TSUBAKI NAKASHIMA CO.,LTD.

Annual Results Presentation FY12/2017

February 14, 2018

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 FY12/2017

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FY12/2017 Summary

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

External Factors

- ✓ **Strong 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

- ✓ **Promote growth strategy and realize growth of existing business**
- ✓ **In addition to steady promotion of existing businesses, we acquired former PBC(integration is smoothly progressing) and jumped to a dramatic profitable growth path**
- ✓ **Realize stabilization of shareholder base thorough successful Public offering of shares held by major shareholders**
- ✓ **Generate steady Free cash flow by strengthening B/S management**

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Highlights for FY12/2017

Sales increase in existing business drove OP profit growth excluding one-time cost; started consolidation of acquired PBC business（4.5 months results）

Sales	■ Sales recorded a historical high（**+44.3% YoY**）
Profits	■ Operating profit marked **a historical high of 8.75 billion Yen,** excluding one-time cost related to PBC acquisition and the Public offering of share sales.
Cash	■ Generated FCF of **6.9 billion Yen (+31.4% YoY)** excluding one-time cost by strengthening continuous B/S management
Dividend	■ Interim dividend of 31 Yen/share was paid on 1st Sep, 2017 ■ **Year-end dividend expected 33 Yen/share as planned (64 Yen/share as annual)**

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FY12/2017 Consolidated results

Sales reached a record high of 53.2 billion Yen or +42.1% YoY. OP profit also increased by 25.5% YoY excluding one-time cost and FX impact and reached to a record high of 8.75 billion Yen

(¥million)

	FY2016	FY2017					
	Actual	Actual (※2)	One-time	After One-time	FX impact	Inc/dec (※3)	Inc/dec% (※3)
Sales	36,886	53,244	—	53,244	826	15,532	42.1%
Operating profit	6,922	6,985	▲1,768	8,753	65	1,766	25.5%
EBITDA	8,509	9,143	▲1,768	10,911	104	2,298	27.0%
EBIT	6,409	5,992	▲2,129	8,121	139	1,573	24.5%
Net profit (※1,4)	4,632	3,176	▲2,924	6,100	74	1,394	30.1%

(※1) "Net profit" on this slide refers to "Profit attributable to owners of the parent"
(※2) Approx. 4.5 months of the former PBC results from Aug 17 to Dec 31, 2017 are included as sales of 11,893 million Yen, OP of 1,384 million Yen, EBITDA 1,931 million Yen, EBIT of 1,244 million Yen and Net profit of 901 million Yen.
(※3) "Inc/dec" and "Inc/dec%" exclude "FX impact" and "One-time" cost.
(※4) One-time cost of Net profit includes 997 million Yen due to US Tax reform.

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(For Ref.)FY12/2017 Consolidated results(Pro forma)

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

	FY2016	FY2017					(¥million)
	Actual	Pro forma (※2)	One-time	After One-time	FX Impact	Inc/dec (※3)	Inc/dec% (※3)
Sales	36,886	72,125	—	72,125	826	34,413	93.3%
Operating profit	6,922	8,947	▲1,768	10,715	65	3,728	53.8%
EBITDA	8,509	11,971	▲1,768	13,739	104	5,126	60.2%
EBIT	6,409	7,922	▲2,129	10,051	139	3,503	54.6%
Net profit(※1,4)	4,632	4,561	▲2,924	7,485	74	2,779	60.0%

The table above shows the pro forma figures when deemed to have integrated the former PBC business from Jan 1, 2017.
(※1) "Net profit" on this slide refers to "Profit attributable to owners of the parent"
(※2) The former PBC results from Jan 1 to Dec 31, 2017 including the period before integration, Sales of 30,773 million Yen, OP income of 3,346 million Yen, EBITDA 4,758 million Yen, EBIT of 3,174 Million Yen, and Net profit of 2,286 million Yen are included.
(※3) "Inc/dec" and "Inc/dec%" exclude "FX impact" and "One-time" cost.
(※4) One-time cost of Net profit includes 997 million Yen due to US Tax reform.

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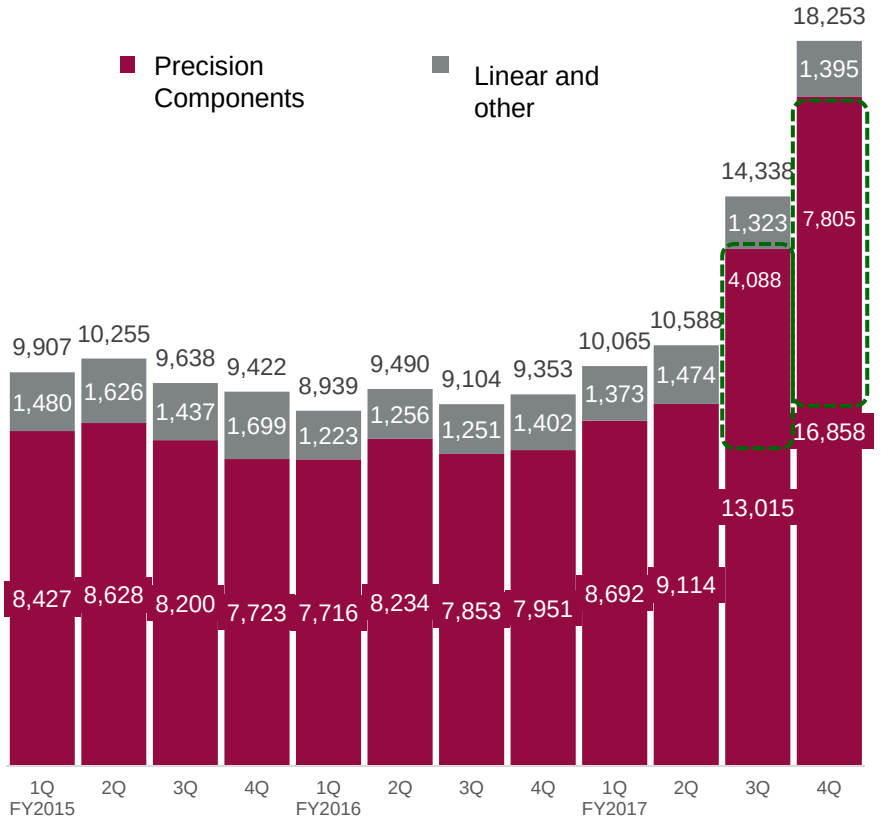
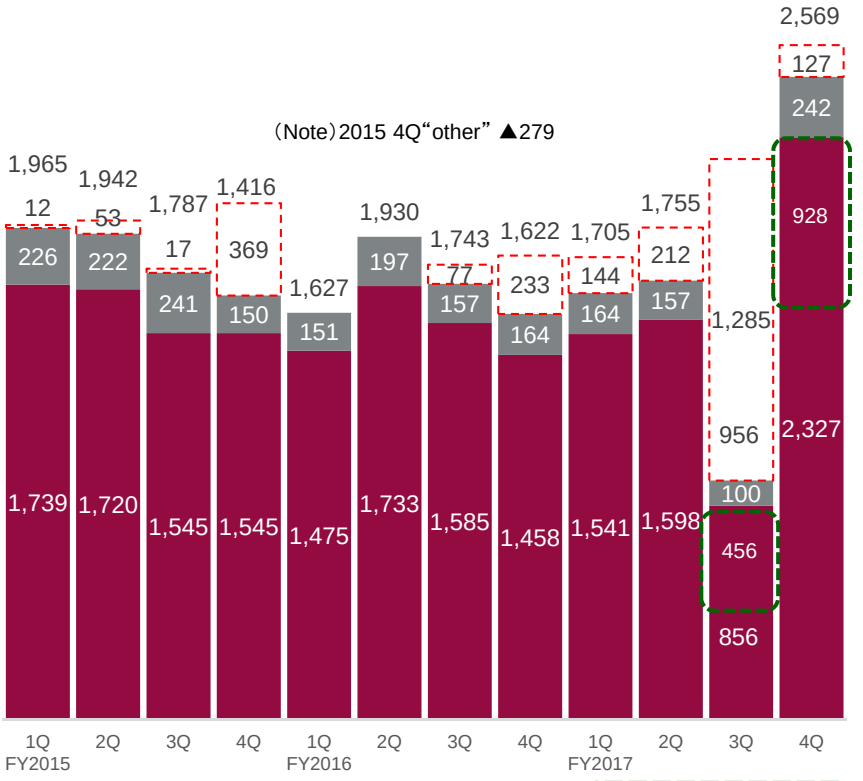
Sales and Operating profit trends by quarter

Both quarterly sales and OP profit recorded a historical high.

Sales (￥million)



Operating profit(￥million)



In Precision Components Business, 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 Q3 and sales of 7,805 million Yen and OP 928 million Yen in Q4.

Former PBC

One-time cost

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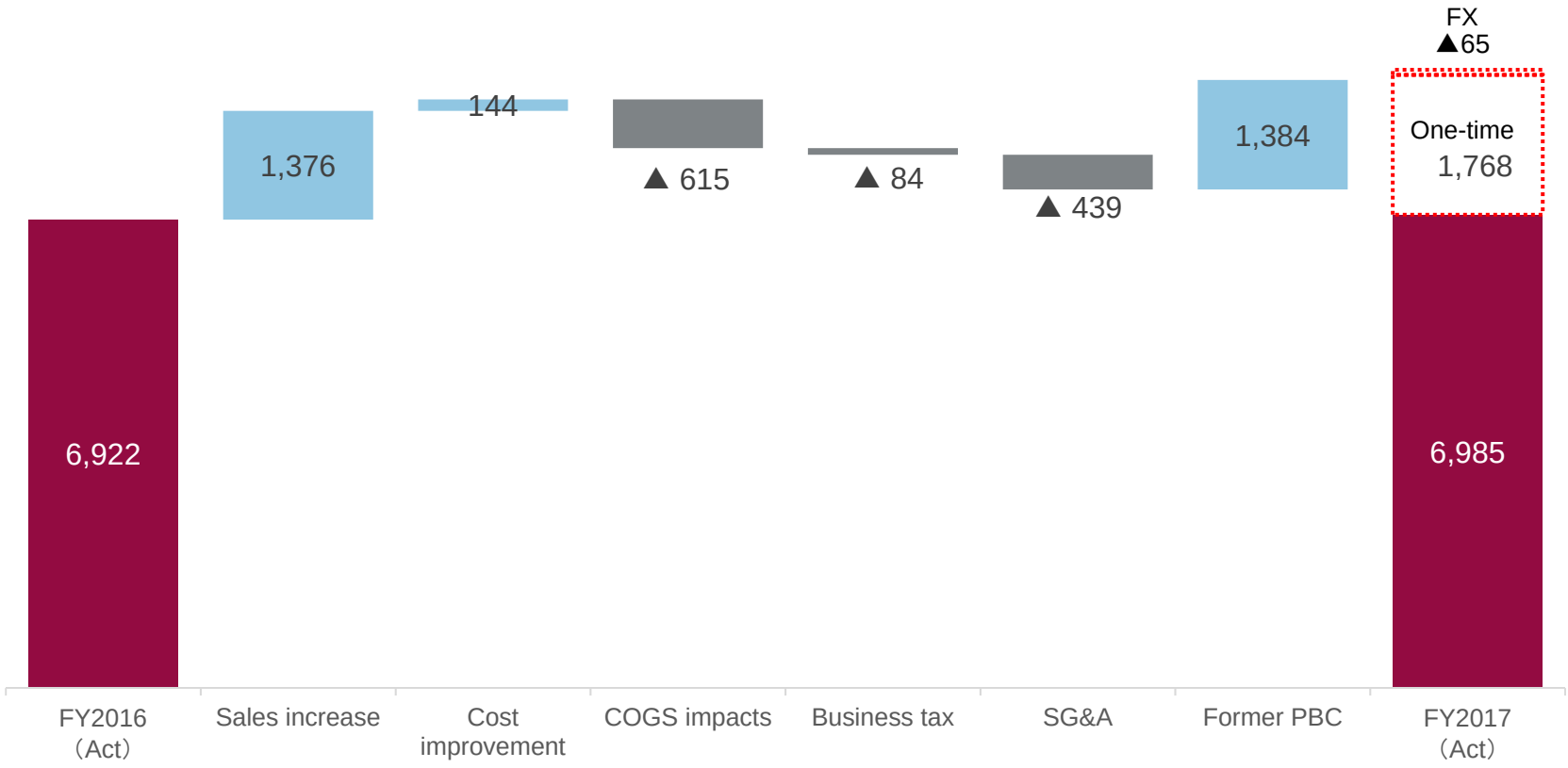
FY12/2017 Operating profit bridge

OP profit grew +25.5% YoY or 8.75 billion Yen without one-time cost and FX impact.

(￥million)

Operating profit (YoY)



(※)"One-time" excludes "Prevention" and "Project related cost"

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FY12/2017 Sales by segment vs FY12/2016

Precision Component segment significantly exceeded last year results and contributed to record highs of sales.

	FY2016	FY2017			(¥million)
	Actual	Actual	FX impact	Inc/dec (※1)	Inc/dec% (※1)
Consolidated	36,886	53,244	826	15,532	42.1%
Precision Components	31,754	47,678	753	15,171	47.8%
Linear and Other	5,132	5,566	73	361	7.0%

・Precision Components includes Precision Balls, rollers and stamped metals businesses.
・ Sales of 11,893 million Yen from Aug 17 to Dec 31, 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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FY12/2017 Sales by region
（Precision Components Business only）vs FY12/2016

Exceptional growth in Europe, North America and Asia due to the acquisition of PBC plus strong growth in existing business.

	FY2016	FY2017 (¥million)			
	Actual	Actual	FX impact	Inc/dec (※1)	Inc/dec% (※1)
Japan	12,367	13,107	—	740	6.0%
North America	5,409	9,025	187	3,429	63.4%
Europe	5,818	14,163	208	8,137	139.9%
Asia	8,160	11,383	358	2,865	35.1%

Sales of Aug 17 to Dec 31, 2017 of the former PBC include in North America 2,970 million Yen, Europe 7,333 million Yen and Asia 1,590 million Yen
（※1）"Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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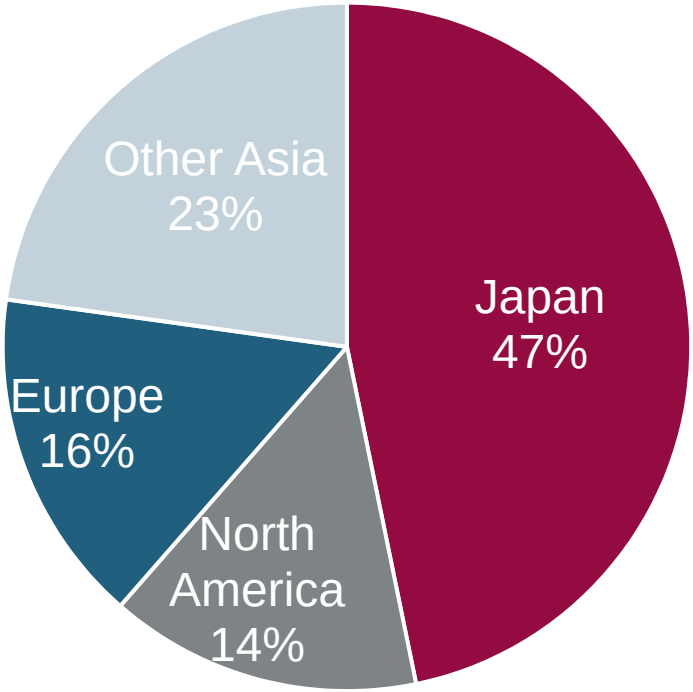
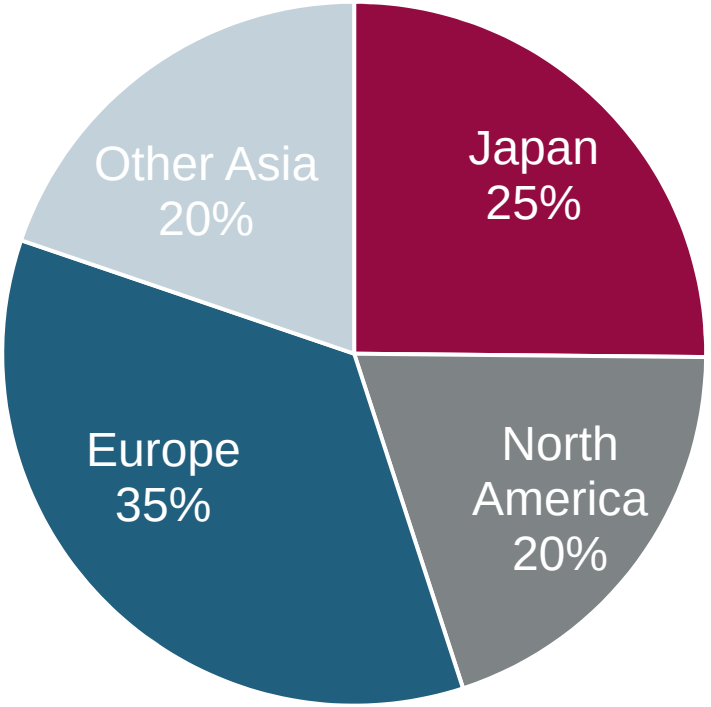
Transition of Sale by region (FY12/2016→ FY12/2017（Pro forma））

Achieved a globally balanced regional sales base by acquiring PBC

FY12/2016



FY12/2017
Pro forma



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（For Ref.）FY12/2017 Sales by region vs FY12/2016

	FY2016	FY2017			(￥million)
	Actual	Actual	FX impact	Inc/dec (※1)	Inc/dec% (※1)
Japan	17,252	18,129	—	877	5.1%
North America	5,409	9,025	187	3,429	63.4%
Europe	5,818	14,163	208	8,137	139.9%
Asia	8,407	11,927	431	3,089	36.7%

Sales of Aug 17 to Dec 31, 2017 of the former PBC include in North America 2,970 million Yen, Europe 7,333 million Yen and Asia 1,509 million Yen.
（※1）"Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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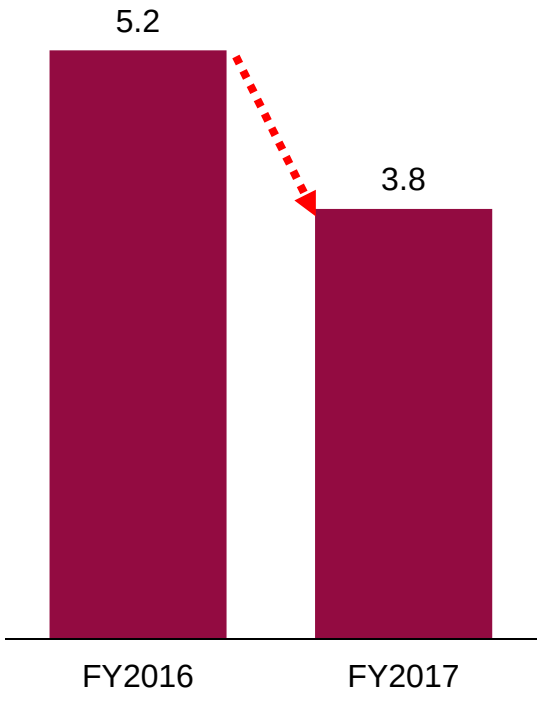
BS/CF

Sustained improvement in B/S management, FCF grew by +31.4% YoY after one-time cost

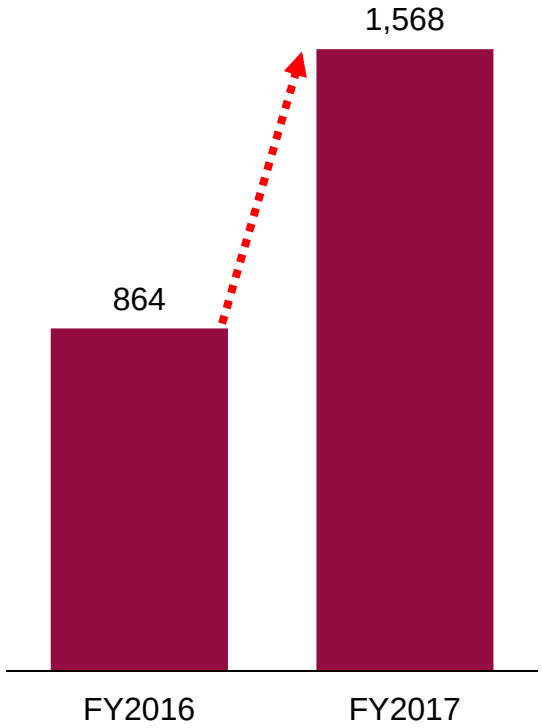
Inventory Turn-over (months)(※1)

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



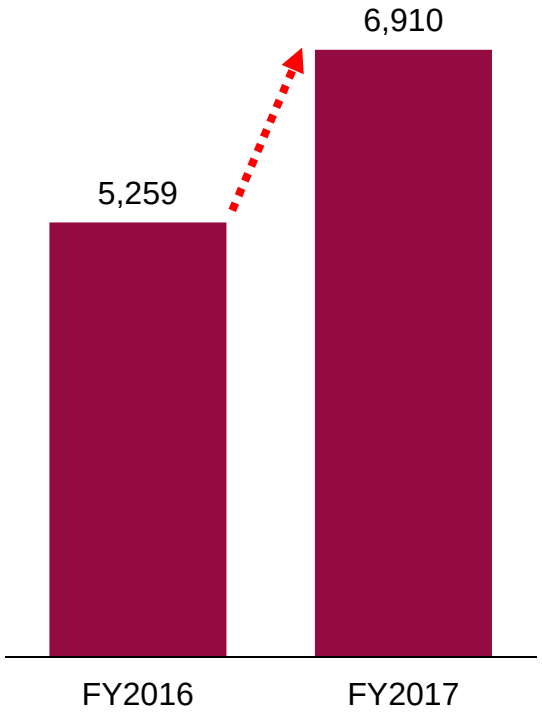
CAPEX(￥million)(※2)

■ Keep necessary and sufficient level



Adjusted FCF (￥million)(※3)

■ Increased



(※1) Sales of the former PBC is calculated as a weighted average of 4.5 months
(※2) Include CAPEX of 263 million Yen (4.5 months) of the former PBC.
(※3) Adjusted FCF excludes 44,053 million Yen of PBC share purchase, and its related cost of 1,560 million Yen.

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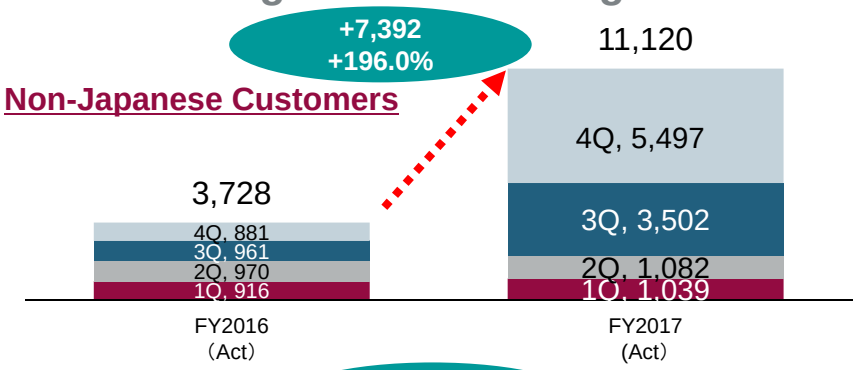
FY12/2017 4(Existing)+2(New) progress

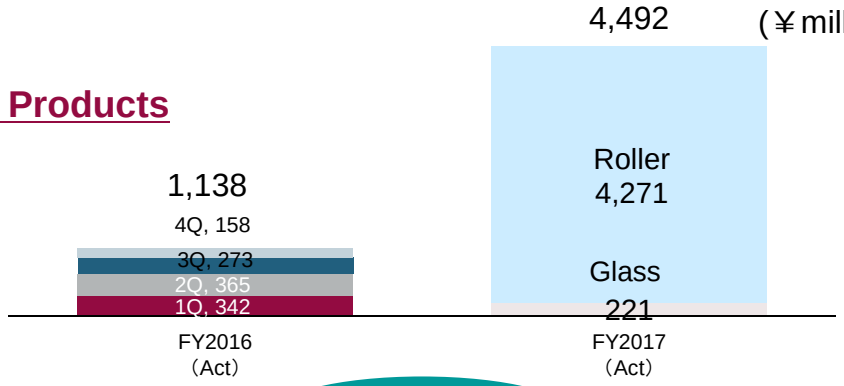
Execution of sales strategy progressed rapidly due to the acquisition of PBC in addition to growth in existing business

(¥million)

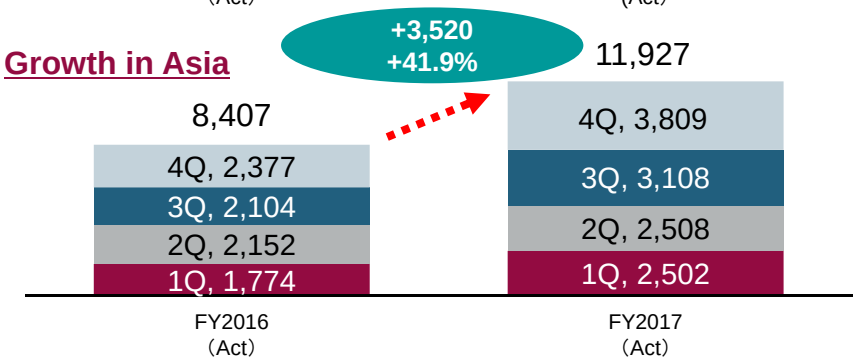
Non-Japanese Customers



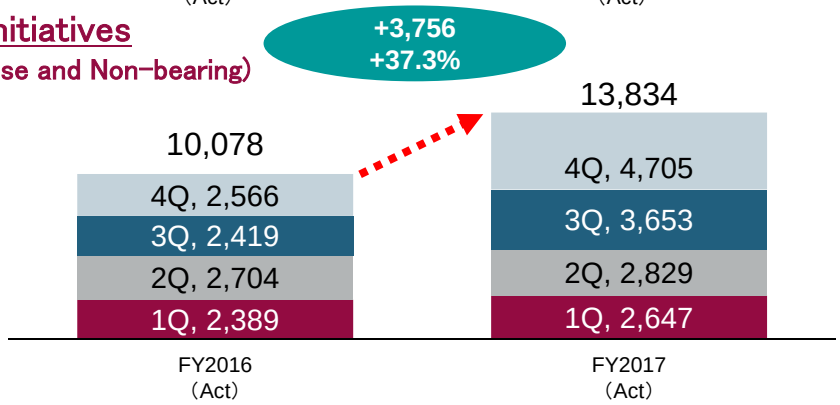
New Products



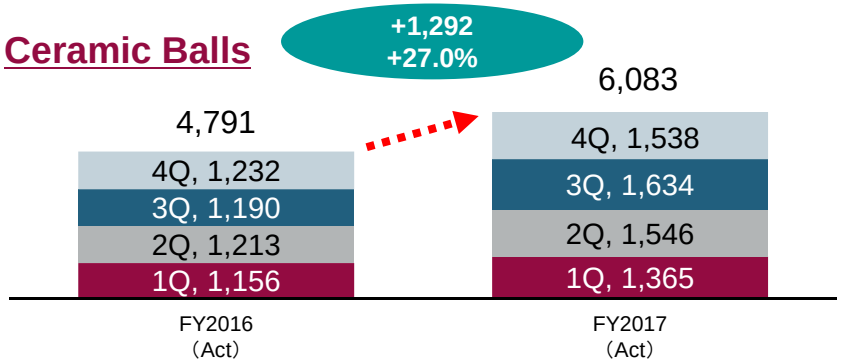
Growth in Asia



New initiatives (Japanese and Non-bearing)



Ceramic Balls



※Include former PBC results in the above charts

Former PBC	2017 3Q (1.5 months)	2017 4Q
Non-Japanese	2,376	4,456
Growth in Asia	562	1,028
New products(Roller)	1,468	2,803
New initiatives	766	1,680

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2. FY12/2018 GUIDANCE

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Business environment and Management policy of FY2018

Due to the implementation of One Management / One Operation with PBC, we leapfrogged to "further profitable growth" as new-born Tsubaki Nakashima

Macroeconomic outlook for FY2018

- ✓ **The global economy remained steady as a result of the strong US economy and Chinese industrial policy, and we continue to accept orders of high standards at present.**
- ✓ **Foreign exchange is expected to the same level of yen depreciation in 2017 due to a moderate increase in interest rate and austerity fiscal policy of US and Europe.**

Management policy for FY2018

- ✓ **We forecast Sales of 75 billion Yen (+40.9% YoY), OP of 11.5 billion Yen (+64.6% YoY) and annual dividend per share of 79 Yen (+23.4% YoY).**
- ✓ **Based on the new Mid-term plan of the newly developed Tsubaki Nakashima (planned to release in middle of March 2018), we start business activities to realize further profitable growth.**
- ✓ **We make a leap forward in three areas: growth, comprehensive competitiveness (QCDS) and global business control through synergy realization activities.**

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FY12/2018 Guidance

(¥million)	FY2017	FY2018	
	Actual	Forecast	YoY%
Sales	53,244	75,000	40.9%
Operating profit	6,985	11,500	64.6%
EBITDA	9,143	15,100	65.2%
EBIT	5,992	10,600	76.9%
Net profit	3,176	7,790	145.3%
EPS(Yen)	80.18	195.88	144.3%
Dividend(Yen) ※Forecast	64	79	23.4%

"Net profit" on this slide refers to "Profit attributable to owners of the parent"

- FX rate assumption for FY12/2018 : 1USD=112.00 Yen, 1Euro=132.00 Yen, 1RMB=16.60 Yen
  (FY12/2017 1USD=112.19 Yen, 1Euro=126.67 Yen, 1RMB=16.63 Yen)

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