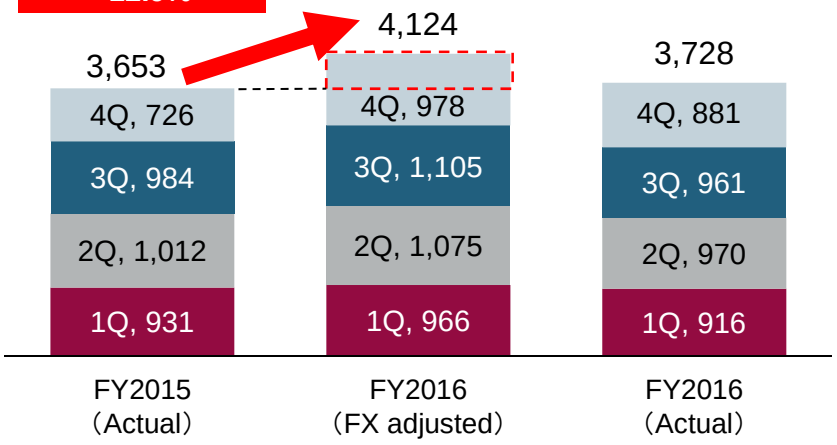
FY12/2016 Growth strategy execution

(¥ million)

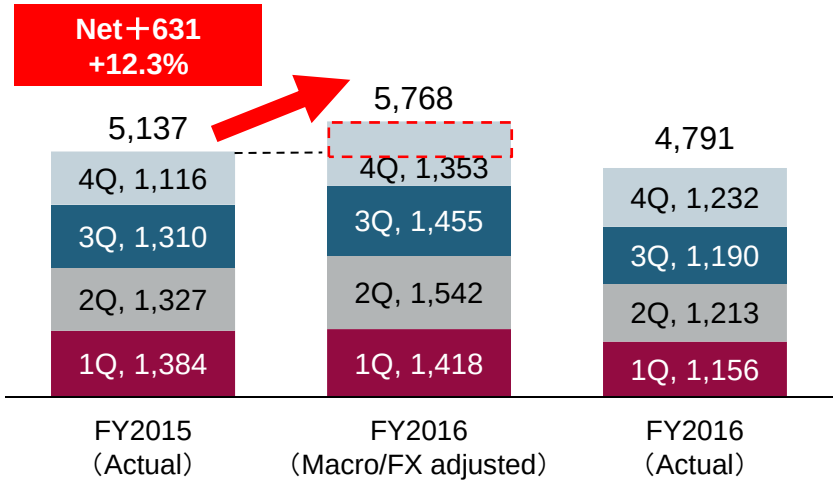
Non-Japanese customers

Net＋471
+12.9%



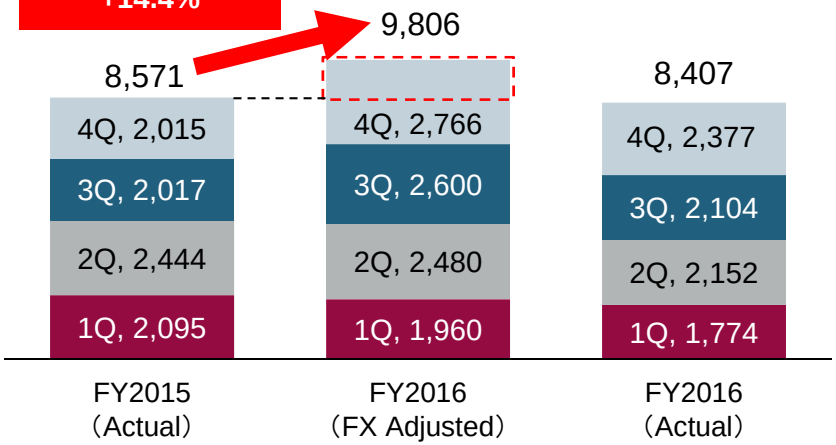
Ceramic

Net＋631
+12.3%



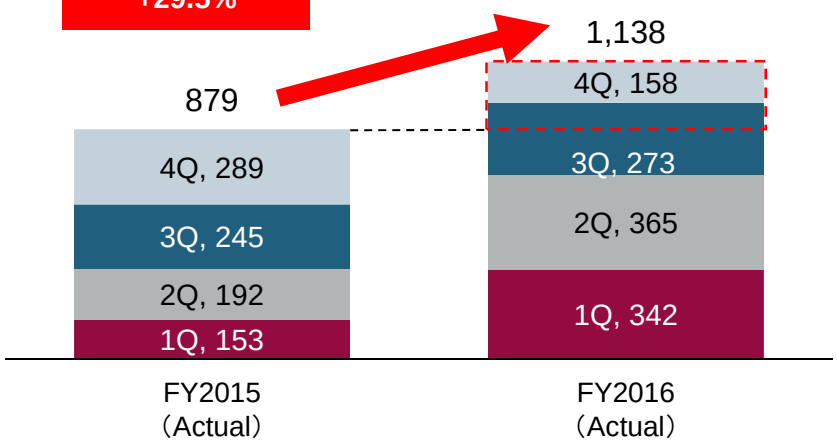
Asia

Net＋1,236
+14.4%



New Products

Net＋259
+29.5%



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2. Mid Term Plan (Abstract)

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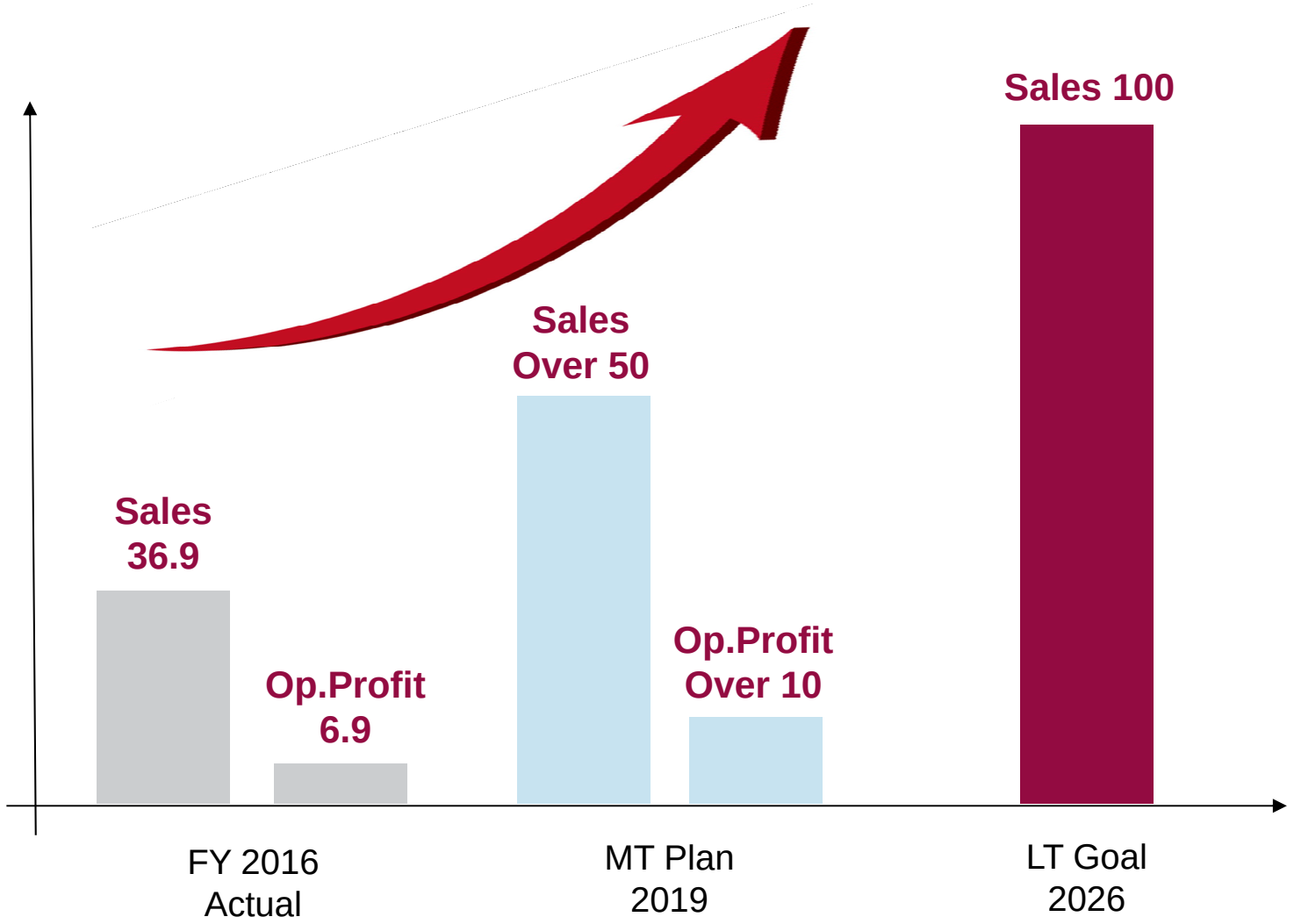
Sales Target over MT Plan

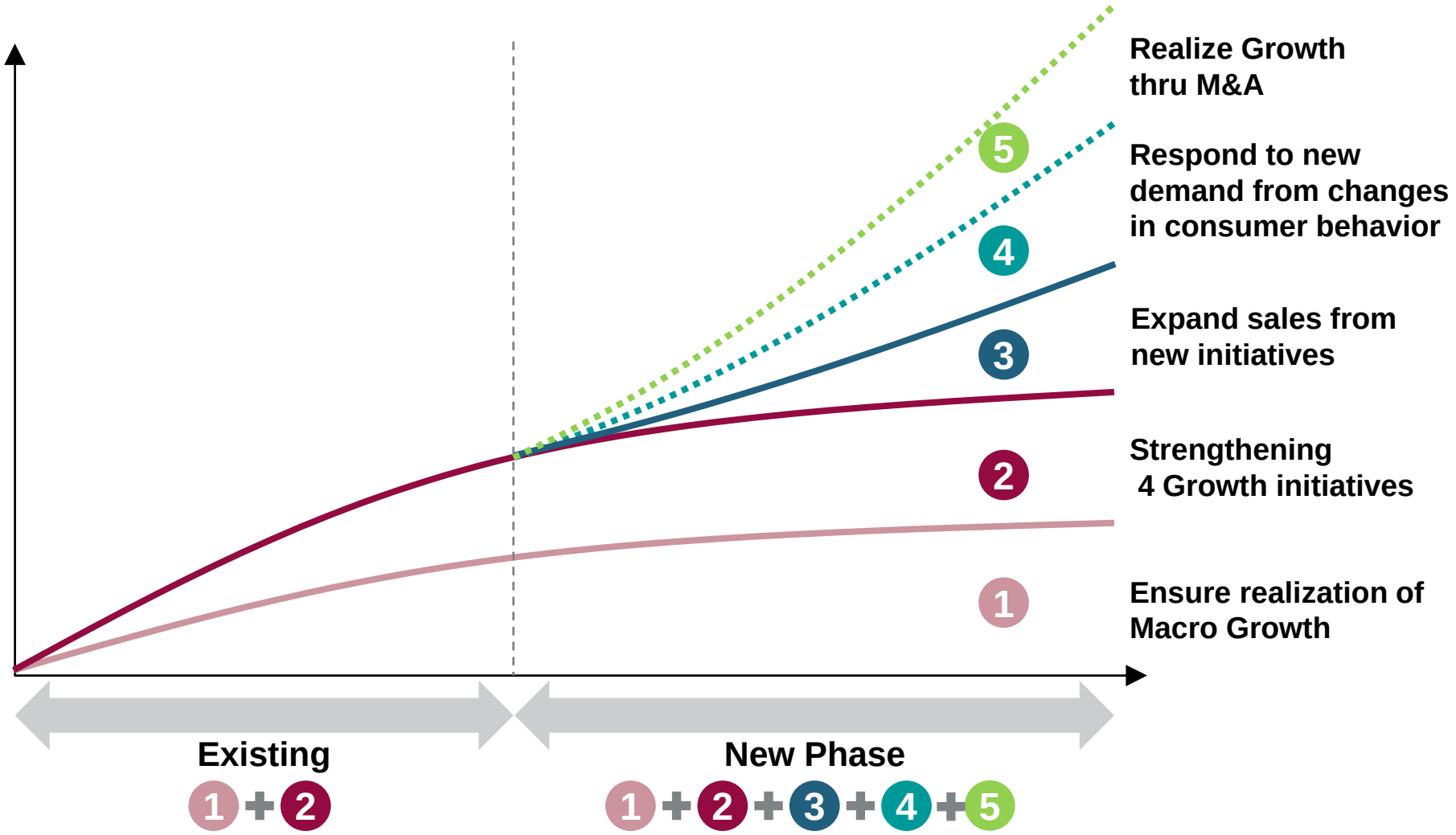
Enduring Profitable Growth:
JPY 50 Billion by 2019 and JPY 100 Billion by 2026

(JPY Billion)



Vision of Further Profitable Growth

Accelerate growth strategies for further profitable growth



Highlight for FY12/2017

Aim historical high profit through Further Profitable Growth

Sales

- Drive 4（Existing）+2（New）sales initiatives
  - ✓ Existing 4 sales initiatives
    - – Non Japanese Customers
    - – Ceramic balls
    - – Asia
    - – New frontiers
  - ✓ New 2 sales initiatives
    - – Japanese Bearing Makers
    - – Non-Bearing Makers

Profits

- Continuity of QCDS strengthen under Global One Management

Cash

- Continuity of Balance sheet management enhancement
- Continue 50% dividend pay-out ratio
  Estimated annual dividend 64 Yen（Interim 31yen,year-end 33 yen）

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3. FY12/2017 Guidance

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FY12/2017 Guidance

Aim to surpass the Net profit and OP profit record

(¥ million)

	FY2016	FY2017	
	Actual	Forecast	YoY %
Sales	36,886	38,500	4.4%
Operating profits	6,922	7,600	9.8%
Operating margin	*18.8%*	*19.7%*	—
EBITDA	8,509	9,200	8.1%
Net profit	4,632	5,000	7.9%
EPS(Yen)	116.46	126.72	8.8%

- **FX rate assumption for FY12/2017:1USD=¥110.00　1RMB=¥16.40**

  (FY12/2016 :1USD=¥108.84　1RMB=¥16.37）

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