TSUBAKI NAKASHIMA CO.,LTD.

FY2018 Results Presentation

Feb 14, 2019

Tsubaki Nakashima Co, Ltd.

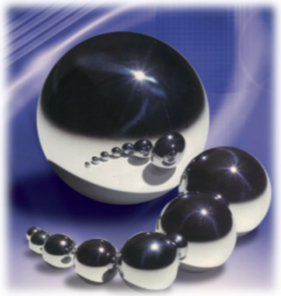
(TSE 6464)

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Introduction

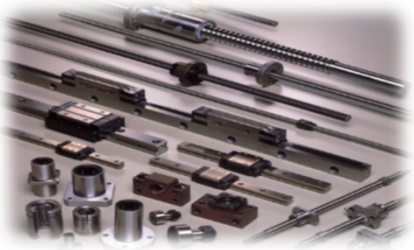
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One ball, One heart

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. FY2018 RESULTS

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Highlights for FY2018

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

Sales	■ Sales recorded historical high of 74.8 billion Yen (YoY +40.5%)
Profits	■ Operating profit marked a historical high of 9.9 billion Yen (YoY +58.8%)
Cash	■ Generated FCF of 5.3 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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FY2018 Consolidated results

Integration with former PBC was completed and One Management / One Operation established, both sales and operating profit attained record high

(¥ million)

	FY2017	FY2018					
	Actual (*2)	Actual (*2)	One-time	After one-time	FX impact	Inc/dec (*3)	Inc/dec% (*3)
Sales	53,244	74,832	—	—	664	20,924	39.3%
Operating profit	6,259	9,942	▲340	10,318	88	3,934	62.9%
EBITDA	8,613	13,221	▲340	13,595	118	4,829	56.1%
EBIT	5,266	8,824	▲340	9,207	▲138	4,036	76.6%
Net profit (*1)	2,658	6,819	▲244	7,120	▲167	4,573	172.0%

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

(*2) As former PBC results, Sales ¥31,974 million, OP of ¥2,468 million, EBITDA ¥ 4,161 million, EBIT ¥ 2,416 million, Net profit ¥ 1,825 million in FY2018, Sales ¥ 11,893 million, OP ¥ 658 million, EBITDA ¥ 1,400 million, EBIT ¥ 518 million, Net profit ¥ 384 million in FY 2017 and ¥ 1,768 million of M&A related cost are included in FY2017.

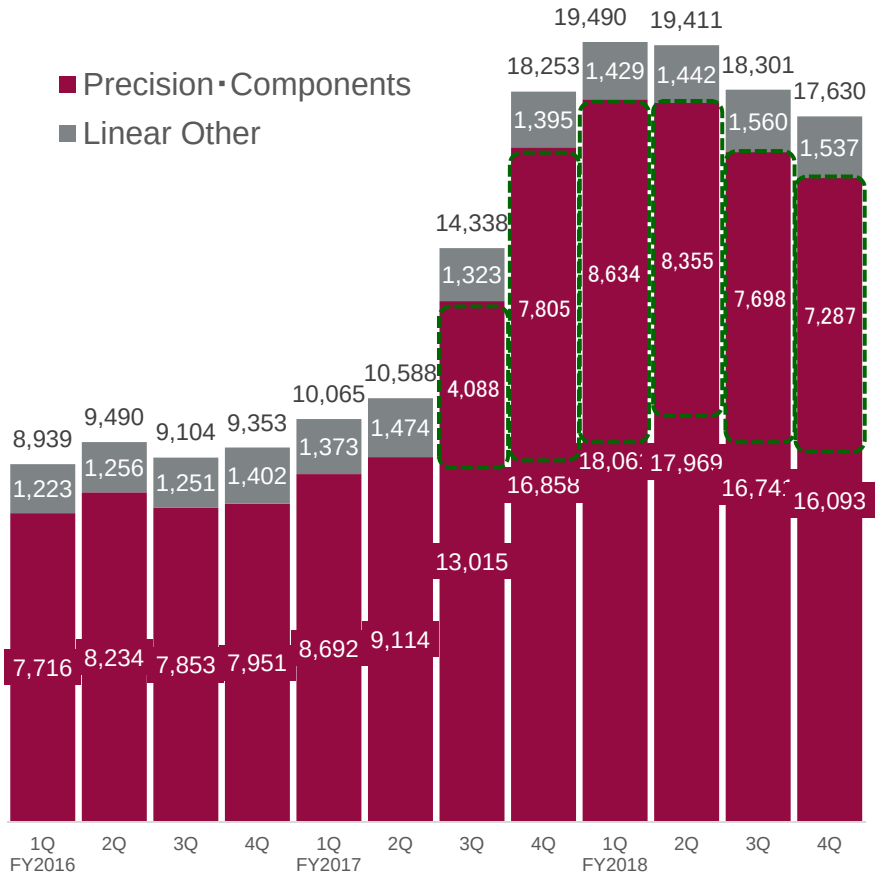
(*3) "Inc/dec" and "Inc/dec%" exclude "FX impact" and "One-time" cost

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Sales and Operating margin trend by quarter

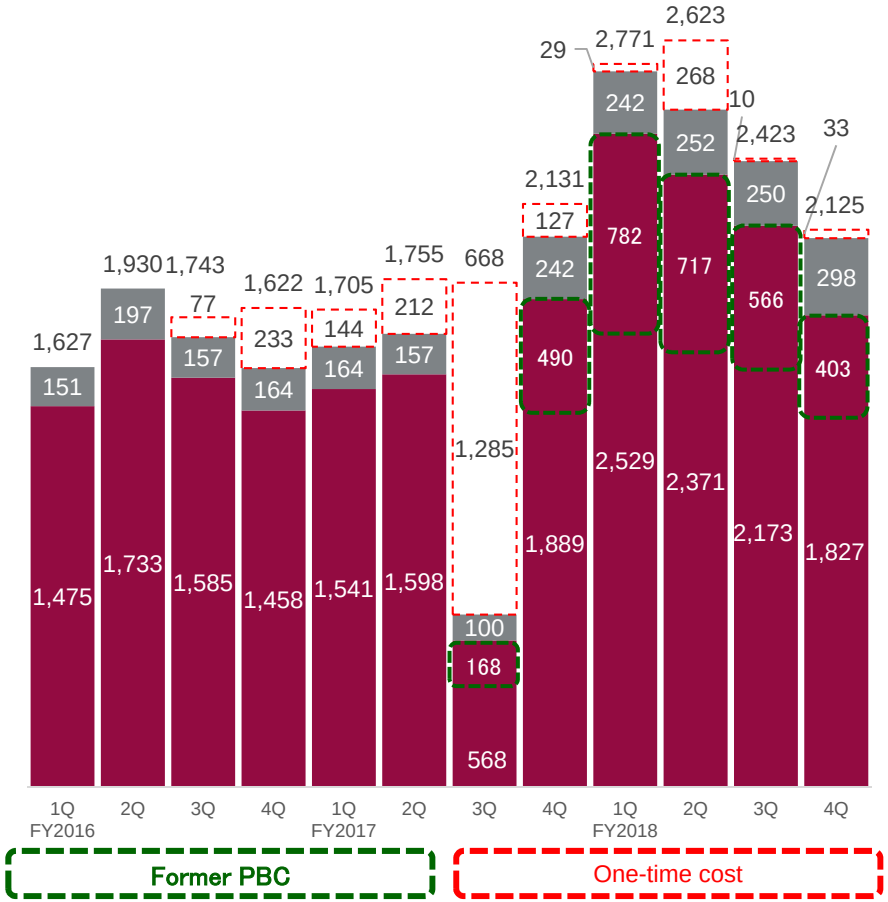
Quarterly sales was -3.4% QoQ due to macro economic effects but operating margin (after one-time cost adjustment) reduced by 0.2% only due to improvement efforts

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.



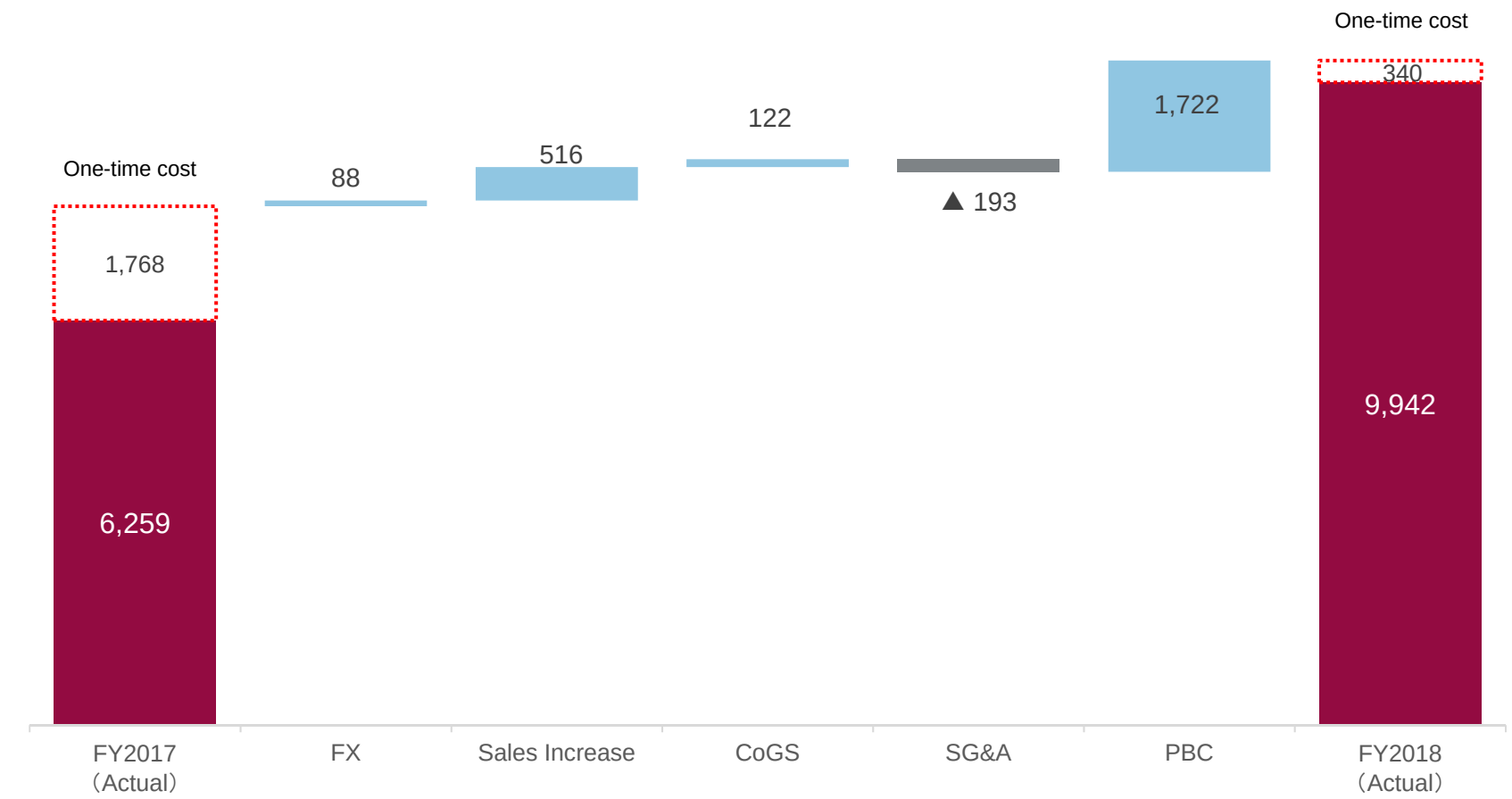
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FY2018 Operating profit bridge

Original Tsubaki Nakashima OP margin at 17.9% (one-time cost adjusted basis) maintained high level

(¥ million)

Operating profit (YoY)



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

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FY2018 Sales by segment YoY

Precision Components segment significantly exceeded LY results and reached record high sales

	FY2017	FY2018 (¥ million)			
	Actual	Actual	FX impact	Inc/dec (*1)	Inc/dec% (*1)
Consolidated	53,244	74,832	664	20,924	39.3%
Precision Components	47,678	68,864	670	20,516	43.0%
Linear and Other	5,566	5,968	▲6	408	7.3%

・Precision Components includes Precision Balls, rollers and stamped metals businesses
・ Include former PBC sales of ¥11,893 million in FY2017 and ¥31,974 million in FY2018
(*1) "Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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FY2018 Sales by region
（Precision Components Business only）YoY

Exceptional growth in Europe and North America due to the acquisition

	FY2017	FY2018 (¥ million)			
	Actual	Actual	FX impact	Inc/dec (*1)	Inc/dec% (*1)
Japan	13,107	13,389	―	282	2.1%
North America	9,025	15,056	▲243	6,274	69.5%
Europe	14,163	26,790	813	11,814	83.4%
Asia	11,383	13,628	99	2,146	18.9%

・FY2018, include sales of former PBC in North America ¥ 8,576 million, Europe ¥ 19,642 and Asia ¥3,756 million.
・FY2017, include sales of former PBC in North America ¥ 2,970million, Europe¥7,333million and Asia ¥1,590 million.
（*1）"Inc/dec" and “Inc/dec%" exclude “FX impact” and “One-time” cost.

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（For Ref.）FY2018 sales by region
YoY

	FY2017	FY2018 (¥ million)			
	Actual	Actual	FX impact	Inc/dec (*1)	Inc/dec% (*1)
Japan	18,129	18,659	—	530	2.9%
North America	9,025	15,056	▲243	6,274	69.5%
Europe	14,163	26,790	813	11,814	83.5%
Asia	11,927	14,326	93	2,306	19.3%

・FY2018, include sales of former PBC in North America ¥ 8,576 million, Europe ¥ 19,642 and Asia ¥3,756 million.
・FY2017, include sales of former PBC in North America ¥ 2,970million, Europe¥7,333million and Asia ¥1,590 million.
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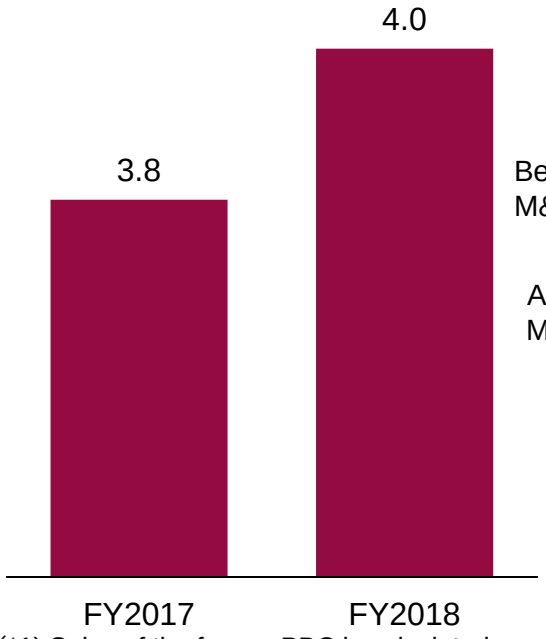
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BS/CF

Sustained improvement in B/S management.

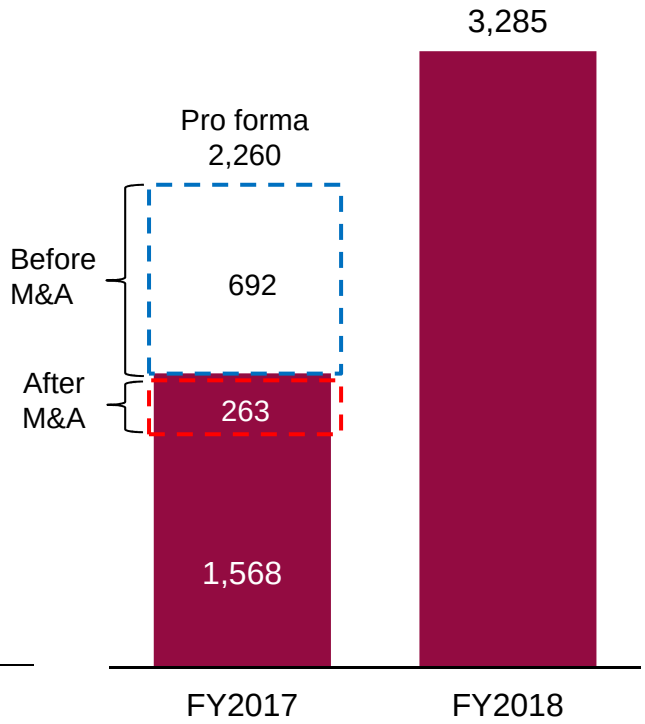
Inventory Turn-over (months) (*1)

■ **Temporarily deteriorated due to sales decline due to macroeconomic deterioration of 4Q. Continuously tackle improvements**



CAPEX (¥ million)(*2)

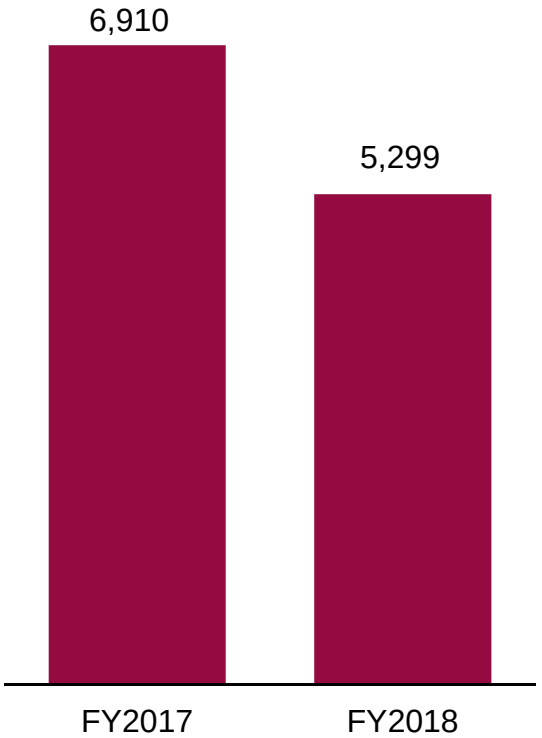
■ **Increased due to IT investment following M&A and investment in growth areas**



Adjusted FCF(¥ million)(*3)

■ **Decreased due to CAPEX**

(Former PBC year-rounding impact, Investment in IT, and Growth areas)



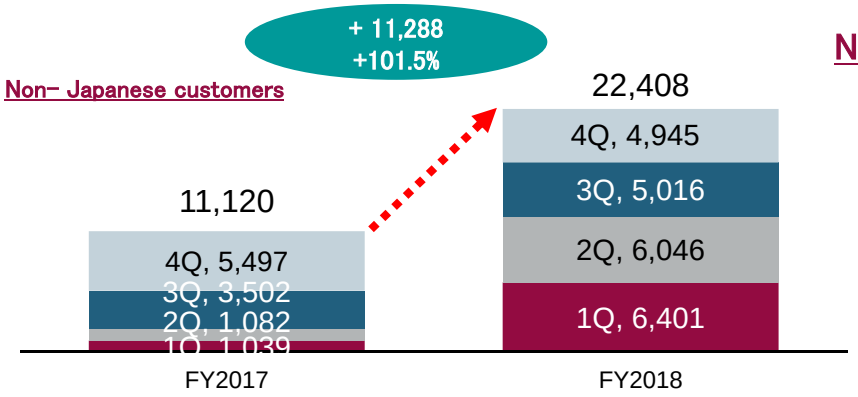
(*1) Sales of the former PBC is calculated as a weighted average of 4.5 months in 2017.
(*2) Include CAPEX of 263 million Yen (4.5 months) of the former PBC in 2017 and ¥1,177 million in 2018.
(*3) Adjusted FCF excludes ¥44,053 million of PBC share purchase, and its related cost of ¥1,560 million in FY2017 and ¥540 million due to the US tax revision in FY2018

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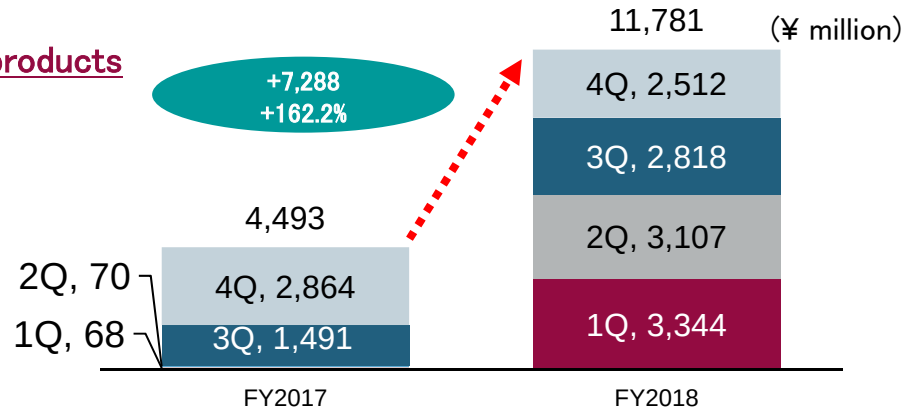
FY2018 4（Existing）+2（New） progress

Execution of sales strategy progressed well

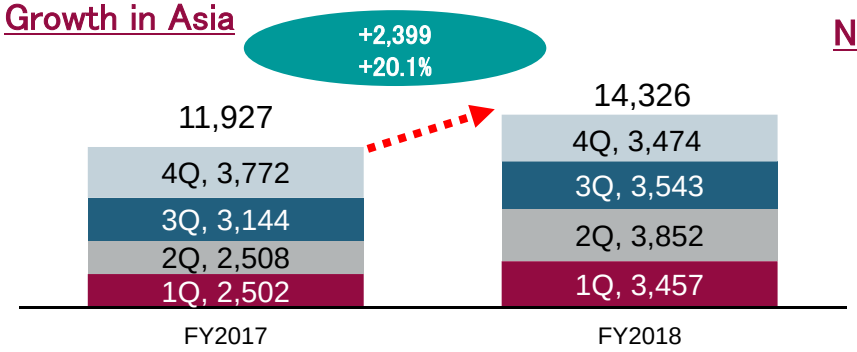
Non- Japanese customers



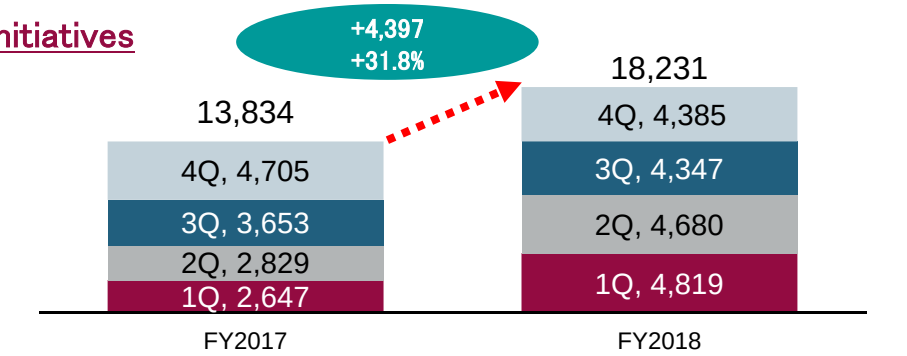
New products



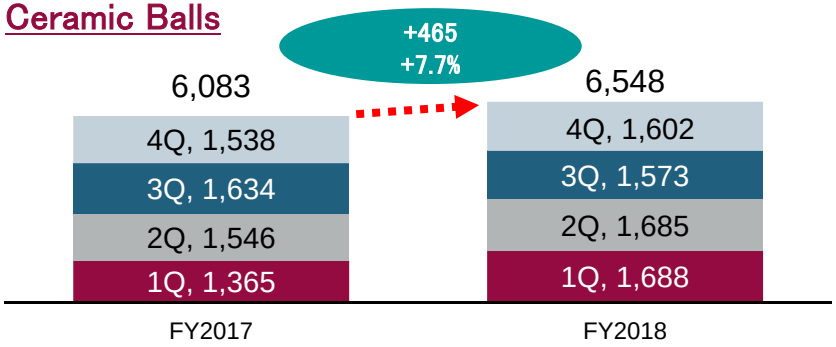
Growth in Asia



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	2018 4Q
Non-Japanese	2,376	4,456	5,175	5,025	4,057	4,001
Growth in Asia	562	1,028	843	1,051	928	933
New Products(Roller)	1,468	2,803	3,192	2,905	2,650	2,373
New initiatives	766	1,680	1,843	1,644	1,504	1,539

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2. FY2019 GUIDANCE

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FY2019 Forecast

Promote “Further profitable growth" by realizing One Management / One Operation

- ✓ **Focused on flexible management against unstable global economy**
- ✓ **Through synergy creation activities, we will leap in three areas: profitable growth, comprehensive competitiveness (QCDS) and global management control qualitative improvement**
- ✓ **Sales 77 billion Yen（YoY +2.9%）, Operating Profit 11.7 billion Yen（YoY +17.7%）**
- ✓ **We aim to pay annual dividend of 81 Yen per share (YoY+2.5%).**
  After IPO in December 2015, we have increased annual dividend every year and aim to continue increasing dividends though profitable growth

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FY2019 Forecast

(¥ million)	FY2018		FY2019			
	Actual	% of sales	Forecast	% of sales	Inc.	% of Inc.
Sales	74,832	100.0%	77,000	100.0%	2,168	2.9%
Operating profit	9,942	13.3%	11,700	15.2%	1,758	17.7%
EBITDA	13,221	17.7%	14,950	19.4%	1,729	13.1%
EBIT	8,824	11.8%	10,900	14.2%	2,076	23.5%
Net profit	6,819	9.1%	8,000	10.4%	1,181	17.3%
Basic EPS (Yen)	171	–	200	–	29	16.9%
Dividend (Yen)	79	–	81	–	2	2.5%

- Forecast rate 1USD 110 Yen, 1Euro 130Yen, 1RMB 16.6 Yen

  (Actual：FY2018 average rate 1 USD 110.43 Yen, 1 Euro 130.42Yen, 1RMB 16.72Yen)

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3. NEW MANAGEMENT STRUCTURE

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Strengthening management structure

We will work to strengthen our management structure to achieve long-term goals (sales revenue of over 100 billion yen, operating income of over 18 billion yen).

【New】

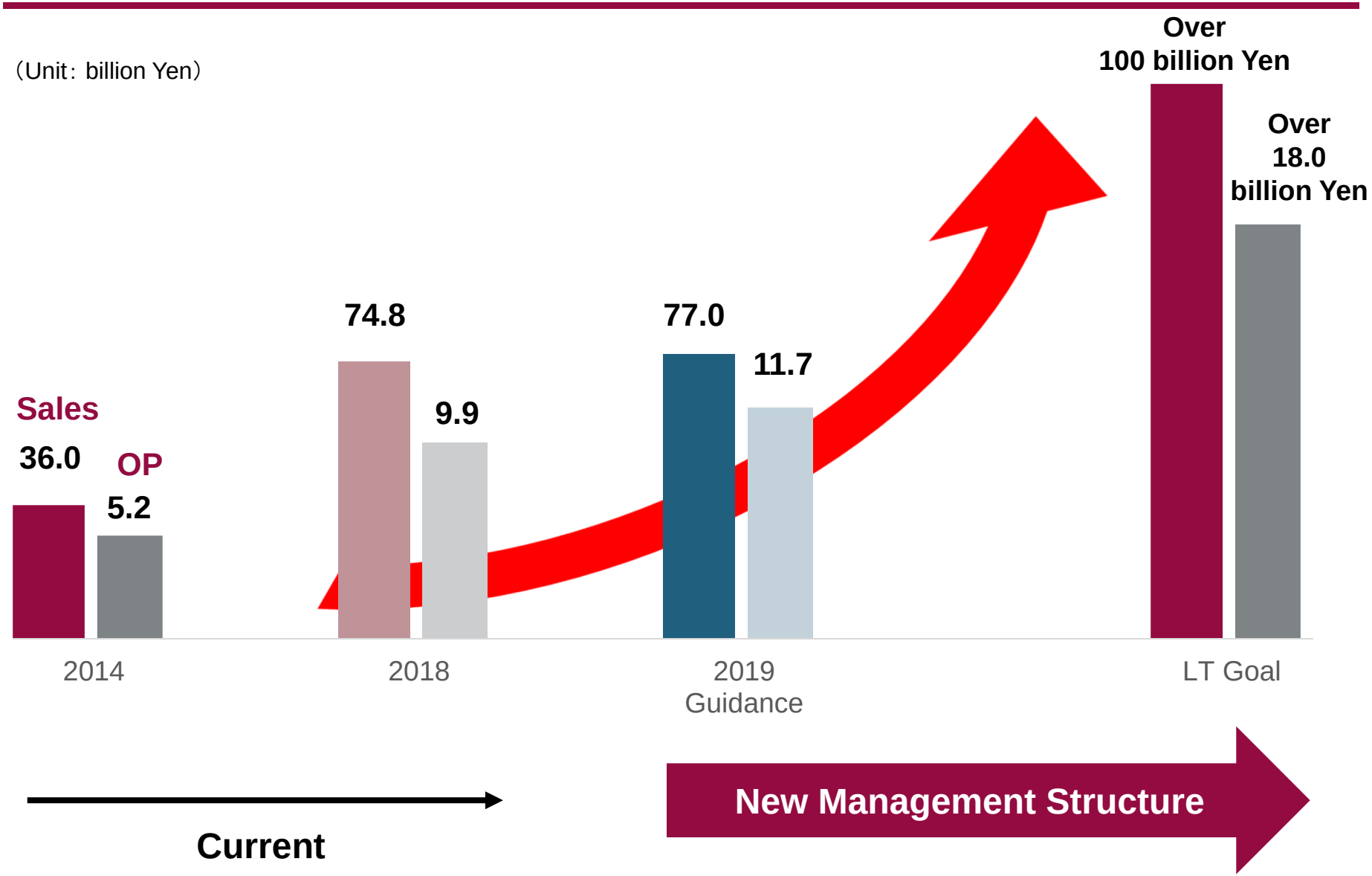
Tsutomu Takamiya	**Chairman CEO**
Koji Hirota	**President COO**
Shakil Ohara	**Senior EVP CFO**

(Current)

CEO
Senior EVP
CFO

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Further Profitable Growth



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