TSUBAKI NAKASHIMA CO.,LTD.

3Q FY2018 Results Presentation

Nov 14, 2018

Tsubaki Nakashima Co, Ltd.

(TSE 6464)

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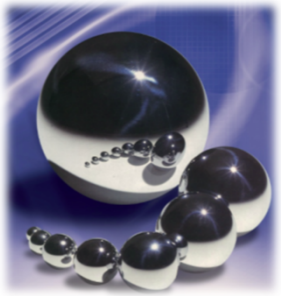
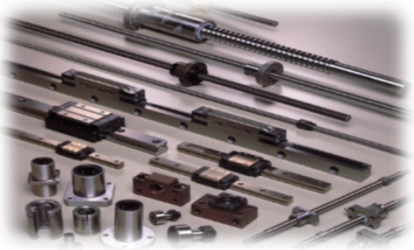


One ball, One heart

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. 3Q FY2018 RESULTS

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Highlights for 3Q FY2018

Integration with former PBC progressed as planned, Sales and Operating profit at record high.

Sales	■ Sales recorded a historical high of 57.2 billion Yen（YoY +63.5%）
Profits	■ Operating profit marked a historical high of 7.8 billion Yen（YoY +89.4%）
Cash	■ Generated FCF of 2.9 billion Yen
Dividend	■ Keep guideline for Year-end dividend of JPY40/share（YoY +21.2%） ■ Interim dividend of JPY39/share was paid on Sep 3（YoY +25.8%）

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3Q FY2018 Consolidated results

On the back of PBC acquisition, Sales and Operating profit set a new record.

	2017 3Q YTD	2018 3Q YTD					(¥ million)
	Actual (※2)	Actual (※2)	One-time	After one-time	FX impact	Inc/dec (※3)	Inc/dec% (※3)
Sales	34,991	57,202	—	—	1,157	21,054	60.2%
Operating profit	4,128	7,817	▲307	8,124	137	3,859	93.5%
EBITDA	5,556	10,323	▲307	10,630	191	4,883	87.9%
EBIT	3,514	6,938	▲307	7,245	135	3,596	102.3%
Net profit (※1)	2,251	5,441	▲221	5,662	99	3,312	147.1%

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

(※2) As former PBC results, Sales 24,687 million Yen, OP of 2,065 million Yen, EBITDA of 3,371 million Yen, EBIT of 2,044 million Yen, Net profit of 1,582 million Yen in 3Q FY2018, Sales of 4,088 million Yen, OP of 168 million Yen, EBITDA of 397 million Yen, EBIT of 166 million Yen, Net profit of 113 million Yen are included in 3Q FY2017. In addition, 1,641 million Yen of M&A related cost are included in 3Q FY2017.

(※3) "Inc/dec" and "Inc/dec%" exclude "FX impact" and "One-time" cost

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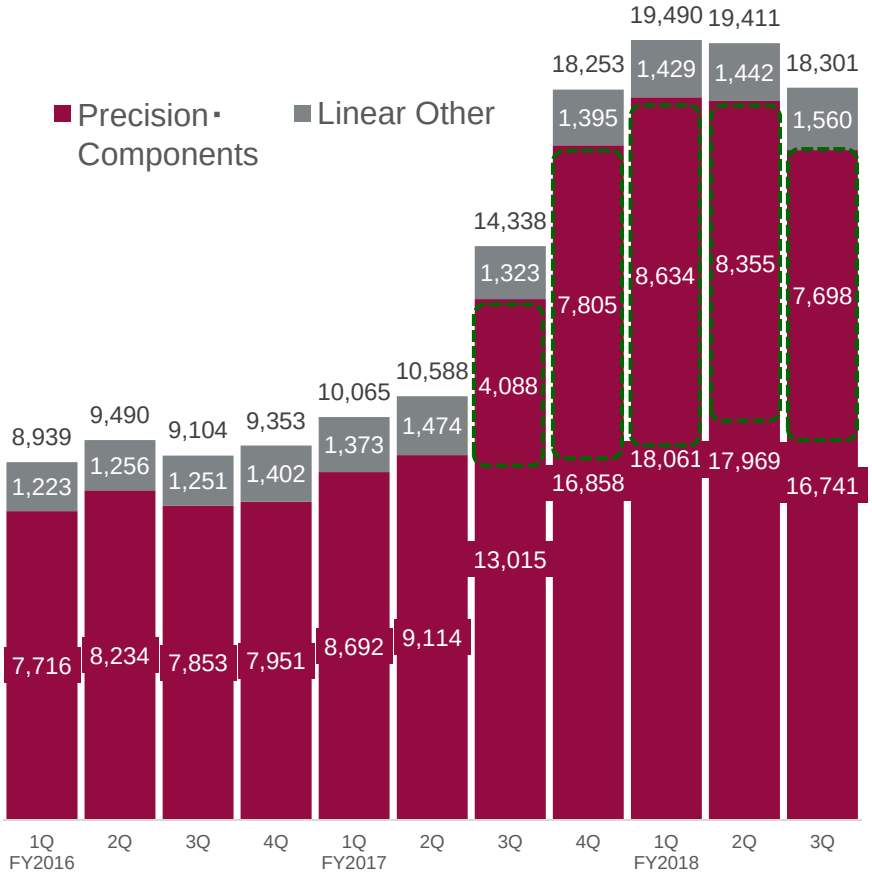
Sales and Operating margin trend by quarter

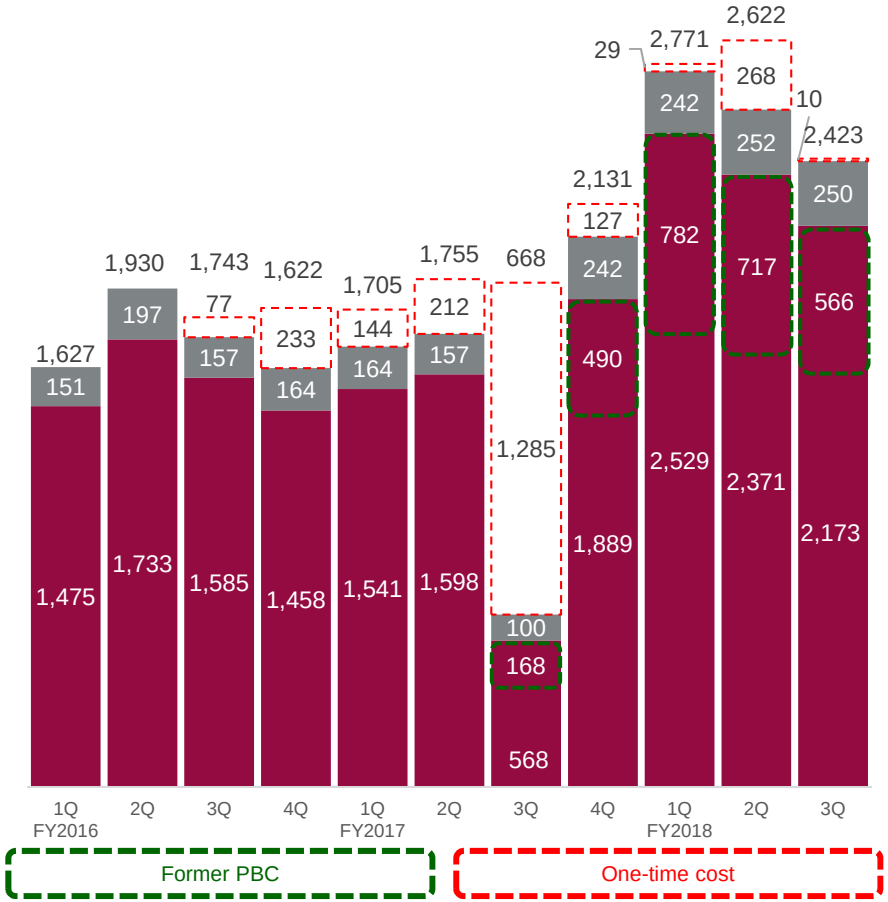
Quarterly sales revenue reached 18 billion yen or more for 4 consecutive quarters and maintained high level.

Sales (¥ million)



Operating profit (¥ million)

（※）Purchase Price Allocation (PPA) accompanying the acquisition of former PBC, we revised to reduce OP in 3Q-2017: 288 million yen, 4Q: 438 million yen, 1Q-2018: 143 million yen.



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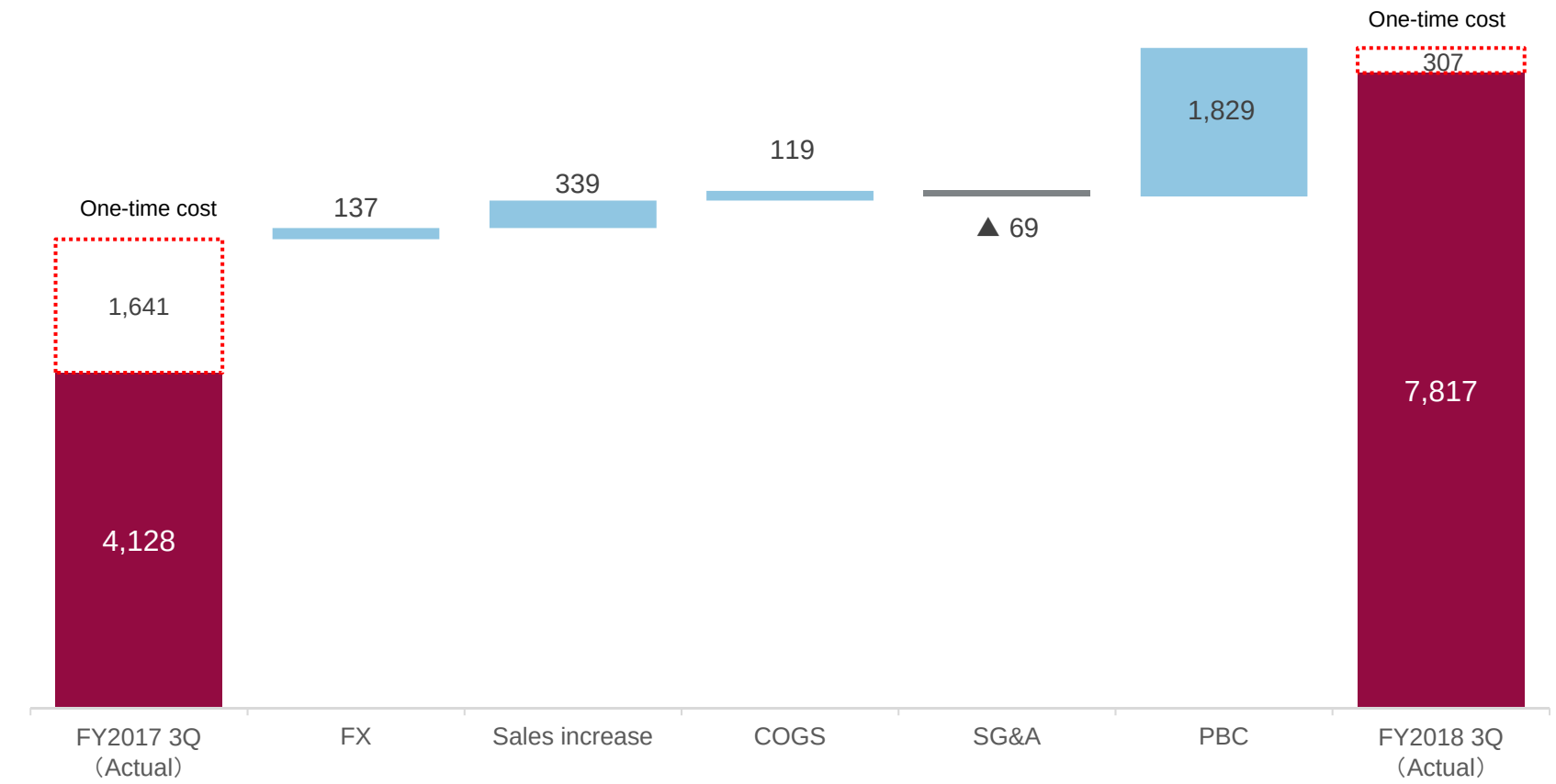
3Q FY2018 Operating profit bridge

OP margin at historical high due to sales growth and acquisition.

(¥ million)

Operating profit（YoY）



（※）As one-time cost, mainly records "Acquisition of former PBC“ in 3Q FY17 and "Expense related External Investigation Committee etc.“ in 3Q FY18.

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3Q FY2018 Sales by segment
YoY

Precision Components segment significantly exceeded YoY results and reached record high sales on the back of PBC acquisition.

	2017 3Q YTD	2018 3Q YTD			(¥ million)
	Actual	Actual	FX impact	Inc/dec (※1)	Inc/dec% (※1)
Consolidated	34,991	57,202	1,157	21,054	60.2%
Precision Components	30,821	52,771	1,157	20,793	67.5%
Linear and Other	4,170	4,431	0	261	6.2%

・Precision Components includes Precision Balls, rollers and stamped metals businesses
・Include former PBC sales of 4,088 million Yen in 3Q YTD 2017 and 24,687 million Yen in 3Q YTD 2018.
(※1)"Inc/dec" and "Inc/dec%" exclude "FX impact" and "One-time" cost.

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3Q FY2018 Sales by region
（Precision Components Business only）YoY

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

(¥ million)

	2017 3Q YTD	2018 3Q YTD			
	Actual	Actual	FX impact	Inc/dec （※1）	Inc/dec% （※1）
Japan	9,734	10,021	―	287	2.9%
North America	5,587	11,414	▲247	6,074	108.7%
Europe	7,714	21,005	1,114	12,177	157.9%
Asia	7,786	10,331	290	2,255	29.0%

・3Q 2018, include sales of former PBC in North America 6,472 million Yen, Europe 15,393 million Yen and Asia 2,822 million Yen.
・3Q 2017, include sales of former PBC 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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（For Ref.）3Q FY2018 Sales by region
YoY

(¥ million)

	2017 3Q YTD	2018 3Q YTD			
	Actual	Actual	FX impact	Inc/dec (※1)	Inc/dec% (※1)
Japan	13,536	13,931	―	395	2.9%
North America	5,587	11,414	▲247	6,074	108.7%
Europe	7,714	21,005	1,114	12,177	157.9%
Asia	8,154	10,852	290	2,408	29.5%

・3Q 2018, include sales of former PBC in North America 6,472 million Yen, Europe 15,393 million Yen and Asia 2,822 million Yen.
・3Q 2017, include sales of former PBC 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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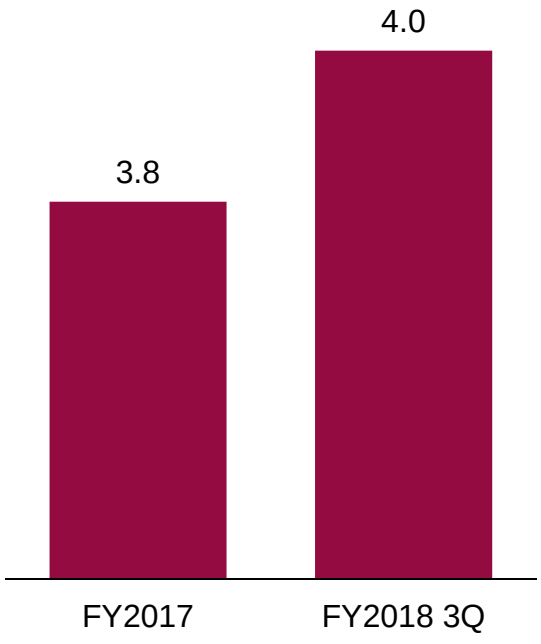
BS/CF

Sustained improvement in B/S management.

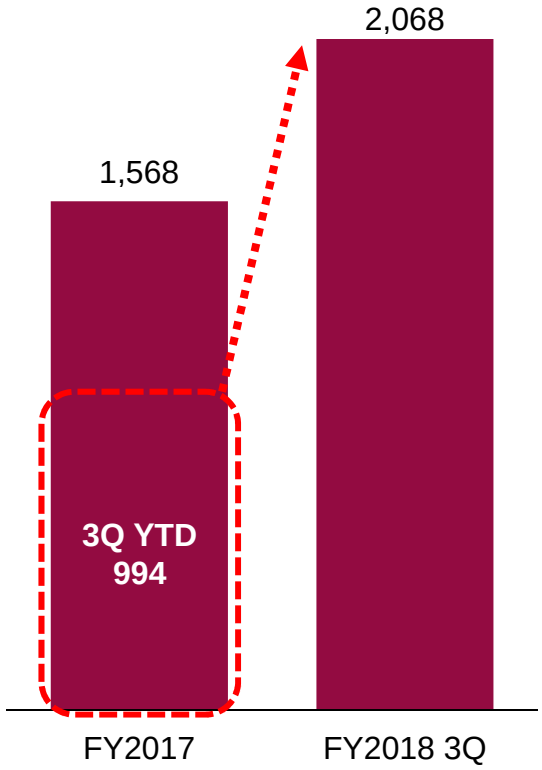
Inventory Turn-over (months)(※1)

- Inventory levels expected to reduce in Q4



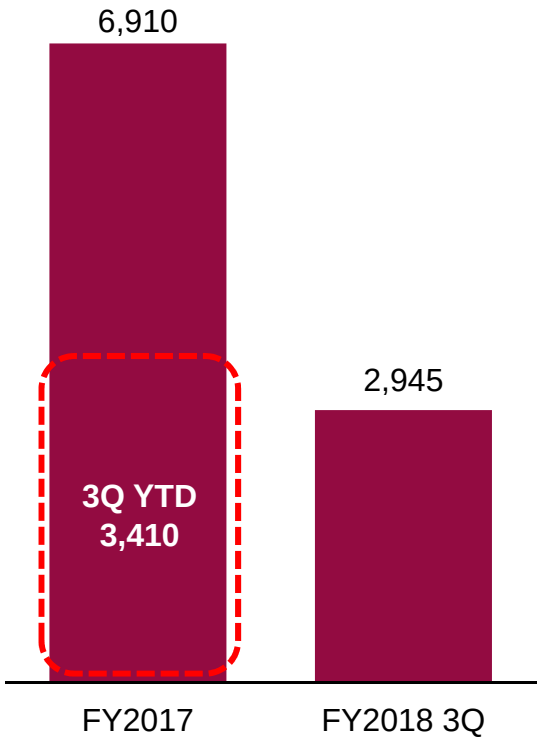
CAPEX(¥ million)（※2）

- Increased to enhance production capacity



Adjusted FCF (¥ million)(※3)

- OP C/F improved. CAPEX increased



（※1）Sales of the former PBC is calculated as a weighted average of 4.5 months in 2017.
（※2）Include CAPEX of 263 million Yen (4.5 months）of the former PBC in 2017 and 741 million Yen in 2018.
（※3）Adjusted FCF excludes 44,053 million Yen of PBC share purchase, and its related cost of 1,560 million Yen in FY2017.

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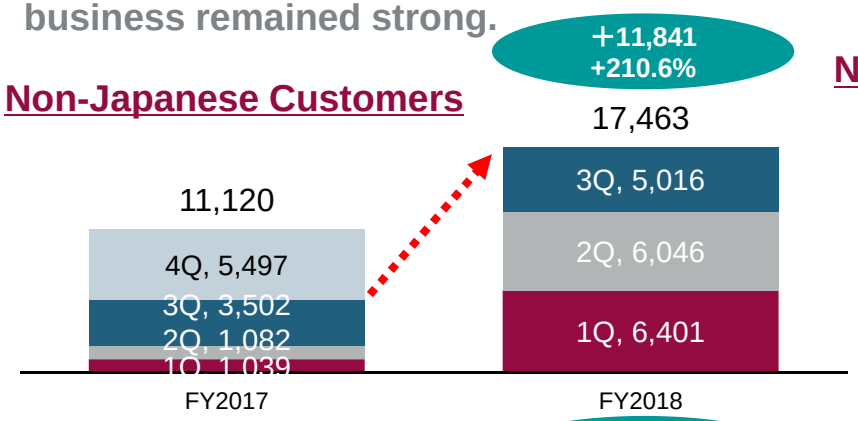
3Q FY2018 4（Existing）+2（New） progress

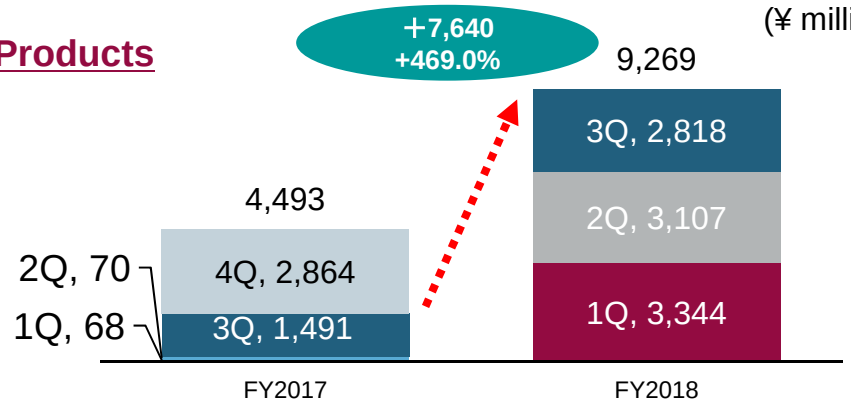
Execution of sales strategy progressed rapidly due to the acquisition of PBC, growth in existing business remained strong.

(¥ million)

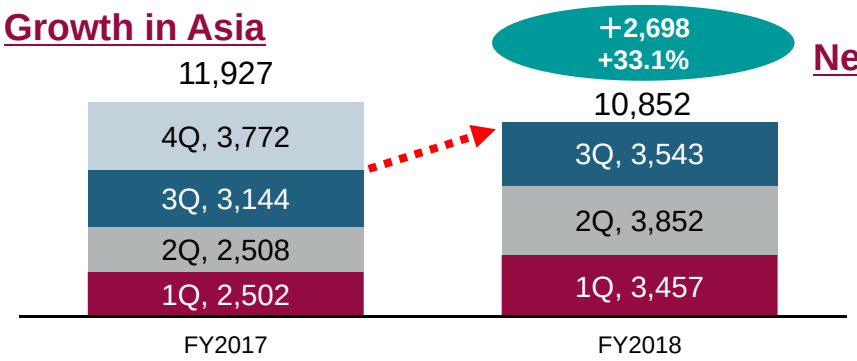
Non-Japanese Customers



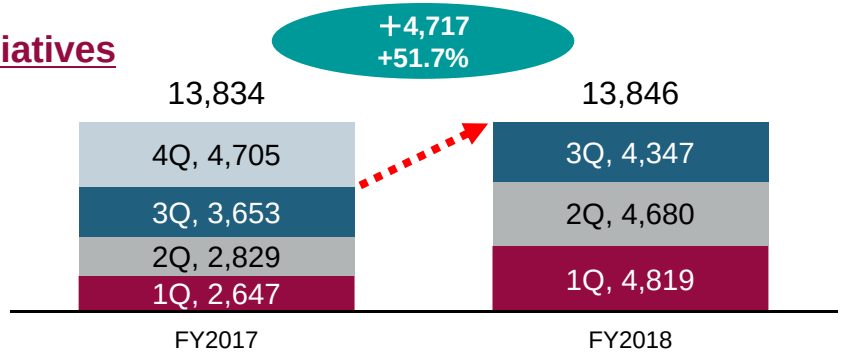
New Products



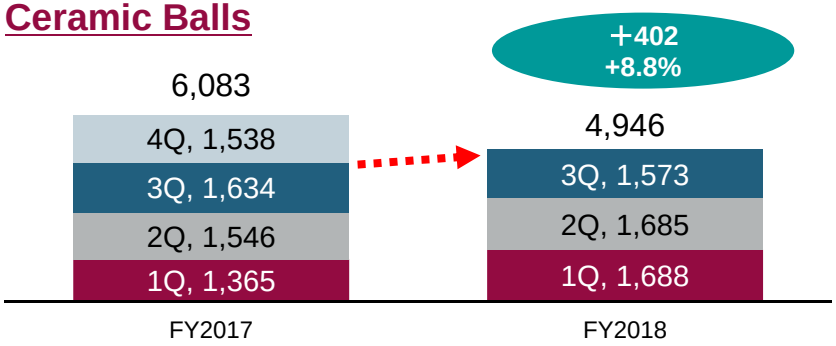
Growth in Asia



New Initiatives



Ceramic Balls



※ Include former PBC results in the above charts

PBC	2017 3Q (1.5M)	2017 4Q	2018 1Q	2018 2Q	2018 3Q
Non-Japanese	2,376	4,456	5,175	5,025	4,057
Growth in Asia	562	1,028	843	1,051	928
New Products(Roller)	1,468	2,803	3,192	2,905	2,650
New initiatives	766	1,680	1,843	1,644	1,504

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2. FY2018 REVISED FORECAST

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Reason of Revision

Sales is expected to be the same as previously announced. With regards to profits, we will revise because of following reasons.

1. **Increase in raw material prices and time lag in passing through the cost increase.**
2. **Imposition of tariff on steel imports in US and resulting increase on cost of raw materials. Time lag in passing through the impact of tariff.**
3. **One-time decrease in output rate due to typhoon in Japan.**
4. **One-time expenses incurred due to inappropriate conduct in the past.**

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FY2018 Revised forecast

(¥ million)

	Prior	Revised	Inc/dec	Inc/dec%
Sales	75,000	75,000	—	—
Operating profit	11,500	10,350	▲1,150	▲10.0%
EBIT	10,600	9,300	▲1,300	▲12.3%
Net profit（※1）	7,790	7,100	▲690	▲8.9%
EPS（Yen）	195.88	178.52	▲17.36	▲8.9%

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

Forecast FX rate is unchanged. 1USD 112 Yen, 1Euro 132 Yen, 1RMB 16.6 Yen.

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