TRANSFORM NEXT 2023

Precision for a changing world

FY2021 Results Presentation

February 15, 2022

Tsubaki Nakashima Co., Ltd

（TSE 6464）

Highlights for FY2021

Steady growth in sales, but sluggish growth in profit due to one-time expenses and others.　Steady increase in sales of growth strategies

Sales

- Sales achieved ¥67.9 billion. 25%※ up YoY
- Combined Sales for the growth strategies achieved ¥12.0 billion. Increase for the sixth consecutive quarter

Profits

- Operating profit achieved ¥5.8 billion. 56%※ up YoY
- Operating profit in 4Q was only ¥0.44 billion due to other expenses and others

Dividend

- Plan to pay a year-end dividend of ¥16 per share
- Annual dividend ¥44 per share (Interim dividend ¥28)

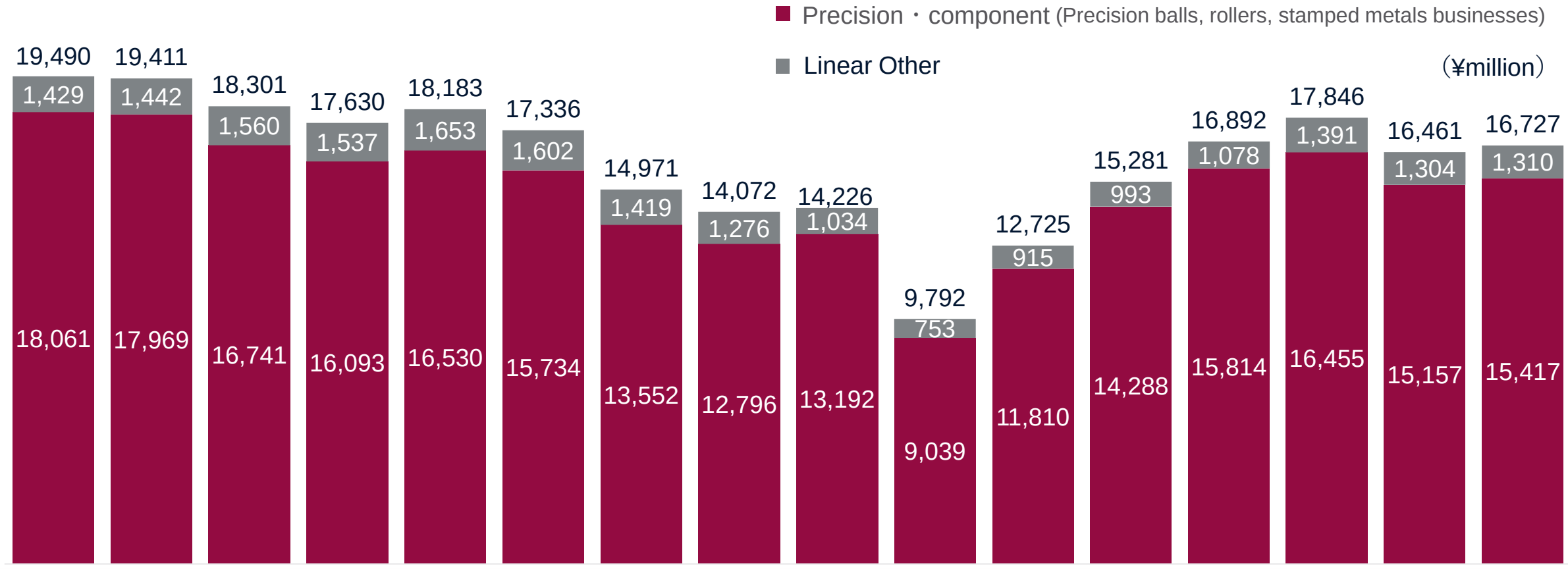
※ Excluding “FX impact”

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Sales by Quarter

Sales of Precision Components increased by 1.7% QoQ
sales of Linear Other increased by 0.5% QoQ

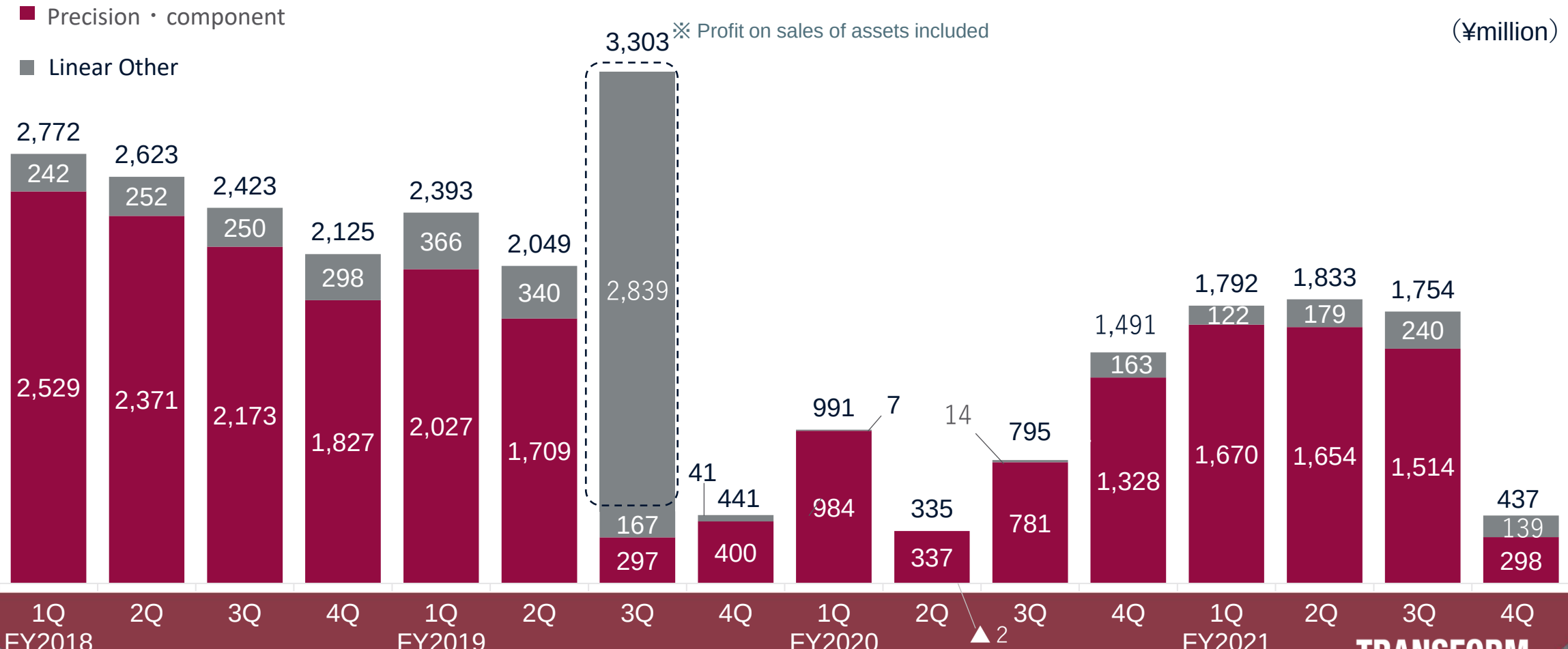


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Operating profit by Quarter

OP decreased by 75.1% QoQ due to other expenses and others



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FY2021 Consolidated results

Sales increased by 24.5% YoY, and OP increased 55.5 YoY (excluding FX impact)

	FY2020	FY2021			
	Actual	Actual	FX impact	Inc/dec※1	Inc/dec%※1
Sales	52,024	67,926	3,174	12,728	24.5%
Operating profit	3,611	5,816	202	2,003	55.5%
OP%	6.9%	8.6%	—	—	—
EBITDA	6,953	9,224	380	1,891	27.2%
PBT	2,572	5,008	668	1,768	68.7%
Net profit	1,877	3,554	570	1,107	59.0%

※1 “Inc/dec" and “Inc/dec%" exclude “FX impact

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FY2021 Segment/Region Sales

YoY growth rate of the Precision Components segment exceeded macro growth

	FY2020	FY2021			
	Actual	Actual	FX impact	Inc/dec※1	Inc/dec%※1
Consolidated	52,024	67,926	3,174	12,728	24.5%
Precision Components※2	48,329	62,843	3,107	11,407	23.6%
Japan	9,485	12,929	—	3,444	36.3%
North America	10,826	12,533	347	1,360	12.6%
Europe	17,013	22,614	1,423	4,178	24.6%
Asia	11,005	14,768	1,336	2,427	22.1%
Linear and Other	3,695	5,083	67	1,321	35.8%

※1 “Inc/dec" and “Inc/dec%" exclude “FX impact

※2 Excluding inter-segment profit

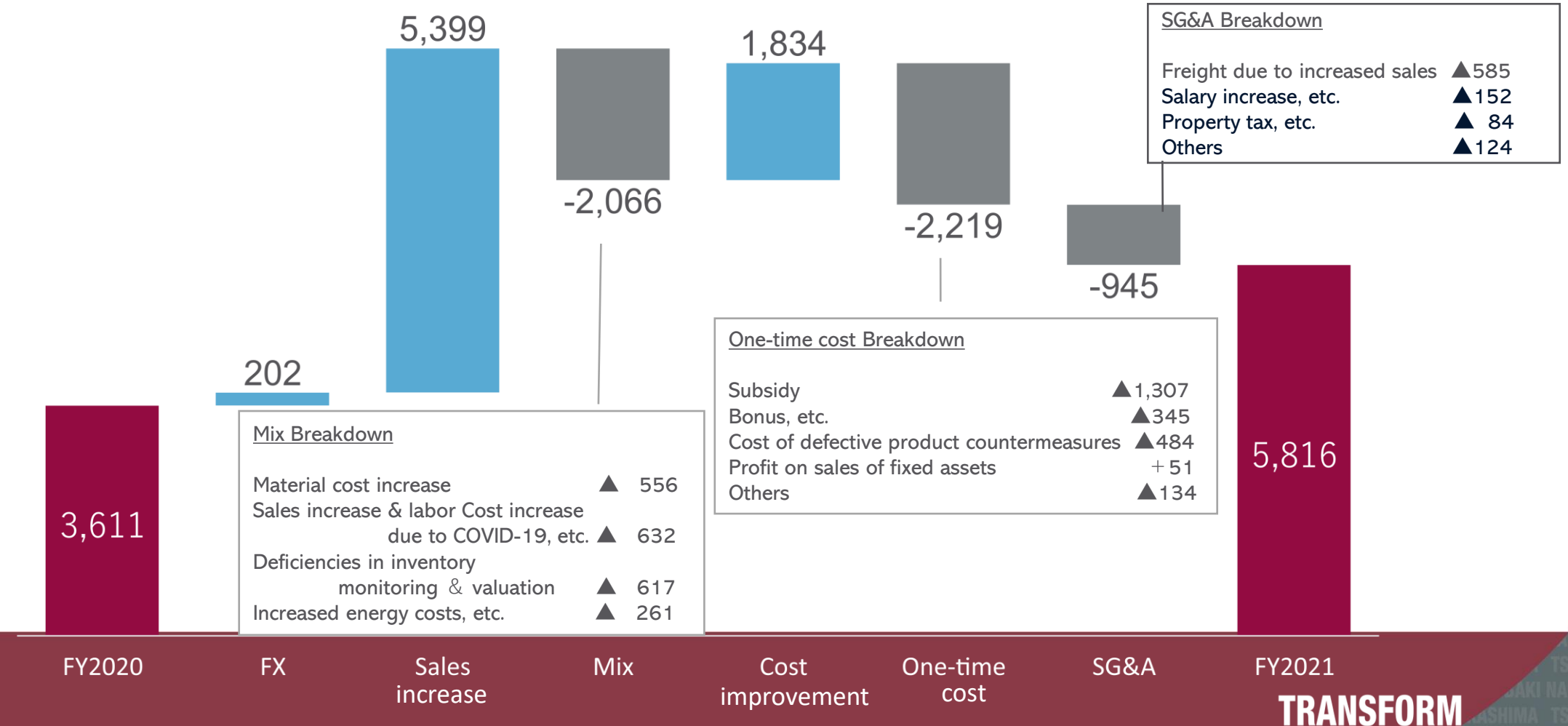
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FY2021 Operating profit bridge vs FY2020

Owing to contribution from sales increase and cost improvement, OP increased by 61.1% to ¥5.816 billion vs. FY2020

(¥million)



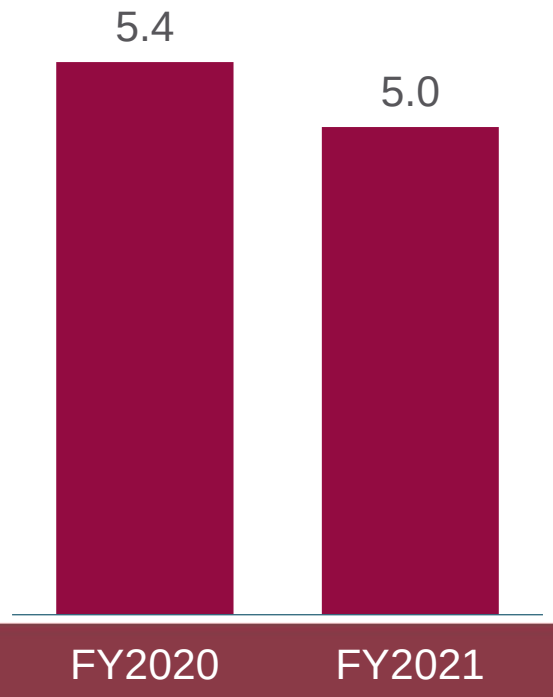
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BS/CF

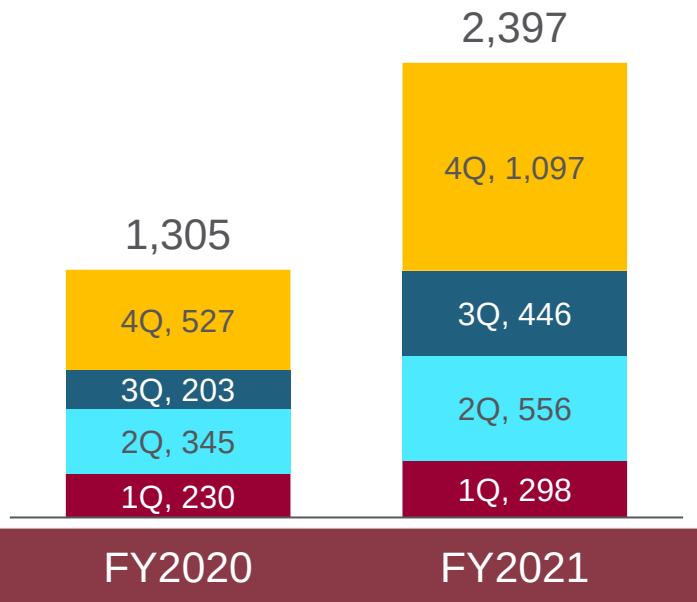
Inventory Turn-over (months)

The Turn-over period improved owing to the increase in sales



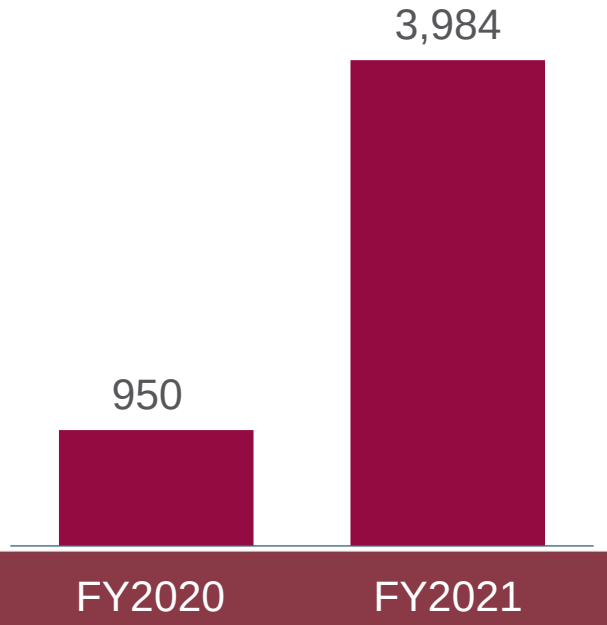
CAPEX (¥million)

Promoting capital investment for growth



Free CF (¥million)

Generated FCF significantly higher than the previous fiscal year



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Progress in Growth Strategies

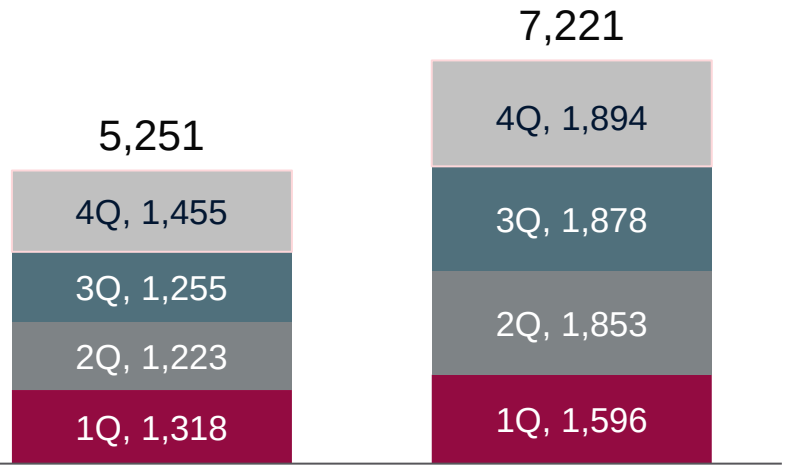
In the three growth strategies, each strategic division performed well
Sales of Ceramic balls increased by 37.5% YoY

(¥million)

Ceramic balls

YoY +1,970 +37.5%

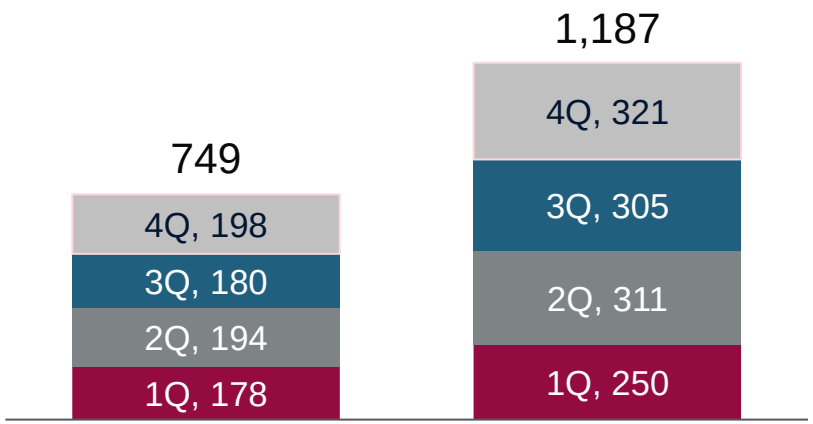
QoQ +16 +0.9%



Medical Device

YoY +438 +58.5%

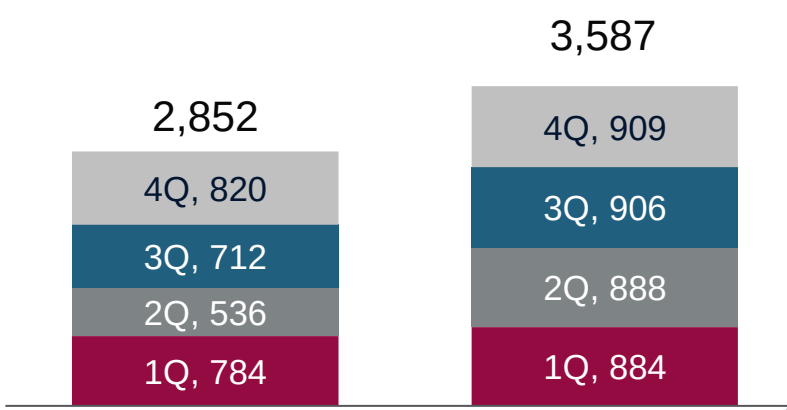
QoQ+16 +5.2%



Growth in Asia
(ex. China, ceramic)

YoY +735 +25.8%

QoQ +3 +0.3%



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FY2022 Management Policy

In 2021, despite the impact of COVID-19, market volatility, and rising raw material and energy costs, we increased sales, but we failed to generate profits as planned due to temporary problems in quality and inventory control. In 2022, we will solve the above problems and recover with a growth strategy as the core.

Growth Strategy

Capture the macro recovery and enhance sales both in quantity & quality through growth strategies

- Accelerated growth of Ceramic Business
- Expansion of sales in Medical Device Business / Asian markets

Sales・Profits

- Based on established cost improvements, resolve various issues for FY2021 and restore/improve earning power：Sales ¥77 billion (+13.4% YoY) , Operating profit ¥5.65 billion (▲2.9% YoY)

Building a Foundation for the Future

① Restructuring of European Roller Business （Withdrawal the roller business from the Netherlands →Gaining cost competitiveness by consolidating Bosnia)

②Laying the groundwork for India's second plant completed

③Major expansion of ceramic ball supply capacity to support rapid progress in EV

- Major expansion of production capacity in Thailand ・ Securing of raw materials and diversification of sourcing

④ Monozukuri Innovation at Mother Factory (Katsuragi, Japan)

Shareholder Return

- Persistence of dividend policy： Aiming for an annual dividend of ¥30 per share

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FY2022 Guidance

Excluding ¥3 billion in expenses related to the restructuring of the European rollers, operating profit will be ¥8.65 billion, and the real operating margin will recover to 11.2%.

	FY2021		FY2022			
	Actual	% of Sales	Guidance	% of Sales	Inc/dec	Inc/dec
Sales	67,926	100.0%	77,000	100.0%	9,074	13.4%
Operating profit	5,816	8.6%	5,650	7.3%	▲166	▲2.9%
PBT	5,008	7.4%	4,555	5.9%	▲453	▲9.0%
Net profit	3,554	5.2%	2,432	3.2%	▲1,122	▲31.6%
EPS (Yen)	88.04	—	59.75	—	▲28.29	▲32.1%
DPS (Yen)	44	—	30	—	▲14	▲31.8%

Exchange rate assumption : 1USD 111Yen, 1EURO 131Yen, 1RMB 17.1Yen

（2021 Actual average rate：1USD 109.80Yen, 1Euro 129.89Yen, 1RMB 17.03Yen)

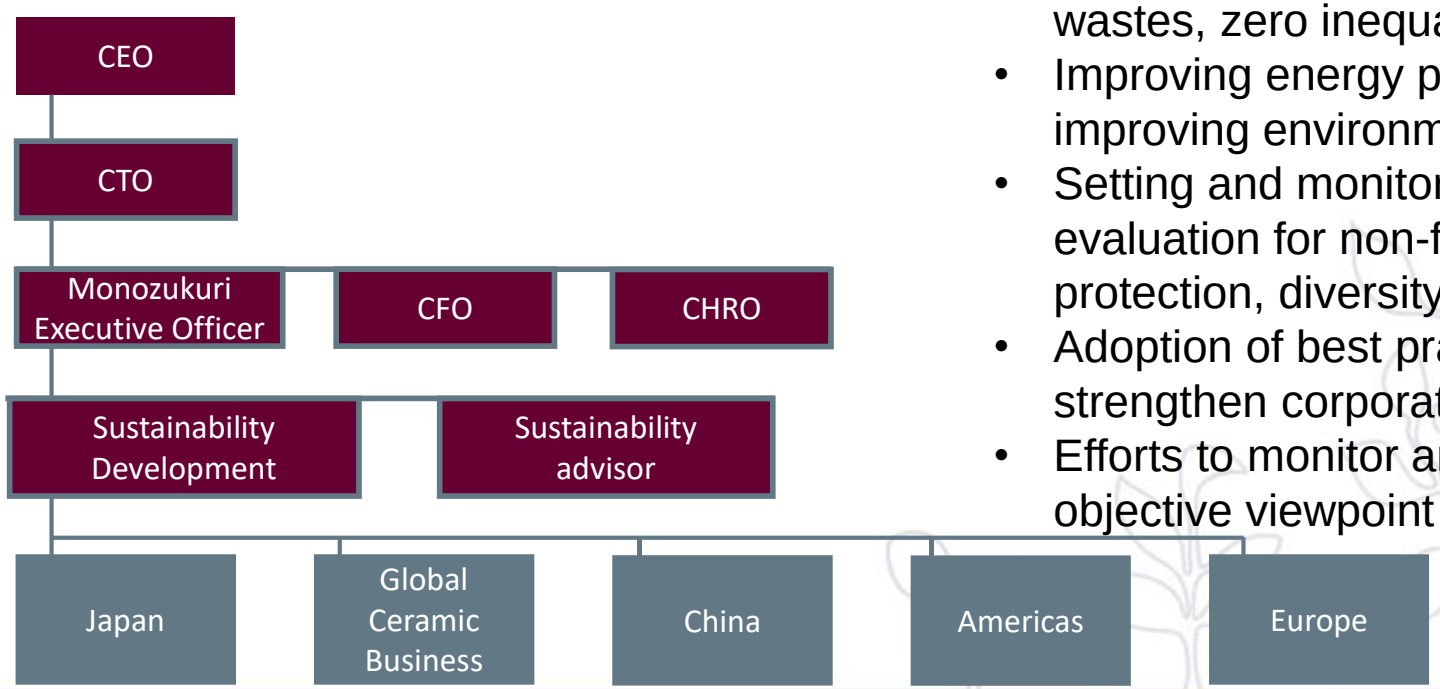
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Sustainability Initiatives(1/2)

The Group's Mid-Term Strategy "Transform Next 2023" is based on ESG strategies. We established a Sustainability Committee in order to put our environment, social and governance initiatives into a concrete process and become a sustainable and profitable company. This committee is the main body to lead and realize the following initiatives.

【Sustainability Committee Organization Chart】



- Continuous improvement of the organization, processes, products, and services, aiming at zero accidents, zero occupational illnesses, zero wastes, zero inequalities, and zero lack of knowledge (5 ZERO).
- Improving energy performance, reducing carbon emissions and improving environmental impact.
- Setting and monitoring numerical targets, and promoting strategy and evaluation for non-financial goals such as ethics, human rights protection, diversity, and equality.
- Adoption of best practices from Japan and overseas to further strengthen corporate governance.
- Efforts to monitor and improve ratings from ESG rating agencies as an objective viewpoint

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Sustainability Initiatives(2/2)
CO_2 Emission ReductionTargets

CO_2 emission reduction targets by 2030 are identified through science-based modeling of emission reduction targets. We will set targets based on the goals set forth in the Paris Agreement and the United Nations AGENDA 2030, and proceed with scientific and steady efforts typical of a Monozukuri company.

2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
182.923 TON CO_2	166.276 TON CO_2	190.849 TON CO_2	169.204 TON CO_2	164.631 TON CO_2	160.058 TON CO_2	155.485 TON CO_2	150.911 TON CO_2	146.338 TON CO_2	141.765 TON CO_2	137.192 TON CO_2	132.619 TON CO2

OUR TARGETS

- -27.5% Ton CO_2 by 2030 compared to 2019
- Aiming to achieve carbon neutrality by 2050

ESG Strategy

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