TSUBAKI NAKASHIMA CO.,LTD.

Acquisition of the Precision Bearing Components Business of NN, Inc.

July 10, 2017

Tsubaki Nakashima Co., Ltd.

（TSE 6464)

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“One ball, one heart”

To put our whole heart and soul into creating 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 spirit. To put our whole heart and soul into our work and produce excellent, precisely-made products.

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1. THE ACQUISITION IN LIGHT OF OUR MID-TERM STRATEGY

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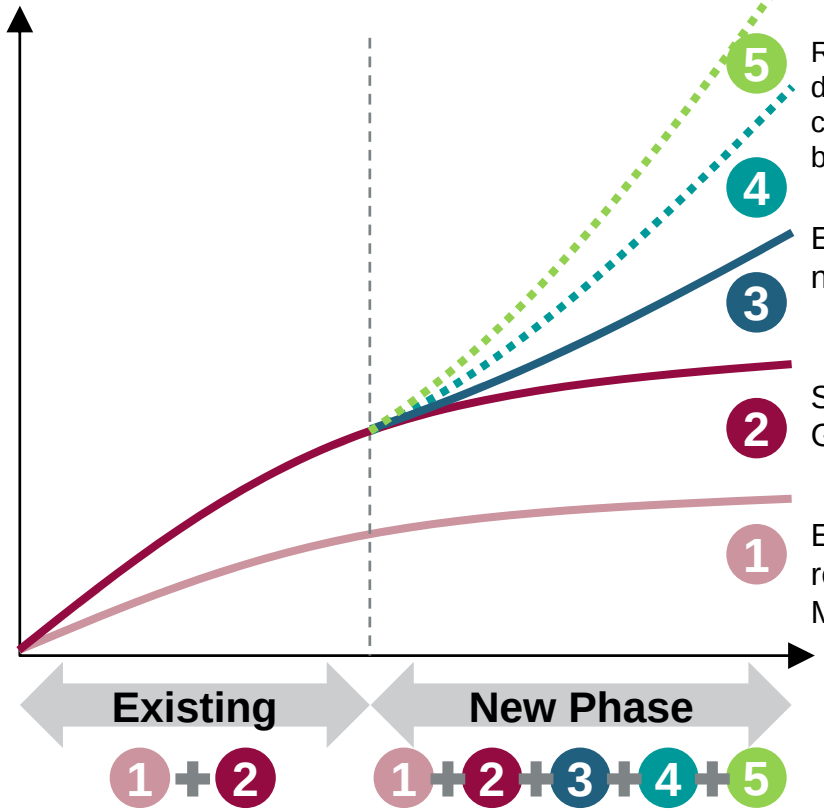
The Acquisition in Light of Our Mid-term Strategy (Qualitative)

The Acquisition strongly supports our initiatives under the mid-term strategy

Illustration of Growth in Mid Term Strategy (October 27, 2016)



Realize growth thru M&A

Respond to new demand from changes in consumer behavior

Expand sales from new initiatives

Strengthening 4 Growth initiatives

Ensure realization of Macro Growth

Acquisition of PBC Business will provide

- Further growth opportunities
- Enhance global footprint to serve the growing ball market
- Sales expansion to non-bearing manufacturers
- Sales expansion to Non-Japanese customers
  New (roller) business wins
- Best complementary strategic combination

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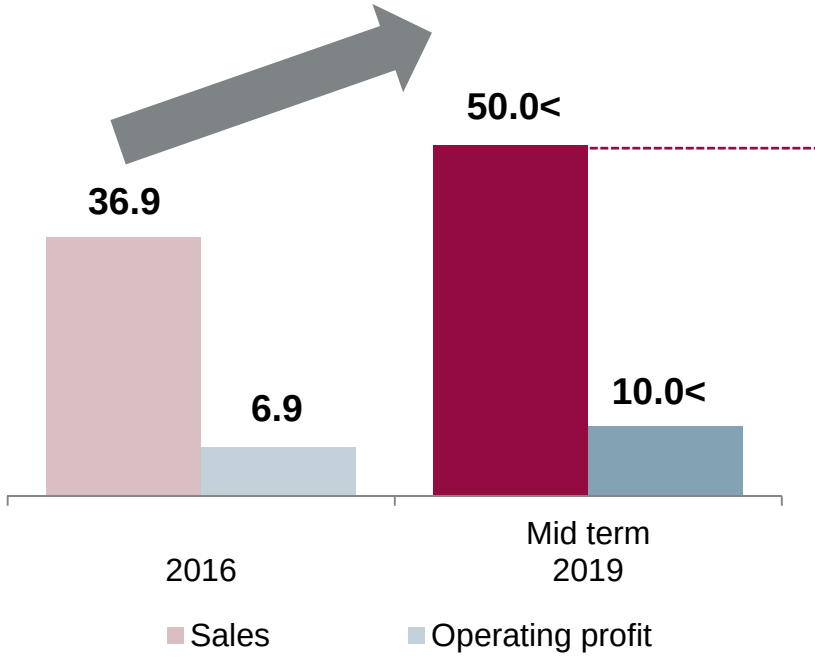
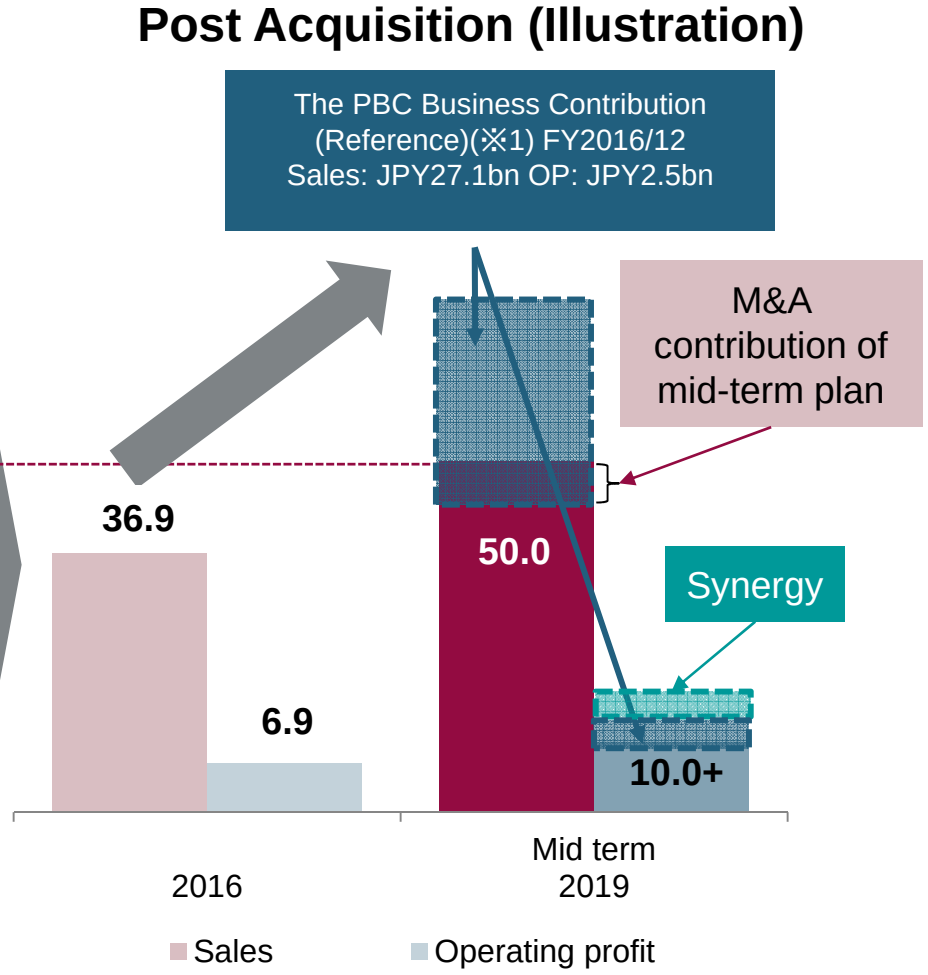
The Acquisition in Light of Our Mid-term Strategy (Quantitative)

By the acquisition, we can achieve FY2019 target (JPY50bn sales, JPY10bn operating profit) ahead of schedule.

Mid-term Strategy



Post Acquisition (Illustration)



(※1) NN, Inc. annual report (10-K, USGAAP) financials converted using Tsubaki Nakashima's FX rate (1USD=JPY108.84)

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2. OVERVIEW OF THE PBC BUSINESS OF NN, INC.

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Overview of the PBC Business

Precision Bearing Components (PBC) is the acquisition target in the Transaction

PBC Business

Precision Bearing Components

- Mainly manufacturing and selling balls, rollers and cages for bearing industry
- 7 locations globally
- Employees: 1,260 (as of December 2016)
- Sales：US$249mm (※1), Operating profit: US$23mm (※1), EBITDA：US$35mm (※1,2) (FY2016)



Balls



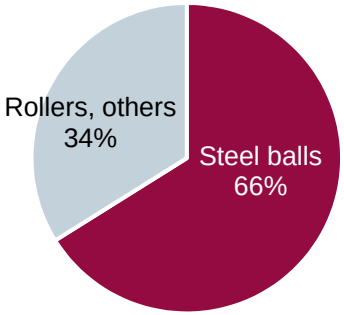
Rollers



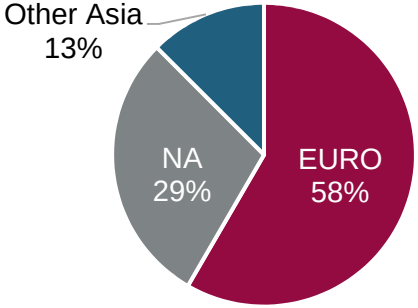
Cages and Sheet Metal Parts

PBC Sales Breakdown

By products



By Region



(※1) NN, Inc. annual report (10-K, USGAAP) financials
(※2) EBITDA=Operating profit + Depreciation and amortization

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Global Footprint After the Acquisition

Additional manufacturing facilities to further evolve “local production / local procurement” business model for customers



	TN	PBC	Total
NA	2	2	4
Europe	1	4	5
Asia（ex Japan）	5	1	6
Japan	4	0	4
Total	12	7	19

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Management Structure of PBC Business

A member of PBC Business with deep industry knowledge will join the management team following the Acquisition

PBC Business, General Manager



Jeff Manzagol

Senior Vice President, PBC

- Jeff Manzagol joined NN, Inc. in 2014
- Prior to joining NN, Inc., he was president of Bearings at Kaydon beginning in 2005
- Spent the first 24 years of his career with SKF, a leading European bearing manufacturer

As a vice chairman of the ISC (Integration and Synergy Committee) established after the acquisition, strongly promote PMI in the future

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3. SIGNIFICANCE OF THE ACQUISITION

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Significance of the Acquisition

The Acquisition brings further profitable growth and higher enterprise value

Ball Business

- Consistency with initiatives sought in mid-term plan (P3 for reference)
  - Best complementary strategic combination
  - Enhanced sales to Non-Japanese and Non-bearing customers
  - Enhanced global footprint to strengthen local production and consumption on a global basis
- Synergy creation

Roller Business

- Going into a new market which fits well with existing businesses
- Given current high rate of in-house production by customers, a shift to outsourcing will provide growth opportunities in the future

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Impact of the Acquisition on Sales (FY2016, By addition method)

Complementary Businesses of Tsubaki Nakashima and PBC Business

	PBC's Sales Contribution	Strengthening Balls and Adding Rollers	Complementary in North America and Europe
Present	TN（Present） 100% + PBC 100%	TN（Present） Linear 14%, Tungsten, Glass 7%, Steel 66%, Ceramics 13% + PBC Rollers, Others 34%, Steel 66%	TN（Present） Other Asia 23%, Japan 47%, EURO 16%, NA 14% + PBC Other Asia 13%, EURO 58%, NA 29%
Pro-Forma (By addition)	PBC 42%, TN 58%	Linear, Others 8%, Rollers, Others 14%, Tungsten, Glass 4%, Steel 66%, Ceramics 8%	Other Asia 18%, Japan 27%, EURO 34%, NA 21%

(※) NN PBC financials converted using Tsubaki Nakashima's FX rate (1USD=JPY108.84)

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Performance over past 3 Years

Through PMI, we will improve profitability and create synergies in the PBC

PBC Business

	FY2014	FY2015	FY2016
Sales (US$mm)	278	262	249
Operating profit (US$mm)	32	26	23
EBITDA (US$mm)	44	38	35

Tsubaki Nakashima (for reference)

	FY2014	FY2015	FY2016
Sales (JPYbn)	36.0	39.2	36.9
Operating profit (JPYbn)	5.2	7.1	6.9
EBITDA (JPYbn)	6.9	8.9	8.5

（Notes）
・PBC financials are based on segment information from NN, Inc. annual report (10-K).
・EBITDA=Operating profit + Depreciation and amortization

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Potential Synergies and Schedule

Many potential synergies are expected, with strong complementary portfolio

Areas of Synergies

- ✓ **Purchasing**
- ✓ **Logistics**
- ✓ **Sales/ Marketing**
- ✓ **Manufacturing (Technology/on-site management)**
- ✓ **Quality**
- ✓ **Corporate Cost**

PMI policy after the completion of the Acquisition

- By 2018 1Q
  - Establishment of ISC (Integration and Synergy Committee)

    Chairman：Takamiya, CEO

    Vice Chairman: Manzagol, SVP
    - ✓ Ensure continuity/stability of operation
    - ✓ Planning of integration policy
    - ✓ Strategy planning to realize synergies
- After 2018 2Q
  - Establishment of an integrated new organization
  - Start of PDCA with ISC serving as driver

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4. TRANSACTION OVERVIEW AND FINANCIAL IMPACT

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Transaction Overview

Purchase Price (※1)	• US$375 million (Approx. JPY42.5 billion)（※1） • EV/EBITDA＝9.5x (FY2016)（※2） (Ref.) Tsubaki Nakashima EV/EBITDA＝12.6x (FY2016)
Acquisition Scheme	• Acquisition of shares to be paid in cash • Acquisition of PBC business spin off as a NewCo in US, and a European operating company supervising other areas
Acquisition Financing	• Funded by the Company's own funds and LT borrowing from financial institutions
Timetable to the Completion of Acquisition	• July 10: Signing of definitive agreement • During FY2017 Q3 (planned) (※3)
Forecast of FY2017	• To be disclosed properly based on the disclosure rules of the Tokyo Stock Exchange

(※1) On a cash free debt free enterprise value basis. FX rate: US$1 = JPY113.28 (as of July 7)
(※2) Based on Normalized EBITDA
(※3) Subject to regulatory approval and the satisfaction of other closing conditions specified in the Transfer Agreement

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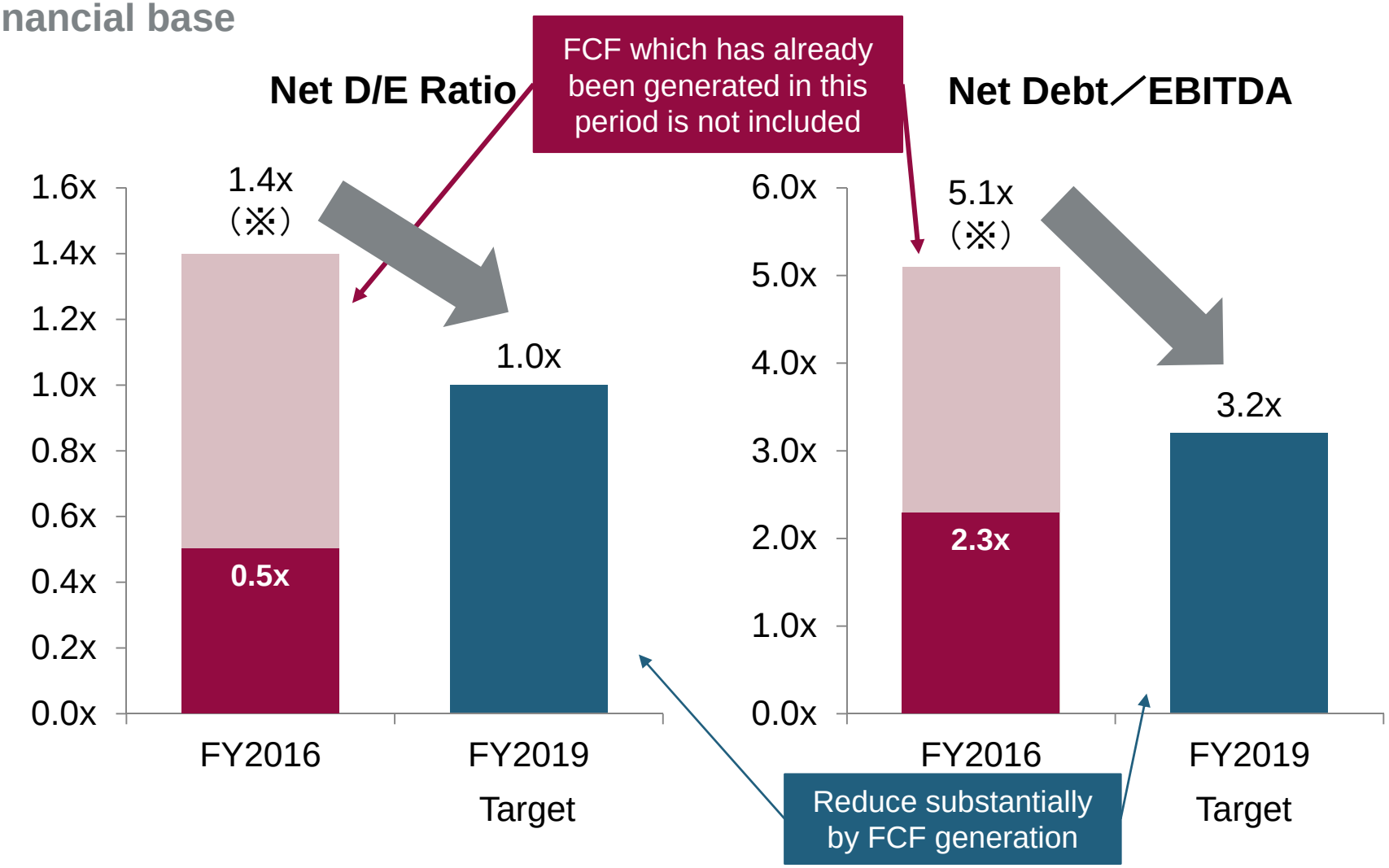
Solid Financial Base with Stable FCF Generation

Use of cash on hand and long-term bank borrowing to maintain stable financial base



(※) Management accounting based on FY2016A and taking into account an increase in borrowing from acquisition

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