TRANSFORM NEXT 2023

Precision for a changing world



2021-2023 Mid-Term Strategy

May 14, 2021

Tsubaki Nakashima Co., Ltd. (TSE 6464)

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2018-2020 Mid-Term Strategy Target

- Integrated PBC business of NN Inc., which was acquired in 2017, and formed an Organization that pursues growth by becoming One Team and One Tsubaki-Nakashima
- Created a system of strict compliance by establishing sense of awareness

2018-20 Mid-Term Strategy Targets

Evolution of global control	Improve Quality, Cost, Delivery, Service	Growth
"One Team" Management System ✓ Compliance ✓ Maintain transparency ✓ Qualitative improvement of global control	**Manufacturing** ✓Improvement of productivity ✓Improvement of quality ✓Purchase cost reduction	**Sales** ✓Capture of macro growth ✓Sales Growth of ceramic ball ✓Sales Growth in Asia ✓Growth in new products

Achievements

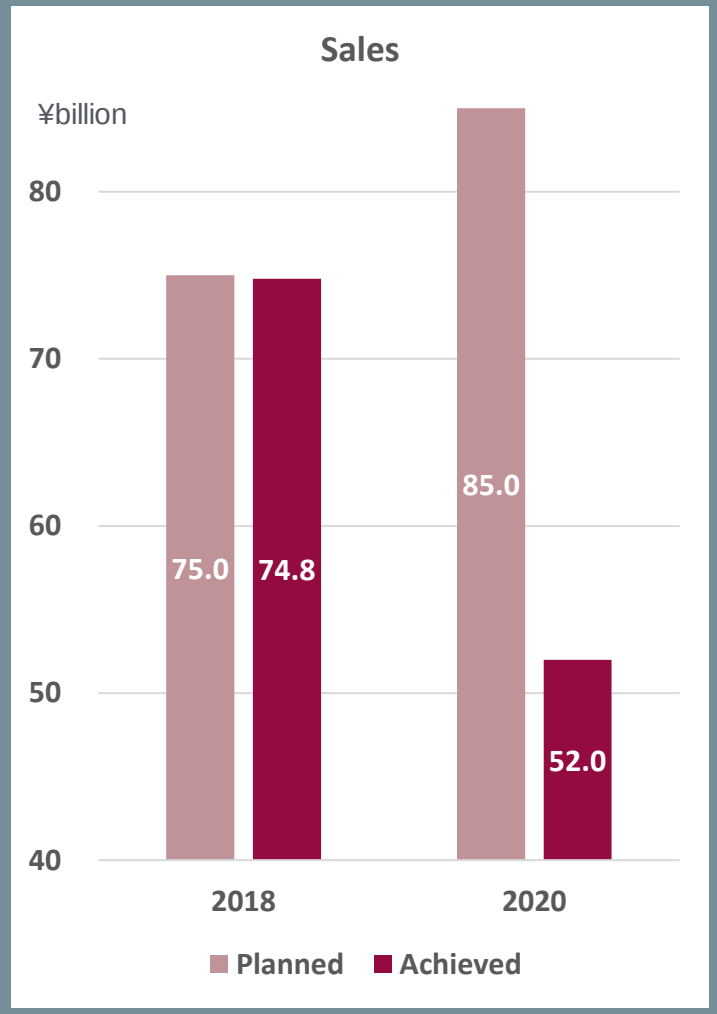
✓ Improvement of quality and quantity of global controls and a corporate structure that observes strict compliance ✓ Enhanced transparency through active communication	✓Cost improvement: reduction of purchasing and logistic costs at the global level, and stable improvement of quality and logistics	✓Sales exceeding macro growth ✓ New Global Ceramic organization in place to start the growth (2021-23) ✓Asian markets growth (to continue in 2021-23) ✓New Medical device products

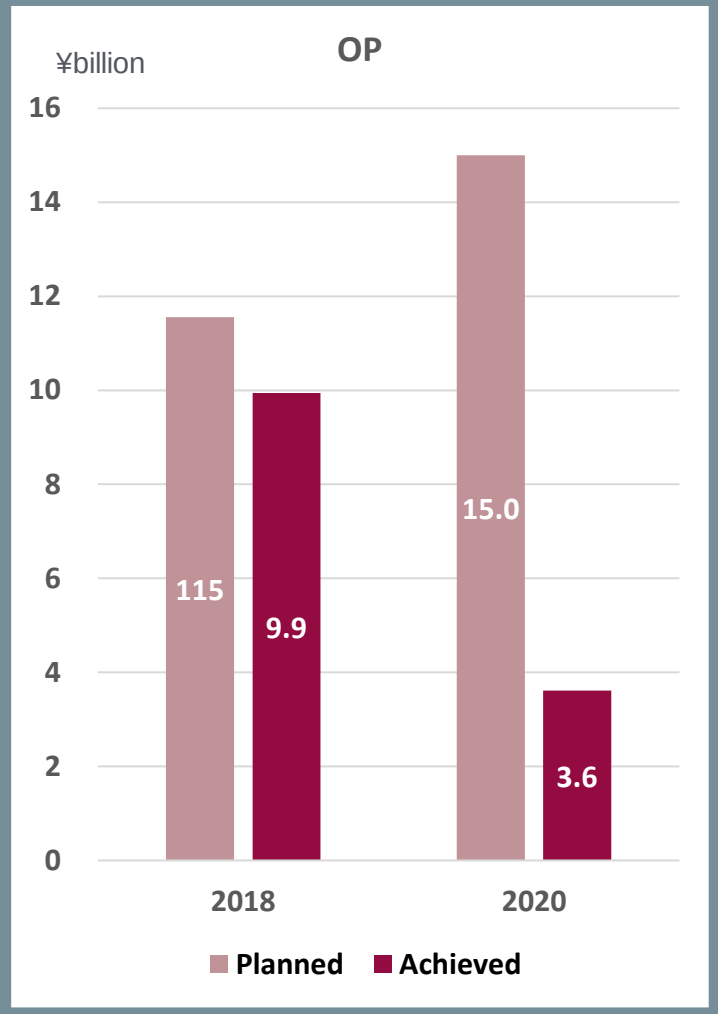
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2018-2020 Mid-Term Strategy

Sales and Operating Profit (2018 vs 2020)

- While total sales in 2018 were essentially on plan, 2020 sales were severely impacted due to both the US - China friction that began in 2019 and, most importantly, the impact of the Covid-19 pandemic
- But the sales decline in 2020 was **less** than the macroeconomic decline, and relatively speaking, our results should be viewed as positive
- 2020 was a year heavily impacted by the pandemic and sales were down 30% compared to 2018, but Operating Profit was positive in every quarter, securing a total of 3.6 billion yen





2021-2023
Mid-Term Strategy

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2021-2023 Mid-Term Strategy Policy

Growth Strategy

- ↗ Expansion of Ceramic Business More focus on Electrical Vehicles and Wind Energy
- ↗ Expansion and global development of Medical Device Business
- ↗ Expansion and strengthening in Asian Markets

Environment, Social & Governance Strategy

- ↗ Global Sustainability System
- ↗ Vision Zero Approach
- ↗ Sustainability Projects in “Monozukuri”, thru responsible use of Energy, Sludge recycling, improvement of material yield, and Ergonomics

“Best in Class” Ball Manufacturer

HR

- Human Resource Training & Development
- Promoting Inclusion & Diversity

R&D

- Talent and knowledge acquisition
- Strengthen R&D Systems

Equity

- Net D/E Ratio Improvement

Technology innovation

- ✓ **Steel Ball**
  - High performance balls
  - Countermeasure of Scratch
  - Innovation of Spherical configuration at press stage
- ✓ **Ceramic Ball**
  - New Ceramic materials/sourcing
  - Shorten grinding time

Monozukuri innovation

- ✓ Image Inspector (Ceramic/Steel)
- ✓ Automatic Transfer
- ✓ Auto Grinder
- ✓ Automatic Packaging



Increase Cash Generation Capability

Profit margin development

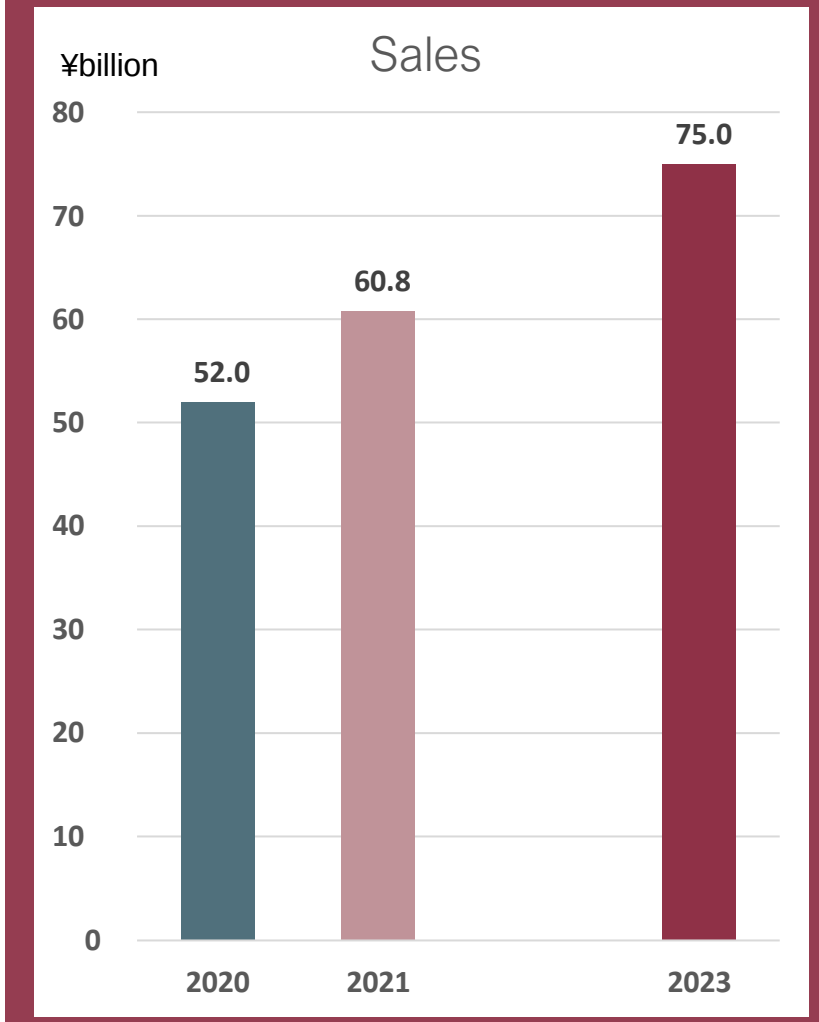
- ✓ **Improve steel ball profitability**
  - US and China
- ✓ **Remodeling**
  - Roller Business
  - Linear Business

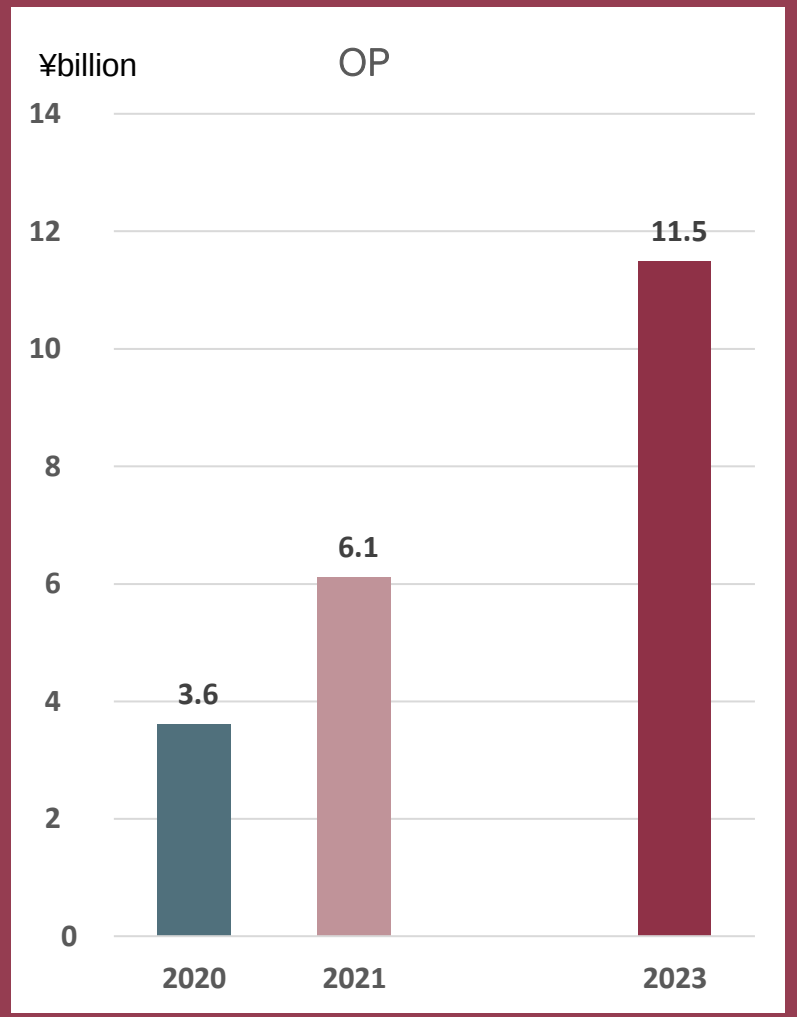
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FY2023 Targets
Sales and Operating Profit

FY2023

- Sales
  75 billion JPY
- Operating Profit
  11.5 billion JPY
- Operating Margin:
  15%





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“Growth” (Sales Strategies)

～Promotion of new three growth strategies～

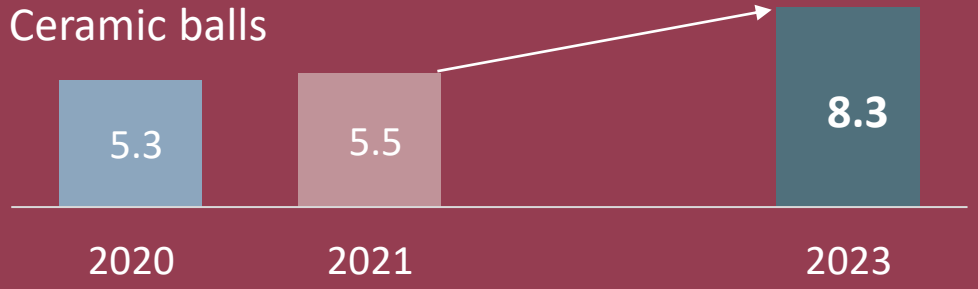
We aim for Sales of ¥75 billion by adding growth strategies to macro growth, based on Tsubaki Nakashima's competitiveness

In addition to sales growth in existing businesses that exceeds macro growth, strategies to contribute approx. 1/4 of total sales

(Unit:¥billion)

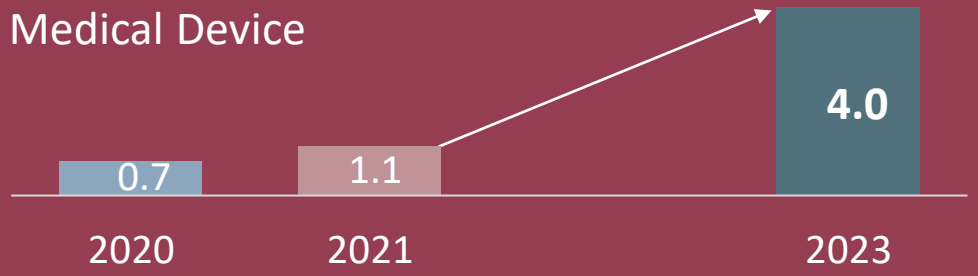
Vs 2020

1. Product Strategy：Ceramic balls



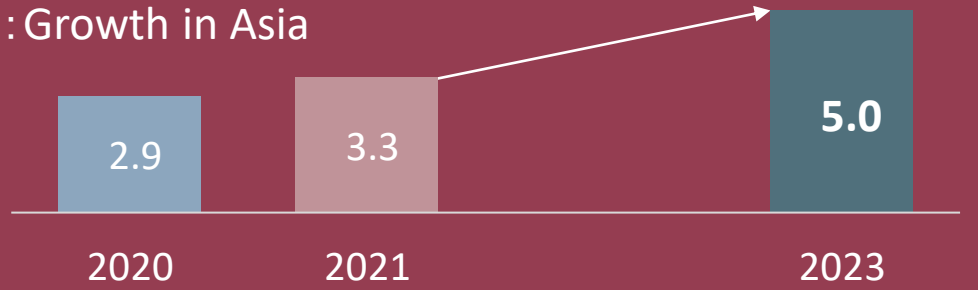
+3.0

2. Product Strategy：Medical Device



+3.3

3. Regional Strategy：Growth in Asia



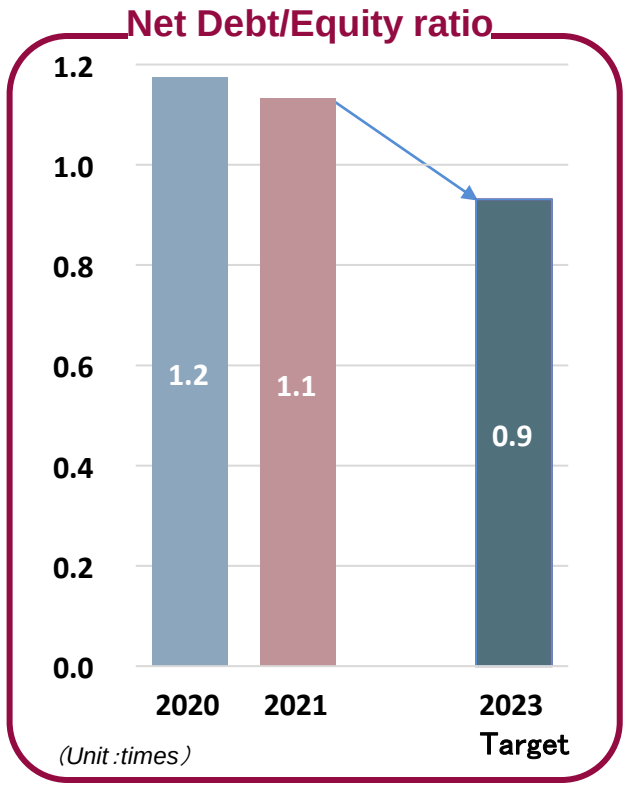
+2.1

Tot +8.4

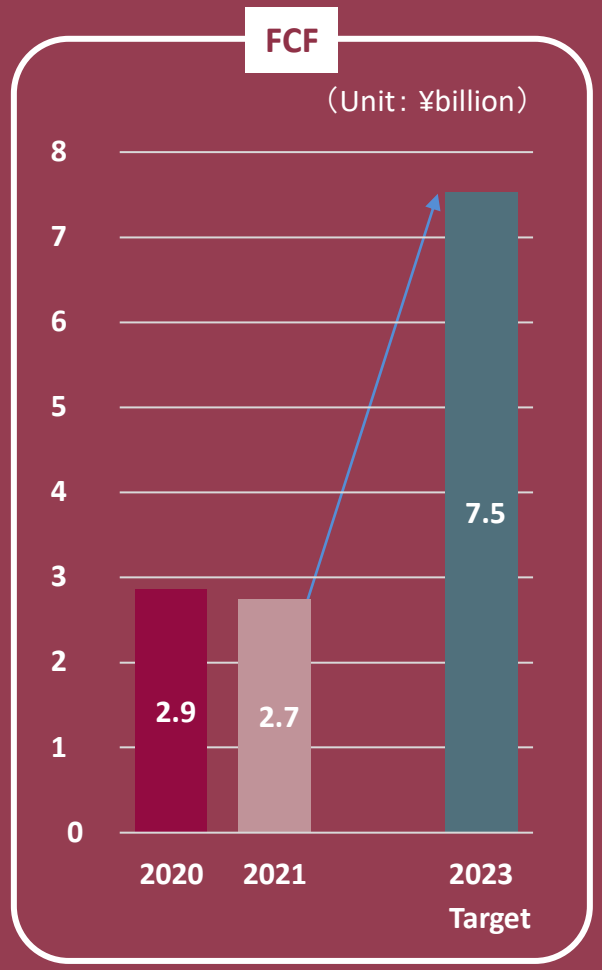
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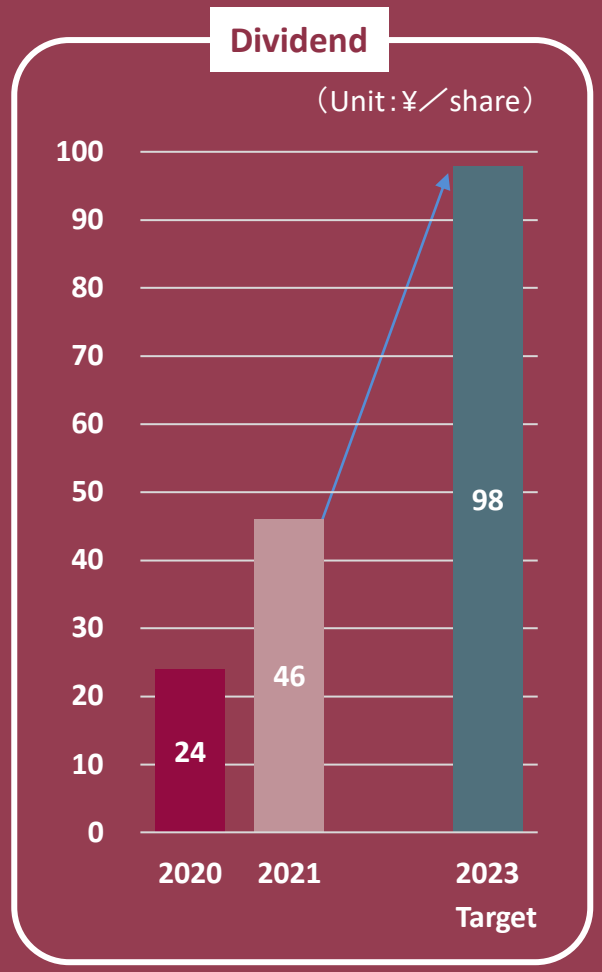
Financial Indicators

Improve Net Debt/Equity ratio by introducing hybrid loans that have features like capital



Maintain and **Improve** Issuer's rating **"BBB+"**





Dividend payout ratio of 50%

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Technology Innovation





Steel balls

- **High Performance**: complete implementation of Motus 4.0 (TN production system)
- **Scratch's zeroing** by quality improvement, effective use of materials, cost efficiency
- **Innovation** of spherical configuration at press stage: improvement of material yield rate by molding technology minimizing burrs

Ceramic balls

- **New Ceramic materials/sourcing**: development of new materials in addition to silicon nitride (composite materials and coatings)
- **Shorten grinding time**: lead-time reduction by chemical polishing, metal diamond and others

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Monozukuri Innovation





Quality improvements and resource optimization through automation and artificial intelligence

- ✓**Image Inspector (Ceramic/Steel):** Automated sorting through image processing/ Vortex Injury Inspection
- ✓**Automatic Transfer**: Continuous process by automated transfer between grinding process
- ✓**Auto grinder**: Measures grinding volume and automatically controls the grinding conditions
- ✓**Automatic Packing**: Improving efficiency by automating the packaging process, improving the work environment

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Environment, Social & Governance



Vision Zero Approach

Zero Accidents, Zero Occupational Illnesses, Zero Wastes, Zero Inequalities, Zero Lack of Knowledge

Global Sustainability System

(based on ISO 14001, ISO 45001, ISO 50001)

Monozukuri Projects

- Energy Management and Responsible use of resources
- Sludge recycling
- Improvement of material yield
- Ergonomics

TN Academy

Training Plans

One Team Management System

Employees' satisfaction

Corporate Governance

- Further strengthening of governance
- Promotion of compliance
- Strengthen the Risk Management Committee
- Strengthen the operation of the certified Whistleblowing Compliance Management System (WCMS)

E Environment

S Social

G Governance



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