TSUBAKI NAKASHIMA CO.,LTD.

3Q FY2017 Results Presentation

November 14, 2017

Tsubaki Nakashima Co, Ltd.

(TSE 6464)

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Introduction

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1. 3Q FY2017 results P2



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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3Q FY2017 Summary

We leapfrog to further profitable growth by acquiring the PBC as well as firmly promoting existing business

External factors

- ✓ **Growth in Capital goods and Machine tool sector**
- ✓ **Global Auto related business grew as expected**
- ✓ **Slight Yen depreciation compared to YoY basis**

Major Management Activities

- ✓ **Leapfrog to further profitable growth by acquiring PBC business of NN, INC while firmly promoting existing business**
- ✓ **Realize stabilization of shareholder base thorough successful Public offering of shares held by major shareholder**
- ✓ **Generate steady Free cash flow by strengthening B/S management**

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Highlights for 3Q FY2017

Sales increase in existing business drove OP profit growth excluding one-time cost; started consolidation of acquired PBC business（1.5 months results）

Sales	■ Sales recorded a historical high（YoY **+27.1%, excluding FX +26.3%**）
Profits	■ Operating profit marked **a historical high of 6.06 billion Yen**, excluding one-time cost related to PBC acquisition and the Public offering of share sales.
Cash	■ Generated FCF of **3.41 billion Yen** excluding one-time cost **(+40.1% YoY)** by strengthening continuous B/S management
Dividend	■ Interim dividend of JPY31/share was paid on 1st Sep, 2017 ■ **Annual dividend expected JPY64/share as planned**

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3Q FY2017 Consolidated results

Sales reached a record high of 35 billion Yen or +26.3% YoY excluding FX. OP profit also increased by 13.9% YoY excluding one-time cost and FX impact and reached to a record high of 6.06 billion Yen

	FY2016 3Q	FY2017 3Q (¥million)					
	Actual	Actual (※2)	One-time	After One-time	FX impact	Inc/dec (※3)	Inc/dec% (※3)
Sales	27,533	34,991	0	34,991	207	7,251	26.3%
Operating profit	5,299	4,416	▲1,641	6,057	19	739	13.9%
EBITDA	6,497	5,794	▲1,641	7,435	34	904	13.9%
EBIT	4,161	3,802	▲1,641	5,443	852	430	10.3%
Net profit (※1)	3,057	2,454	▲1,494	3,948	605	286	9.4%

（※1）“Net profit” on this slide refers to “Profit attributable to owners of the parent”
（※2）Approx. 1.5 months of the former PBC results from Aug 17 to Sep 30 2017 are included as sales of 4,088 million Yen, OP of 456 million Yen, EBITDA 636 million Yen, EBIT of 454 million Yen and Net profit of 320 million Yen.
（※3）"Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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（For Ref.）3Q FY2017 Consolidated results（Pro forma）

Consolidated results (Pro forma) including acquisition of former PBC YTD is as below

	FY2016 3Q	FY2017 3Q					(￥million)
	Actual	Pro forma (※2)	One-time	After One-time	FX impact	Inc/dec (※3)	Inc/dec% (※3)
Sales	27,533	53,826	0	53,826	207	26,086	94.7%
Operating profit	5,299	6,373	▲1,641	8,014	19	2,696	50.9%
EBITDA	6,497	8,615	▲1,641	10,256	34	3,725	57.3%
EBIT	4,161	5,727	▲1,641	7,368	852	2,355	56.6%
Net profit (※1)	3,057	3,835	▲1,494	5,329	605	1,667	54.5%

The table above shows the pro forma figures when deemed to have integrated the former PBC business from January 1, 2017.
（※1）“Net profit” on this slide refers to “Profit attributable to owners of the parent”
（※2）The former PBC results from January 1 to September 30, 2017 including the period before integration, Sales of 22,923 million Yen, OP income of 2,424 million Yen, EBITDA 3,468 million Yen, EBIT of 2,379 Million Yen, and Net profit of 1,701 million Yen are included.
（※3）"Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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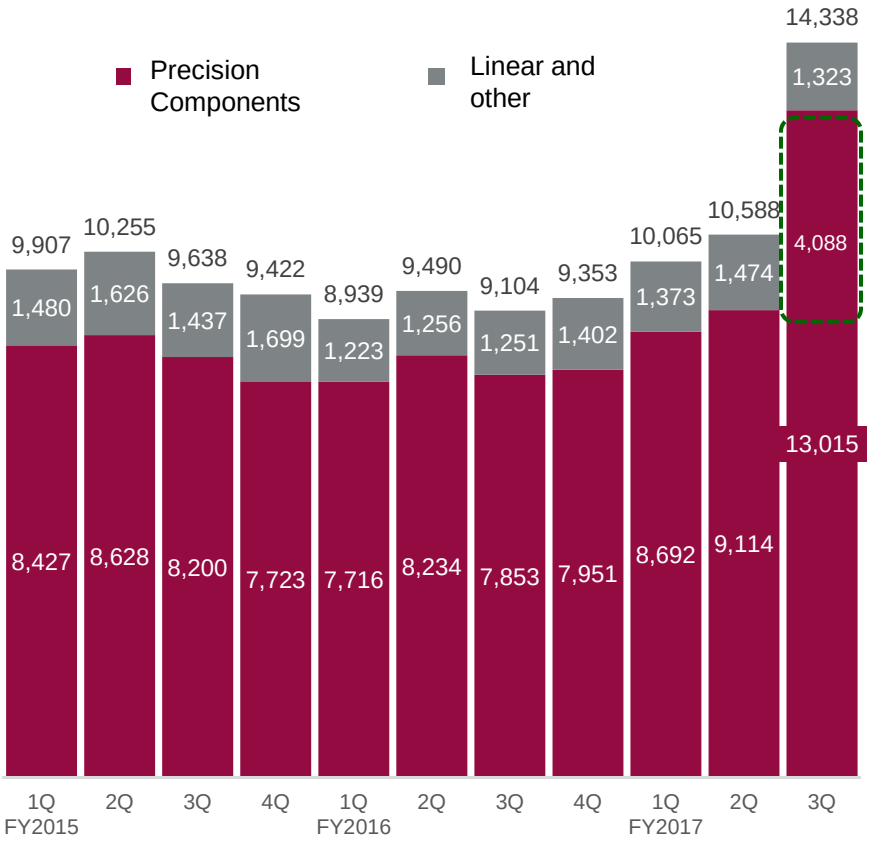
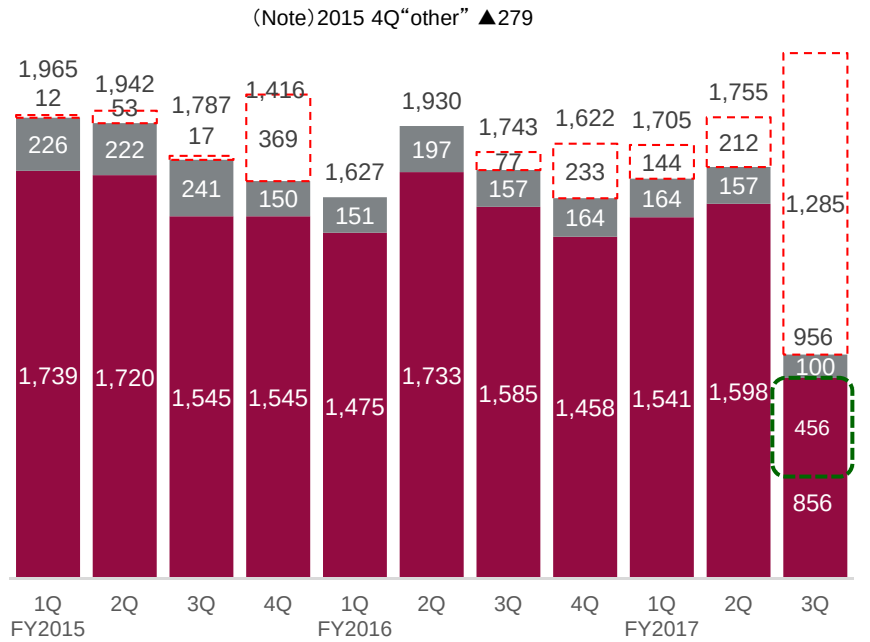
Sales and Operating margin trends by quarter

Both quarterly sales and OP profit recorded a historical high excluding one-time cost

Sales (￥million)



Operating profit (￥million)



1.5 months of the former PBC results of sales 4,088 million Yen and OP 456 million Yen from Aug 17 to Sep 30 2017 are included in Precision Components Business.

Former PBC

One-time cost

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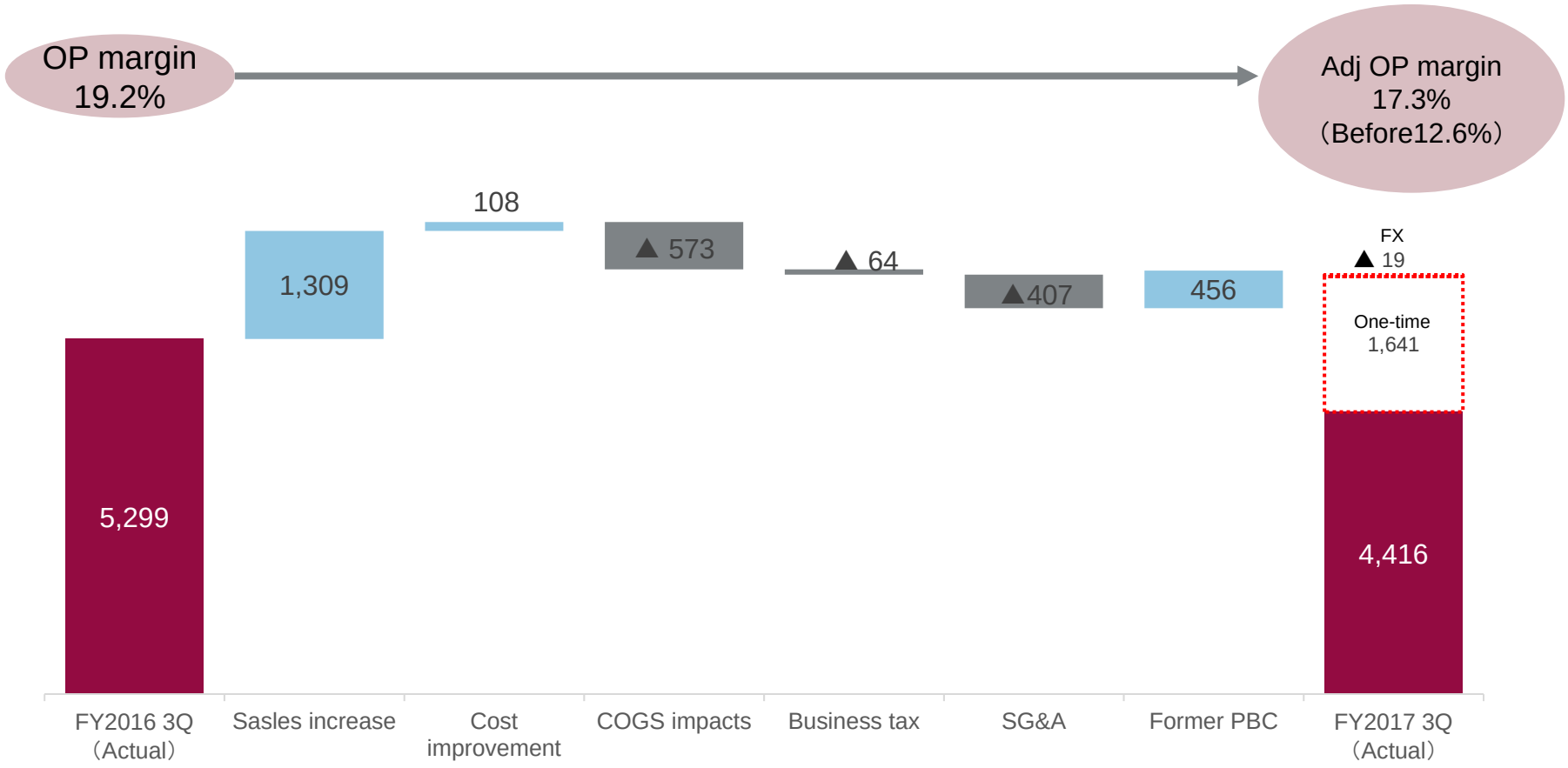
3Q FY2017 Operating profit bridge

OP profit grew +13.9% YoY or 6.06 billion Yen without one-time cost and FX impact.

Operating profit（vs 3Q FY2016）

（￥million）



（※）Adj OP margin excludes “Prevention” and Project related cost”

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3Q FY2017 Sales by segment
vs 3Q FY2016

Both Precision Components and Linear & other business achieved a record high and helped exceed sales on Y-O-Y-basis.

	FY2016 3Q	FY2017 3Q			(¥million)
	Actual	Actual	FX impact	Inc/dec (※3)	Inc/dec% (※3)
Consolidated	27,533	34,991	207	7,251	26.3%
Precision Components	23,803	30,821	175	6,843	28.7%
Linear and Other	3,730	4,170	32	408	11.0%

Sales of 4,088 million Yen from Aug 17 to September 30, 2017 of the former PBC are included in Precision Component.
(※1) "Inc/dec" and "Inc/dec%" exclude "FX impact" and "One-time" cost.

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3Q FY2017 Sales by region
（Precision Components Business only）vs 3Q FY2016

Growth in North America, Europe and Asia contributed to record growth in Precision Component Business

	FY2016 3Q	FY2017 3Q			（￥million）
	Actual	Actual	FX impact	Inc/dec（※3）	Inc/dec%（※3）
Japan	9,353	9,734	—	381	4.1%
North America	4,077	5,587	132	1,378	33.8%
Europe	4,494	7,714	▲27	3,247	72.2%
Asia	5,879	7,786	70	1,837	31.2%

Sales of Aug 17 to Sep 30, 2017 of the former PBC include in North America 1,023 million Yen, Europe 2,503 million Yen and Asia 562 million Yen.
（※1）"Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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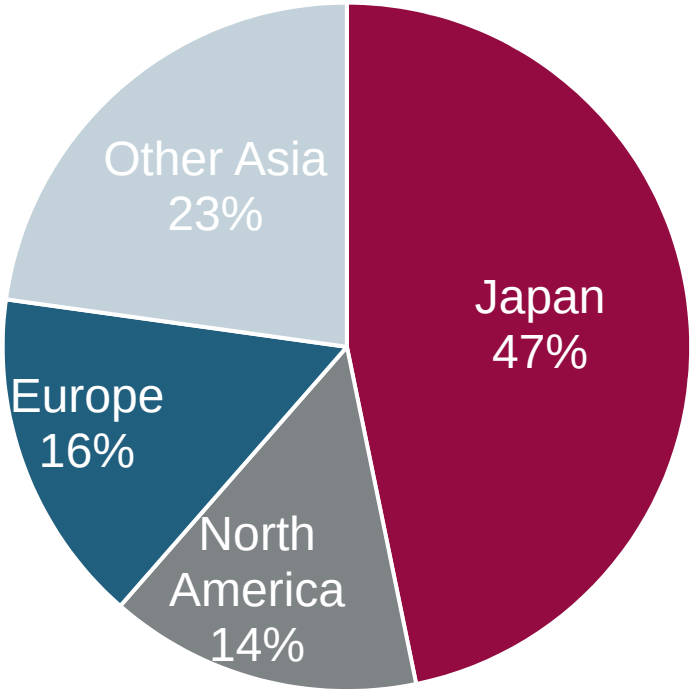
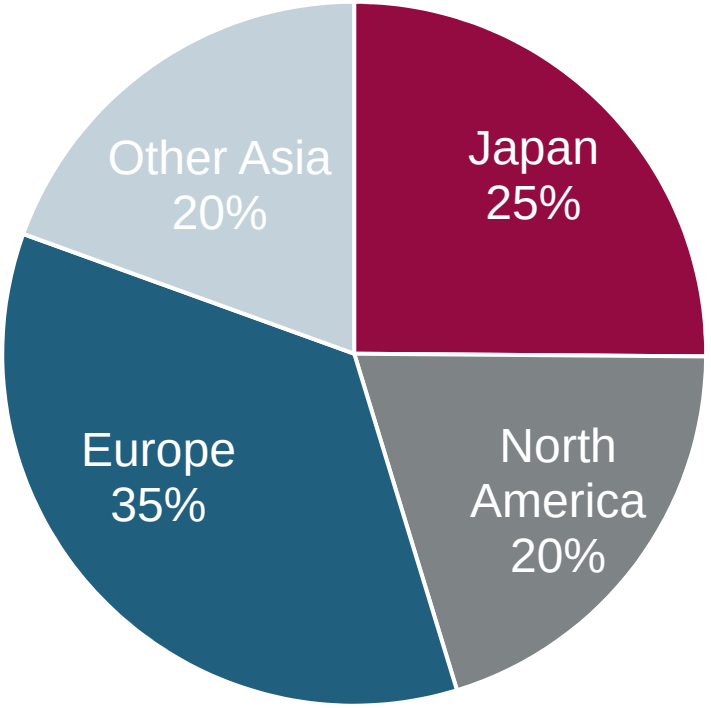
Transition of Sale by region (FY2016 → Current（Pro forma））

Achieved a globally balanced regional sales base by acquiring the PBC

FY12/2016



Jan thru Sep 2017
Pro forma



(Note) For exchange rate conversion of the former PBC, we use the average rate (1 $ = 111.92 Yen) of Q3 FY2017

（For reference）3Q FY2017 Sales by region vs 3Q FY2016

	FY2016 3Q	FY2017 3Q			（￥million）
	Actual	Actual	FX impact	Inc/dec（※1）	Inc/dec%（※1）
Japan	12,932	13,536	—	604	4.7%
North America	4,077	5,587	132	1,378	33.8%
Europe	4,494	7,714	▲27	3,247	72.2%
Asia	6,030	8,154	102	2,022	33.5%

Sales of Aug 17 to Sep 30, 2017 of the former PBC include in North America 1,023 million Yen, Europe 2,503 million Yen and Asia 562 million Yen.
（※1）"Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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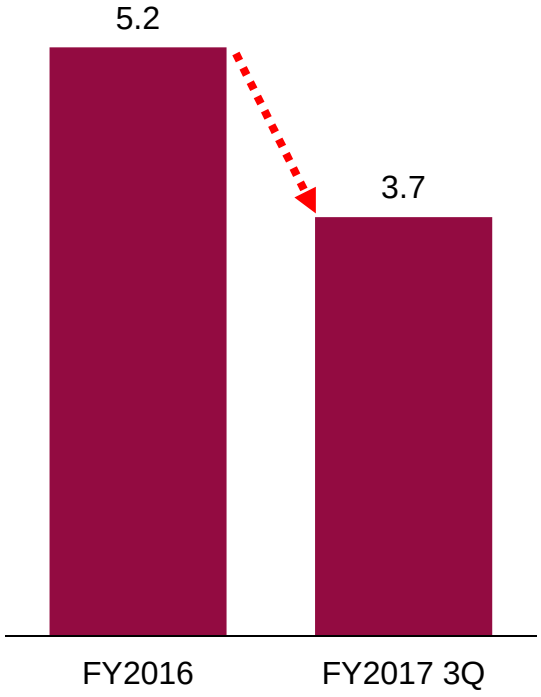
BS/CF

Sustained improvement in B/S management, FCF grew by +40.1% YoY after one-time cost

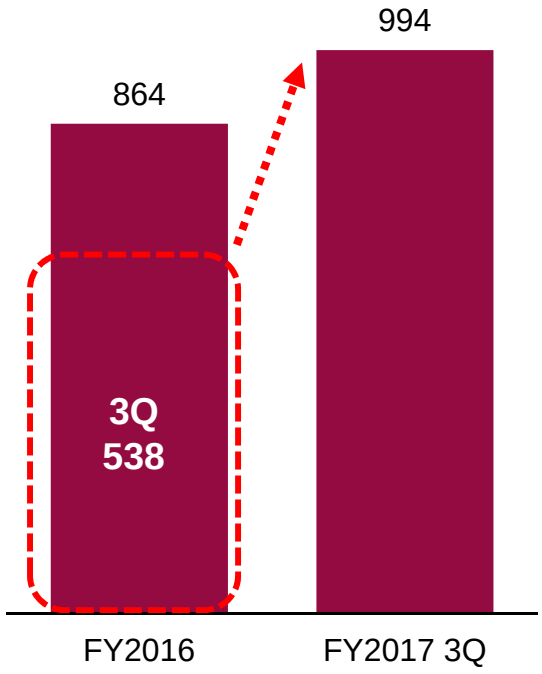
Inventory Turn-over (months) (※1)

■ Due to acquiring PBC with good turnover, it is much lower than the LY



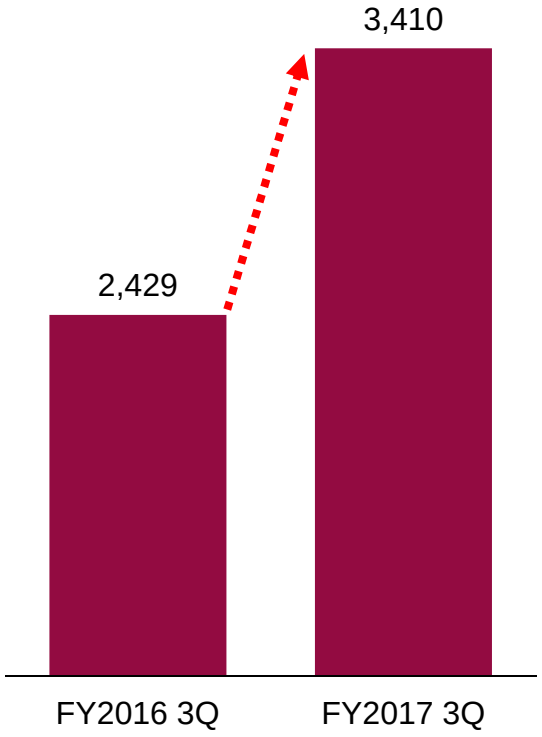
CAPEX (¥million) (※2)

■ Keep necessary and sufficient level



Adjusted FCF (¥million) (※3)

■ Increased



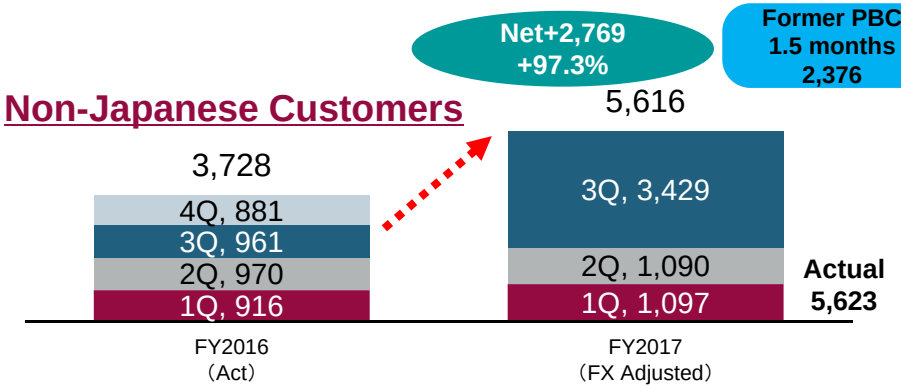
(※1) Sales of the former PBC is calculated as a weighted average of 1.5 months
(※2) Includes CAPEX of 90 million Yen (1.5 months) of the former PBC.
(※3) Adjusted FCF excludes 42,272 million Yen of PBC share purchase, and its related cost of 1,413 million Yen.

3Q FY2017 4(Existing)+2(New) progress

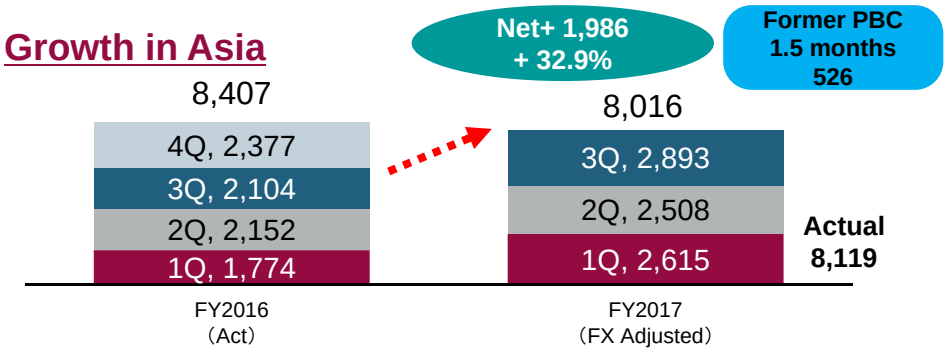
Progress of sales initiatives are as following

(¥million)

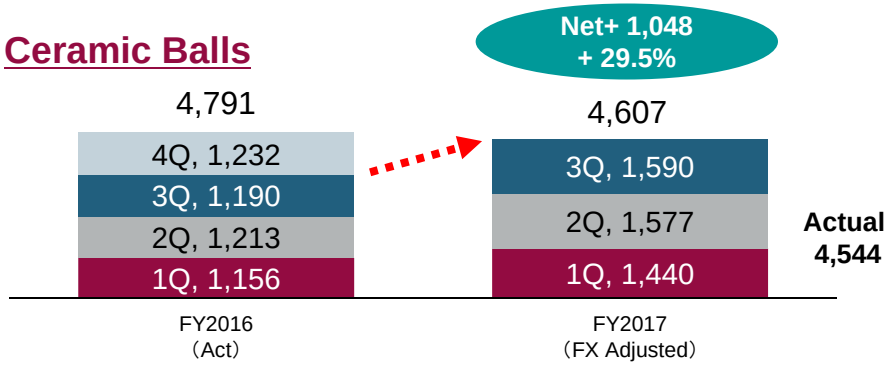
Non-Japanese Customers



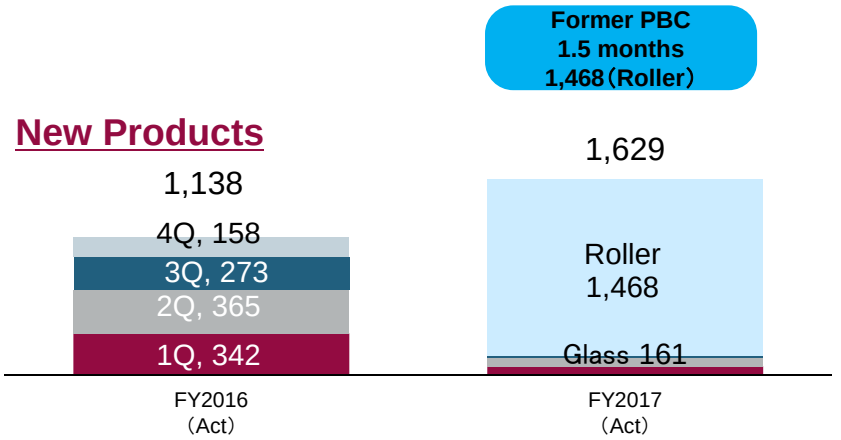
Growth in Asia



Ceramic Balls

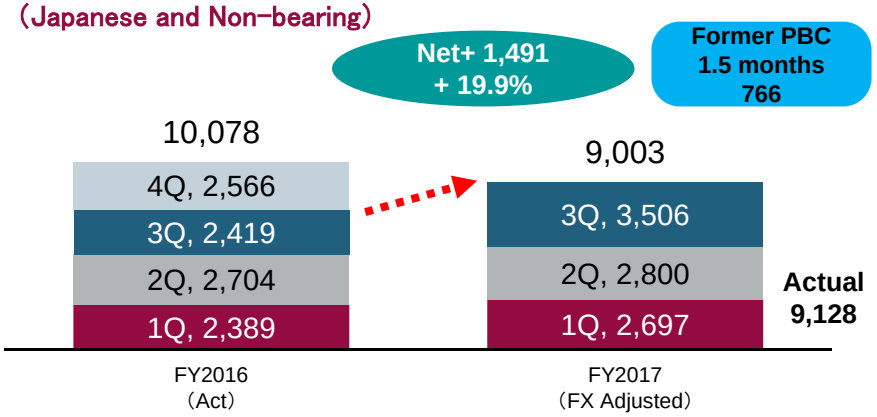


New Products



New initiatives

(Japanese and Non-bearing)



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