TSUBAKI NAKASHIMA CO.,LTD.

2018-2020 Midterm Corporate Strategy

～Leap to：Further profitable growth and corporate value enhancement ～

June 4, 2018

Tsubaki Nakashima　Co, Ltd.

(TSE 6464)

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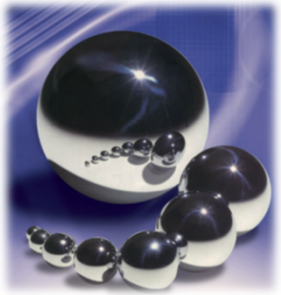
Introduction

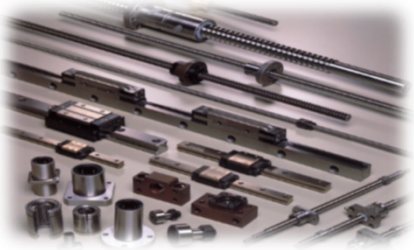
Contents

1. Management Principles P2
2. Look back at the previous MT Plan P4
3. 2018-2020 MT Plan Outlook P8



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. MANAGEMENT PRINCIPLES

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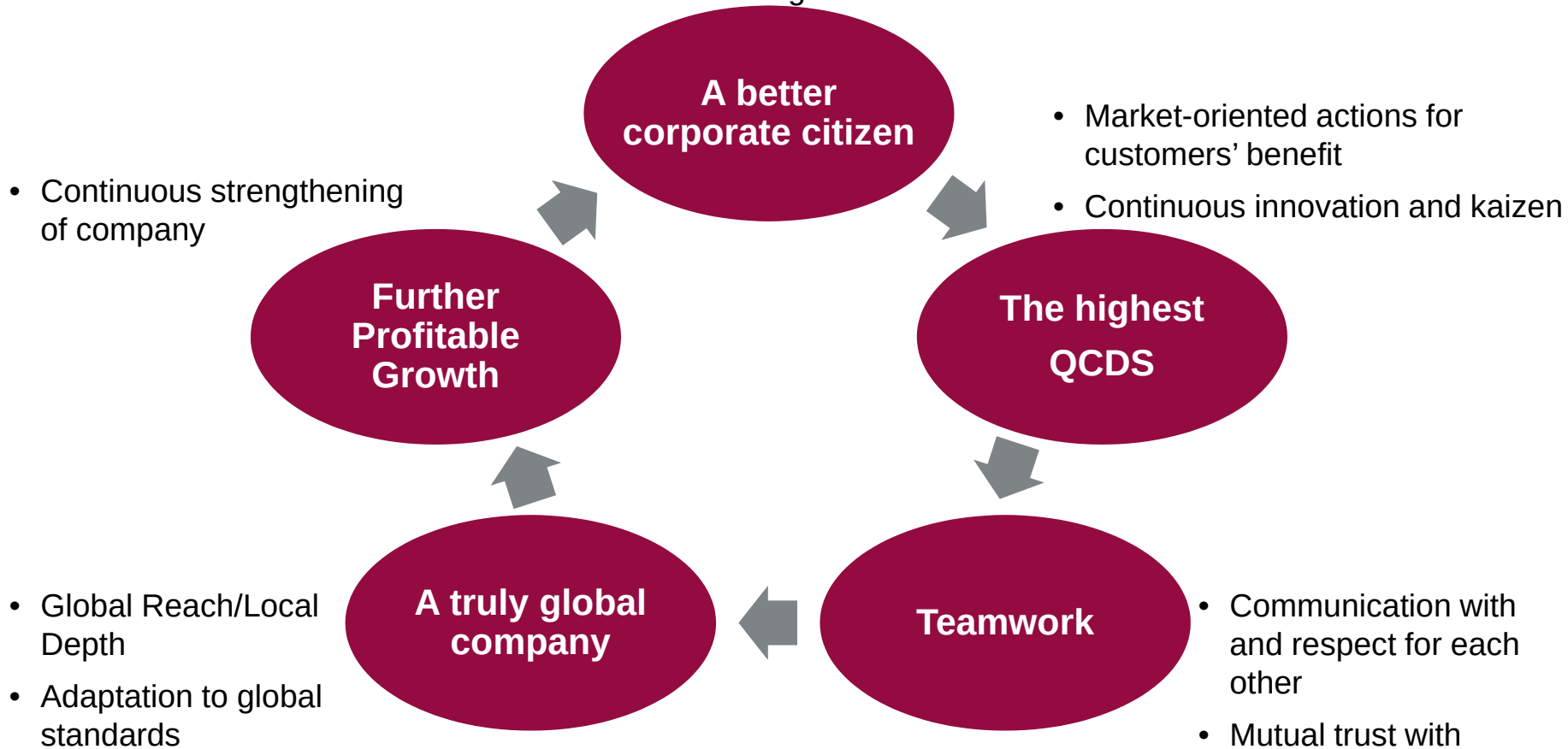
Management Principles

We will become a stellar corporation that realizes sustainable profitable growth and continues to create improvements in corporate value

- Compliance
- Contribution to the global environment



- Market-oriented actions for customers' benefit
- Continuous innovation and kaizen

- Communication with and respect for each other
- Mutual trust with business partners

- Global Reach/Local Depth
- Adaptation to global standards

- Continuous strengthening of company

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2. LOOK BACK AT THE PREVIOUS MT PLAN

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New profitable growth platform created by a new Tsubaki Nakashima

IPO (2015/12) → **MTP (2016/10)** → **Acquiring PBC Of NN, Inc.** → **New MTP (2018/6)**

Global expansion

Strengthen global management

Build a management structure to implement global strategy

Accelerated profitable growth by global "One management"

- Optimization of local production local procurement model
- Promotion of four growth strategies
- Strengthen global QCDS activities
- Further enhancement of CF generation ability by strengthening BS management

Accelerate toward achieving the mid-term targets of 2019

- Capture macro growth
- Continuous efforts on six growth strategies
- Approach to the New Initiative
- Capture new demand from changes in consumer behavior
- Growth realized by M&A

New Tsubaki Nakashima

- Profitable growth trajectory by acquiring PBC
- Accelerate growth and achieve synergy in the ball business
- Excellent growth opportunities for roller business and combination with ball business
- Comprehensive product offering and ability to offer products for evolving end market and new usage.

Growth of emerging countries (China / India / ASEAN countries etc.),

Global expansion of customers, sophistication of technology / quality requirements

Changing consumer behavior:

Automated Society, IoT, Connectivity ⇔ Earth friendly, safer, more efficient, higher quality, more convenient

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2017-2019 Progress of MT Plan

Through strategic initiatives, we achieved the goal of 2019 ahead of schedule (sales revenue of 50 billion Yen, operating income of 10 billion Yen or more)

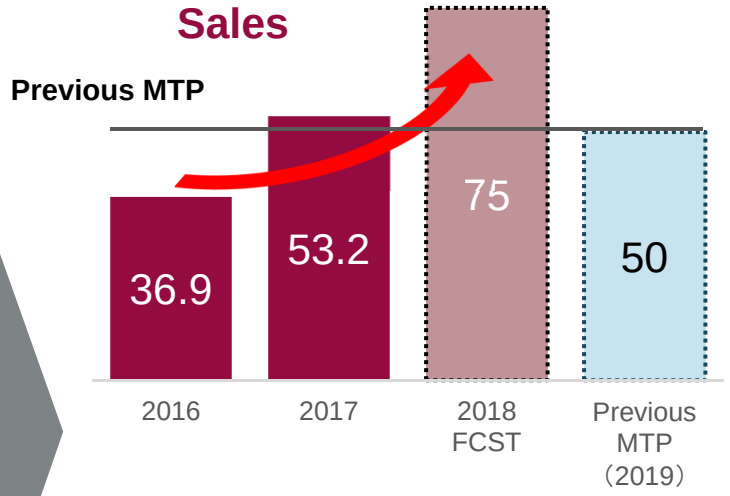
（unit：billion Yen）

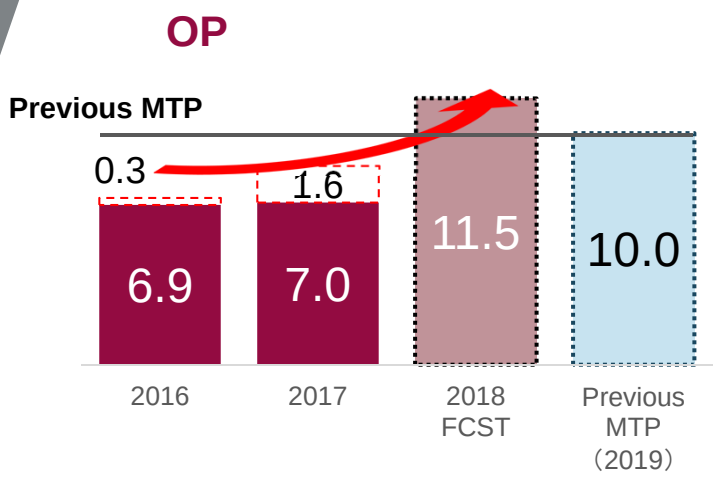
Organic

Promote six growth strategies and promote group-wide management

M&A

Beginning of leapfrog profitable growth through acquisitions by PBC of NN





※ The red border dotted line of OP adjusts one-time expenses related to prevention, etc. in 2016 and M&A and PO in 2017.

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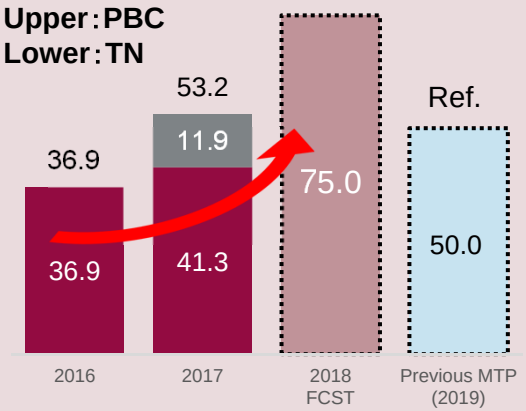
Review of growth strategies

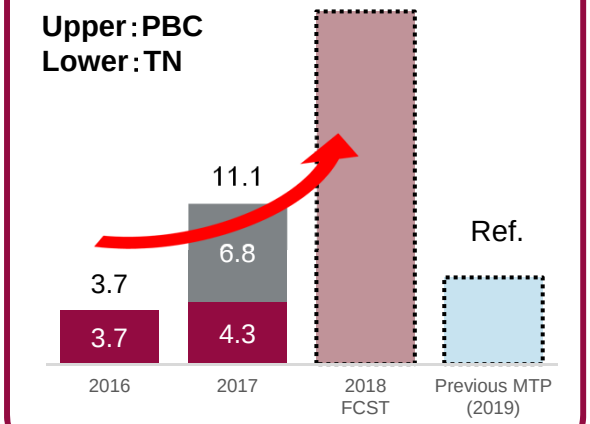
Success of growth strategies so far

（unit：billion Yen）

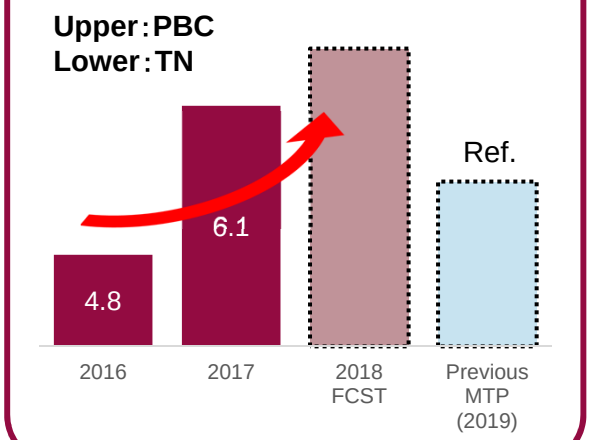
Sales



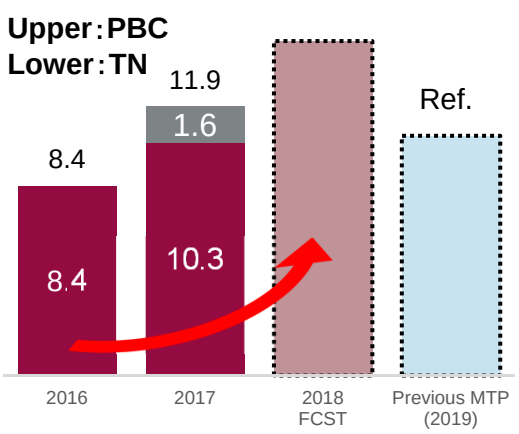
Non Japanese Customers



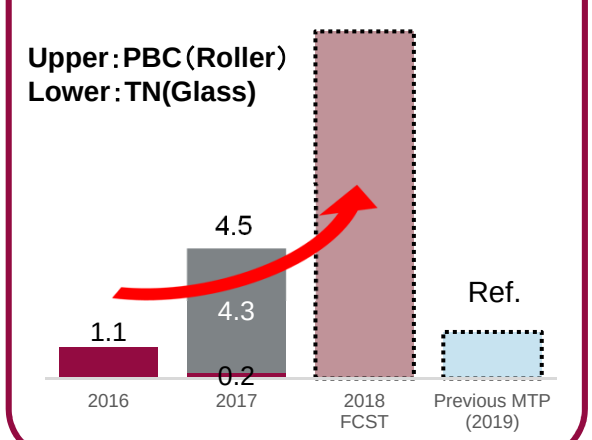
Ceramic ball



Growth in Asia

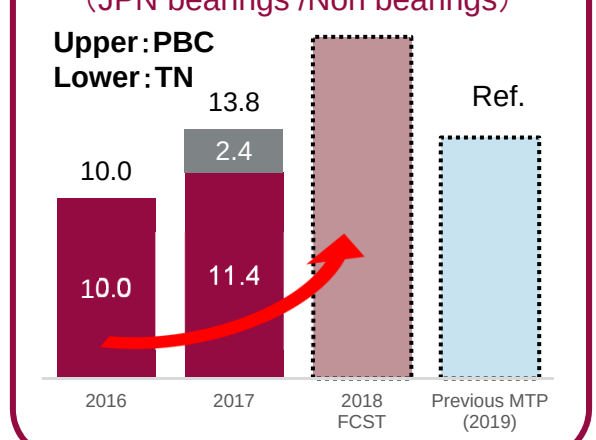


New Product



New Initiatives

（JPN bearings /Non bearings）



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3. 2018-2020 MT PLAN OUTLOOK

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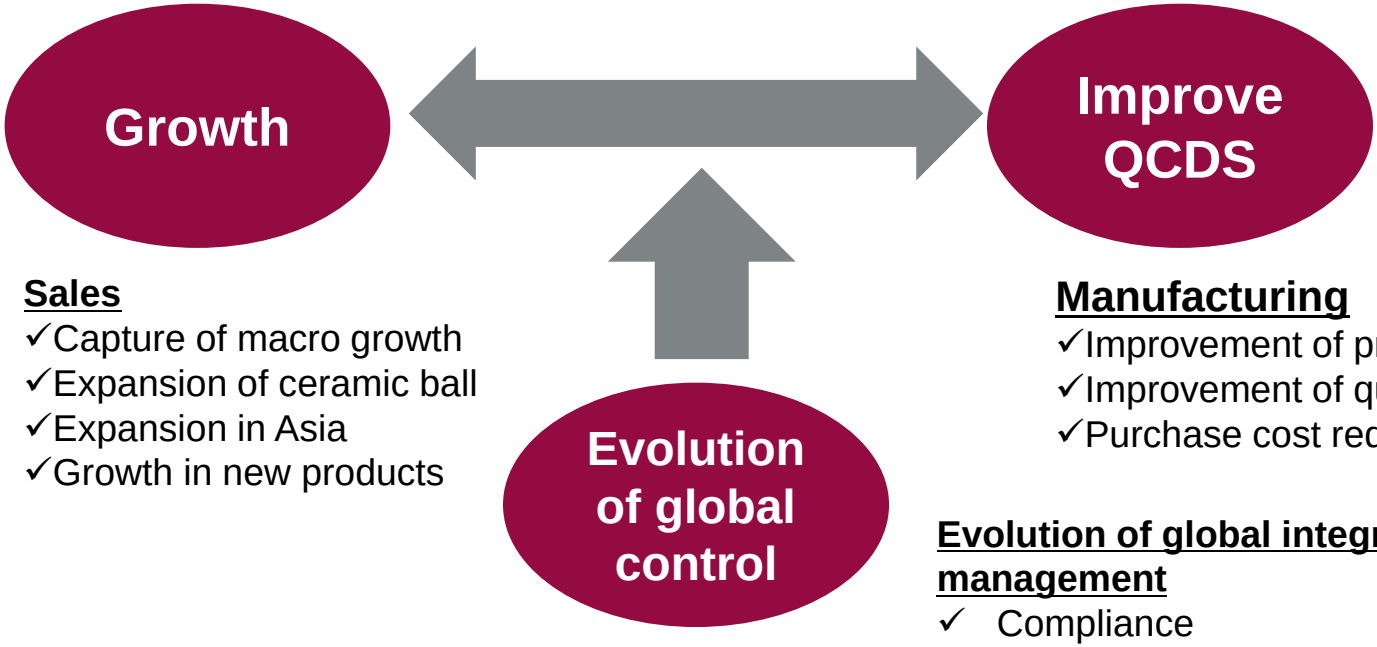
2018-2020 Policy for Midterm Corporate Strategy

Establish a corporate culture of strict compliance, realize three synergies to achieve medium-term goals, and improve profitable growth and balance sheet



Sales
- ✓Capture of macro growth
- ✓Expansion of ceramic ball
- ✓Expansion in Asia
- ✓Growth in new products

Manufacturing
- ✓Improvement of productivity
- ✓Improvement of quality
- ✓Purchase cost reduction

Evolution of global integrated management
- ✓ Compliance
- ✓ Maintain transparency
- ✓ Global control qualitative improvement

Corporate culture that strictly observes compliance through corporate reform

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Preventing recurrence of misconduct

To prevent the recurrence of misconduct that occurred at Katsuragi factory, we set up a recurrence prevention committee, under the direct control of the CEO, to promptly and persistently promote reform

Change in Consciousness

- ✓ Compliance is strict observance with Zero Tolerance
- ✓ Strict education: Strict compliance, emphasis on Accountability
- ✓ Improvement of workplace environment of Katsuragi factory
- ✓ Improvement of employee and managerial communication
- ✓ Promotion / Salary increase system reform

Enhancement of Human resources

- ✓ Appointment external personnel and promoting younger employees
- ✓ Strengthen human resources education system

Change in Organization

- ✓ To an organization that can be checked soundly between functions
- ✓ Differentiation of quality assurance and factory inspection functions
- ✓ Overall review of quality assurance process and quality assurance work manuals
- ✓ Regular implementation of internal audit through quality assurance

Effective utilization of Whistle-blower system

- ✓ Thorough understanding of Whistle-blower system
- ✓ Consideration for “Raising voice for the company”

Enhancement of Internal audit

- ✓ Strengthen preventive audit activities
- ✓ Strengthen cooperation with the Audit Committee and Internal Audit Office

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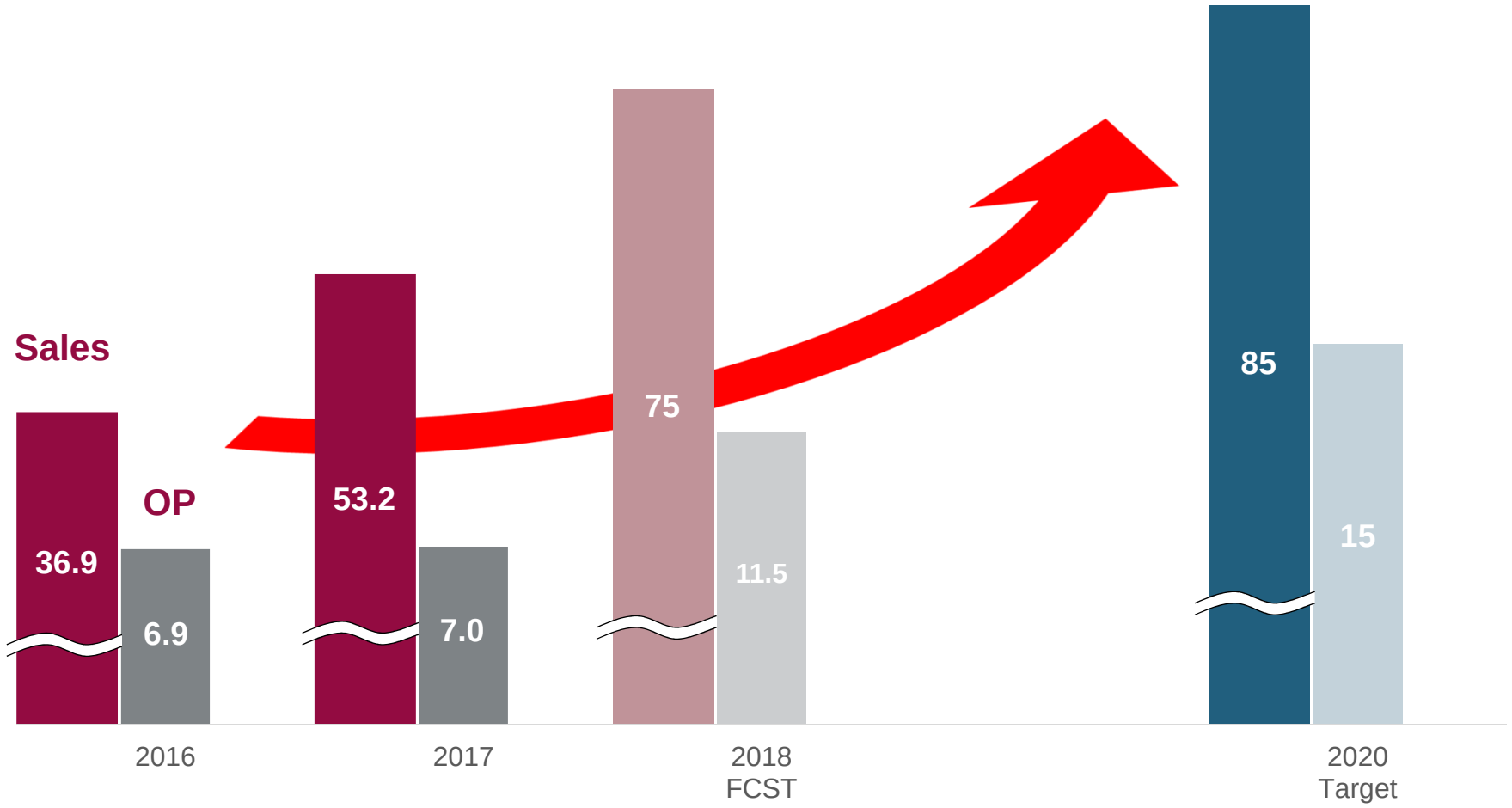
FY2020 Goals for Sales and Operating profit

We aim for profitable growth, sales reaching 85 billion Yen in 2020 and Operating profit of 15 billion Yen or more

（Unit：billion Yen）



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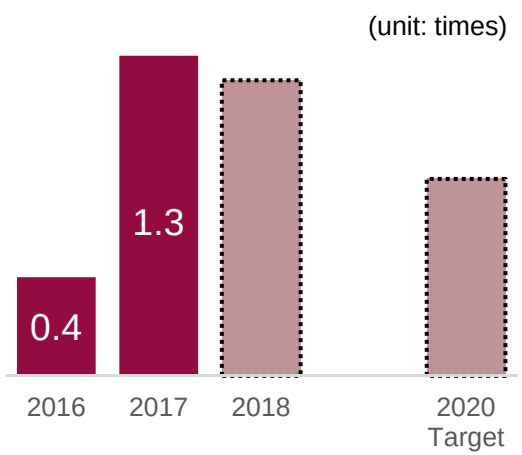
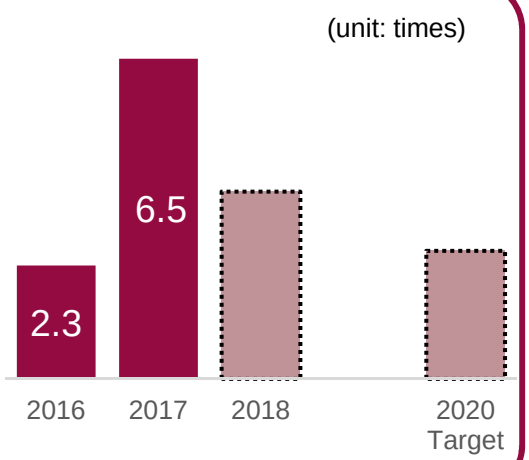
Strengthen balance sheet management

Further enhance CF generation capability thorough continuous improvement in BS management

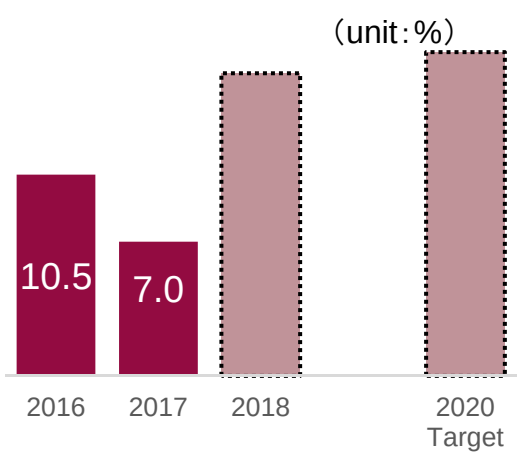
Net Debt/Equity Ratio



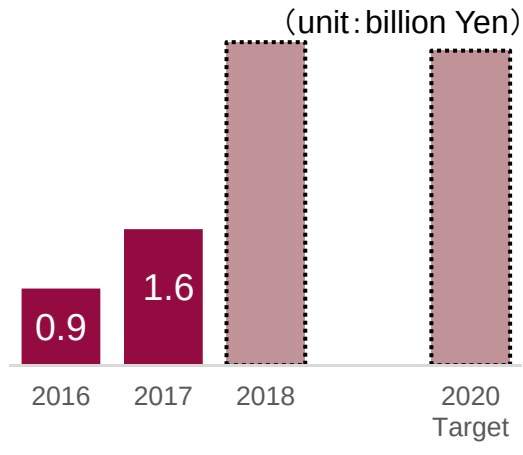
Net Debt/EBITDA



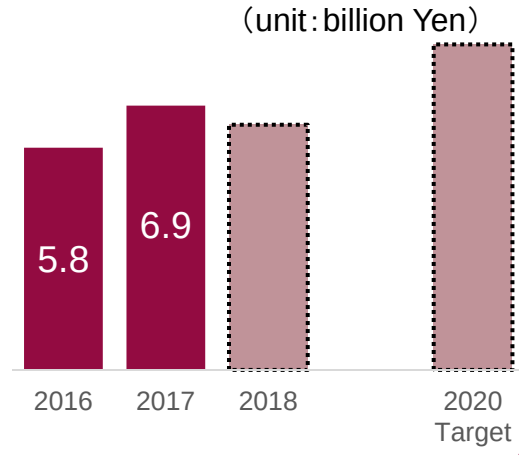
ROE



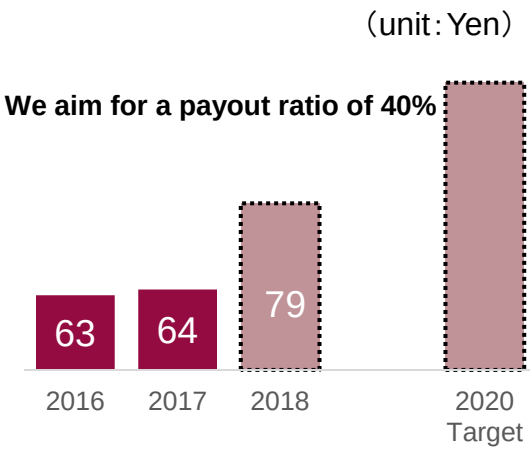
CAPEX



Adjusted FCF（※1）



Dividend



（※1）Adjusted CF excludes 44,053 million Yen of former PBC acquisition and its related expense of 1,560 million Yen.

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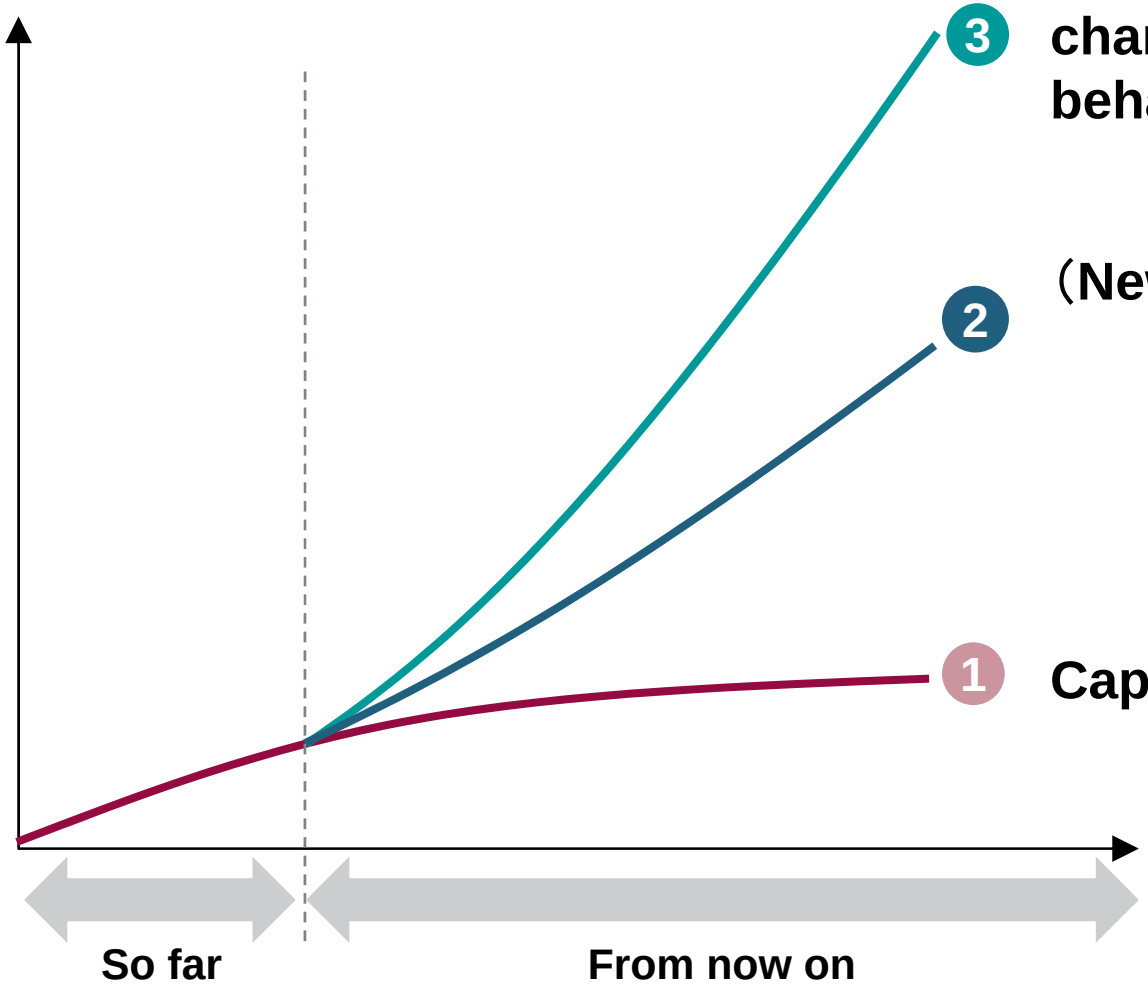
Image of profitable growth realization

We will develop our growth strategy to accelerate profitable growth



Respond to new demand from changes in consumer behavior

（New）4 sales strategies

- ✓ **Customer strategy**
- ✓ **Ceramic ball**
- ✓ **Growth in Asia**
- ✓ **New product (Roller)**

Capture of macro growth

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“Growth”（Sales strategies）
～ Promotion of the new four sales strategies ～

We aim for sales of 85 billion Yen based on the current forecast and the competitiveness of Tsubaki Nakashima

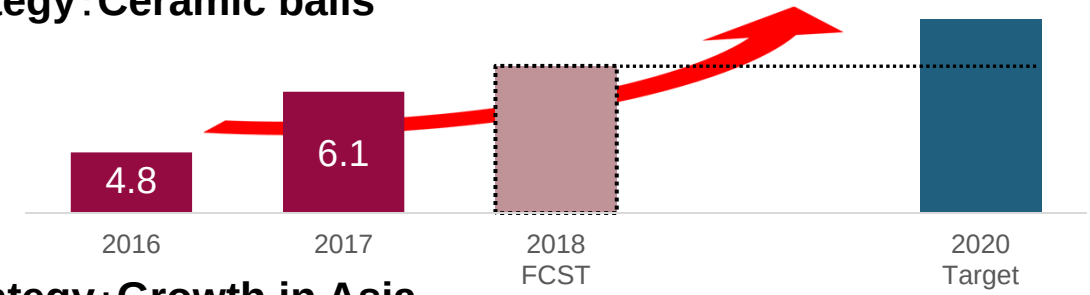
1. Customer strategy

- ✓ ***Steady growth by strengthening comprehensive competitiveness (QCDS)***
- ✓ ***Strengthening the brand strategy, we will enhance global brand awareness and accelerate sales expansion.***

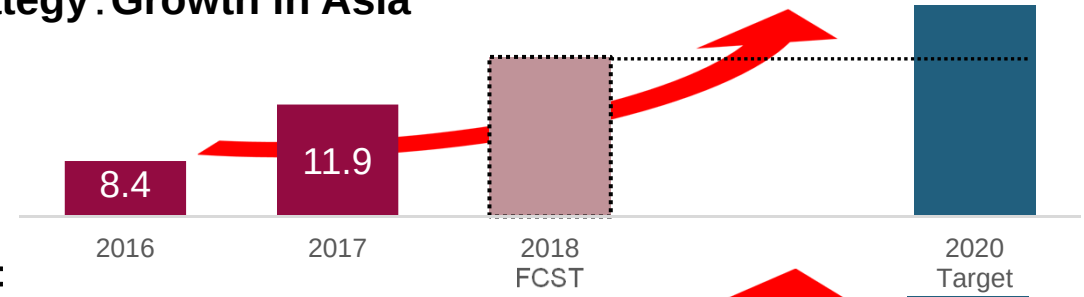
⇔ ***Build strategic relationship with customers***

（Unit：billion Yen）

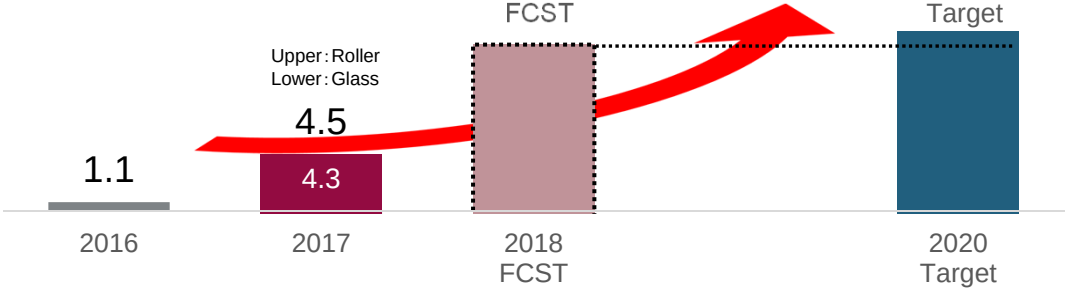
2. Product strategy：Ceramic balls



3. Regional strategy：Growth in Asia



4. New product：



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“Improve QCDS”（Manufacturing strategy）

We will further improve QCDS (competitiveness) by utilizing synergy with former PBC

Improve Productivity

Improve productivity through utilization of best practices
Improve productivity of steel balls
→ Cost reduction
→ Generate cash by inventory reduction
→ CAPEX control by improving equipment efficiency

Improve Quality

Improve quality through utilization of best practices
→ Quality cost optimization

Purchase cost reduction

✓ Centralize global procurement activities
✓ Improve procurement capability by utilizing scale merit

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“Evolution of global integrated management” Continuous improvement in Quality of Control

Secure transparency at the global level through effective management and best accounting process

Compliance	✓ Corporate culture of strict compliance through corporate reform ✓ In terms of the importance of “Misconduct on a small fraction of products sold by our company", we take it seriously and will implement preventive measures to prevent reoccurrence
HR	✓ Put in the place a capable “One Team organization” ✓ Strengthen human resources management system ✓ Mechanism for improving motivation to achieve goals
Finance	✓ Improve efficiency of reporting process supporting management ✓ Strengthen global cash management
IT	✓ Improve IT infrastructure to support strategy execution ✓ Enhance IT governance

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Synergy realization image

Continuous integration and synergy activities (ISC) aim to reap the expected synergies and further create and realize potential synergies

Concept of synergy realization

- ✓ Business field is the same as former PBC, expect many synergies
- ✓ Aim for further profitable growth by establishing a higher level of quality, better production efficiency and cost structure, and even more stable local production areas to every corner of the world

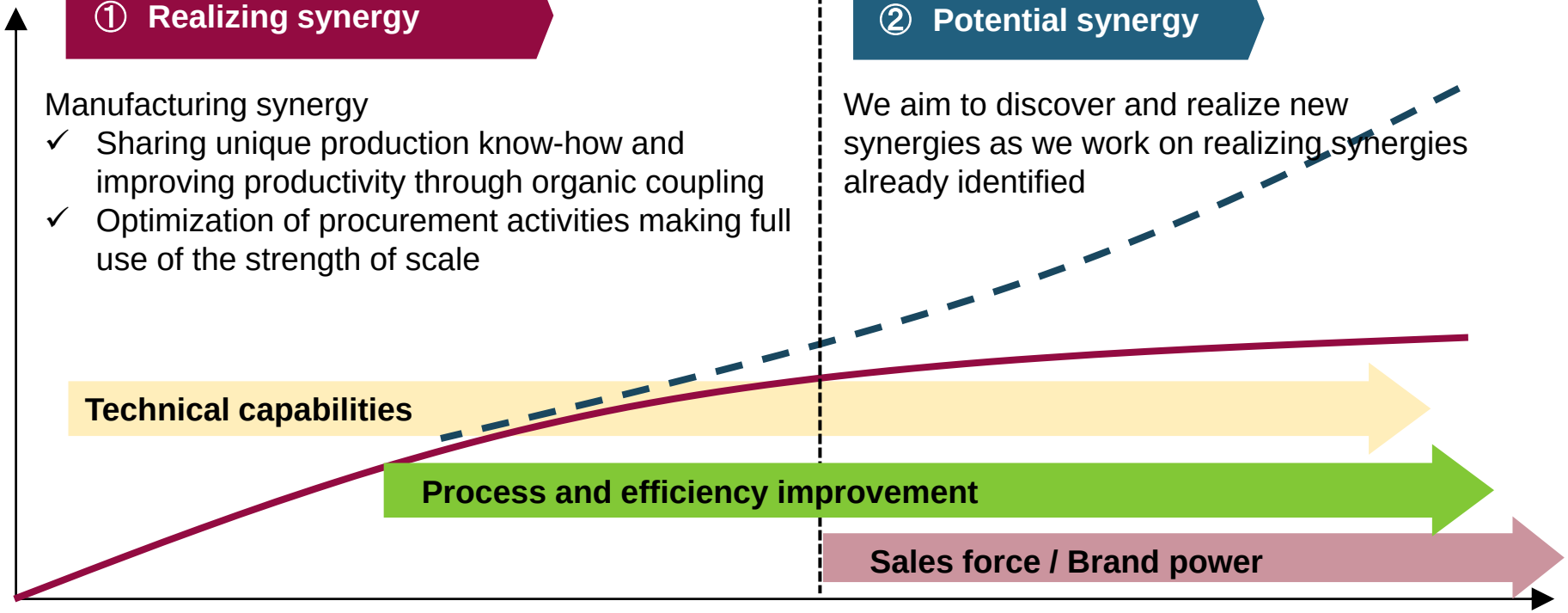
① Realizing synergy

Manufacturing synergy

- ✓ Sharing unique production know-how and improving productivity through organic coupling
- ✓ Optimization of procurement activities making full use of the strength of scale

② Potential synergy

We aim to discover and realize new synergies as we work on realizing synergies already identified



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