



3Q Results Presentation FY12/2016

October 27, 2016

Tsubaki Nakashima Co, Ltd.

(TSE 6464)

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This presentation is an English translation of the material initially written in Japanese, which should be considered to be the primary version.



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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.



1. 3Q RESULTS FY12/2016

3Q FY12/2016 Summary



Sales on performance basis and Op.Profit % exceeded last years' 3Q Results despite delayed recovery in Industrial machinery demand and Yen appreciation

External factors



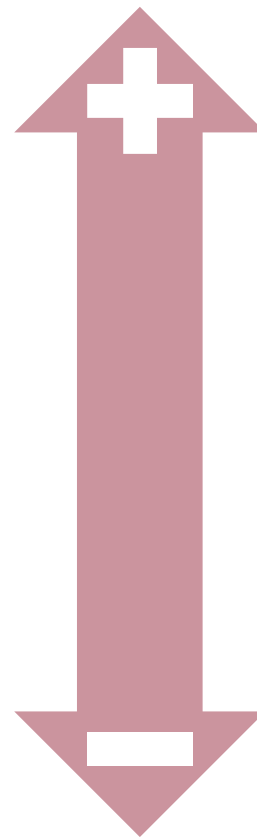
TSUBAKI NAKASHIMA CO.,LTD.

Internal factors

Auto related business was on track as we expected at the beginning of the year

Demand from machine tools market was weaker than anticipated

Yen appreciation negatively impacted consolidated results



Ball business grew as expected including 4 strategic growth initiatives.

Kept focus on cost reduction and B/S management.

Highlights for 3Q FY12/2016



Sales

- Business related to automotive sector did well globally as expected at the beginning of the year.
- Recovery in industrial machine related demand lagged behind more than anticipated.
- Execution of ball sales expansion strategy progressed well.
- Sales were in line with Full year forecast disclosed on 03 August 2016

Profits

- Achieved OP.Profit % of 19.2% which was an improvement of 0.1% over last year owing to continued cost improvement initiatives
- Achieved Op.Profit in line with full year forecast disclosed on 03 August 2016

Cash

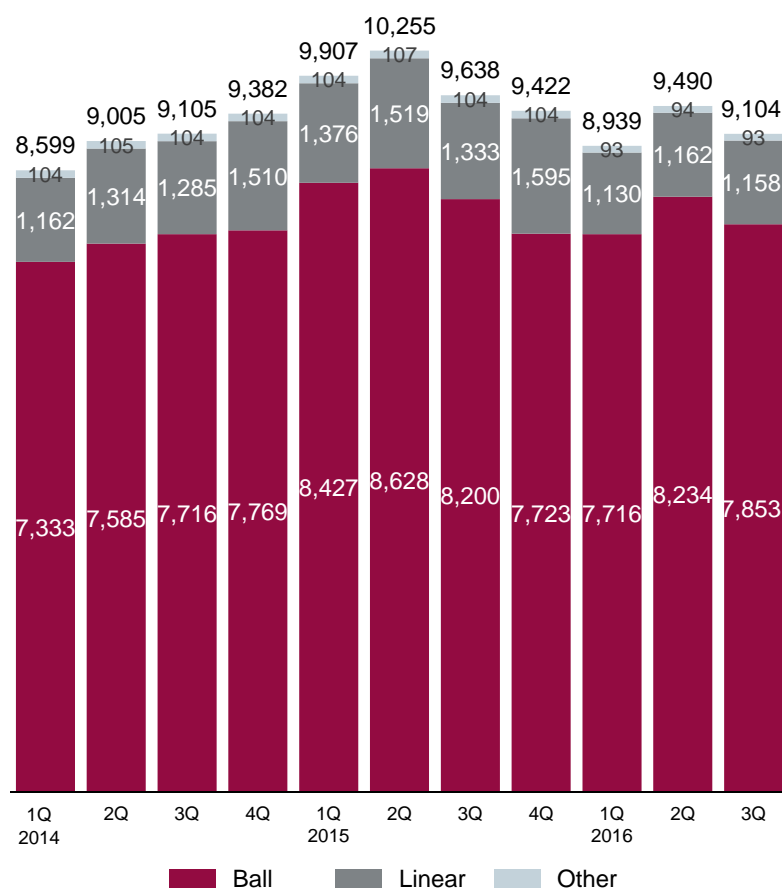
- Generated free cash flows from strong balance sheet management
- Share buy-back approved in extra ordinary board meeting on 27 Oct 2016
- Year-end dividend: 33yen/share (as is)



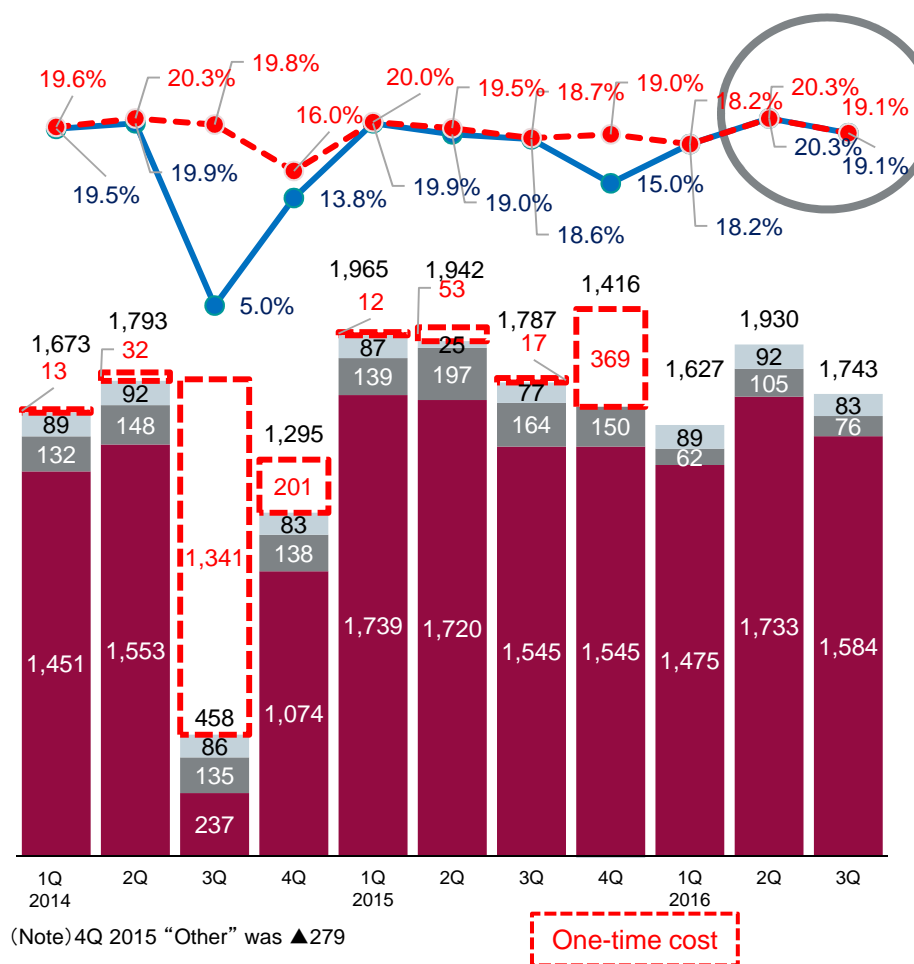
Sales and Operating margin trends by quarter

Sales and Op.Profit in line with forecast disclosed on 03 August 2016

Sales (¥ million)



Operating profit - Operating Margin (¥ million, %)



FY12/2016 3Q Consolidated results

vs FY12/2015 3Q



Achieved a growth of 0.3% in sales excluding Fx impact and 0.1% improvement in Operating profit margin despite delay in recovery of demand in machinery sector

(¥ million)

	FY2015 3Q	FY2016 3Q			
	Actual	Actual	FX impact	inc/dec (w/o FX)	inc/dec% (w/o FX)
Sales	29,767	27,533	▲2,316	+82	+0.3%
Operating profit	5,694	5,299	▲396	+1	+0.0%
Operating margin	19.1%	19.2%	—	—	—
EBITDA	7,033	6,497	▲527	▲9	▲0.1%
EBITDA margin	23.6%	23.6%	—	—	—
EBIT	5,149	4,161	▲973	▲15	▲0.3%
Net profit (※1)	3,812	3,057	▲750	▲5	▲0.2%

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

FY12/2016 3Q Sales by business segment vs FY12/2015 3Q



Ball business grew 3.3%, excluding Fx impact, due to execution of growth strategies and covered sales shortfall in Linear business due to delay in demand recovery in machinery sector

(¥ million)

	FY2015 3Q	FY2016 3Q			
	Actual	Actual	FX impact	inc/dec (w/o FX)	inc/dec% (w/o FX)
Consolidated	29,767	27,533	▲ 2,316	+82	+0.3%
Ball business	25,256	23,803	▲ 2,294	+841	+3.3%
Linear business	4,229	3,450	▲ 22	▲ 757	▲ 17.9%
Other	282	280	—	▲ 2	▲ 0.7%

FY12/2016 1H Sales by region (Ball business only) vs FY12/2015 3Q



EU and Asia sales growth showed momentum

(¥ million)

	FY2015 3Q	FY2016 3Q			
	Actual	Actual	FX impact	inc/dec (w/o FX)	inc/dec% (w/o FX)
Japan	9,572	9,353	—	▲219	▲2.3%
North America	4,653	4,077	▲458	▲118	▲2.5%
Europe	4,722	4,494	▲862	+634	+13.4%
Asia	6,309	5,879	▲974	+544	+8.6%

(For reference only) FY12/2016 3Q
Sales by region (Segments as in consolidated results)



Sales by region(consolidated results) is as given below. Japan was adversely impacted by Linear business since demand recovery in machinery sector lagged behind

(¥ million)

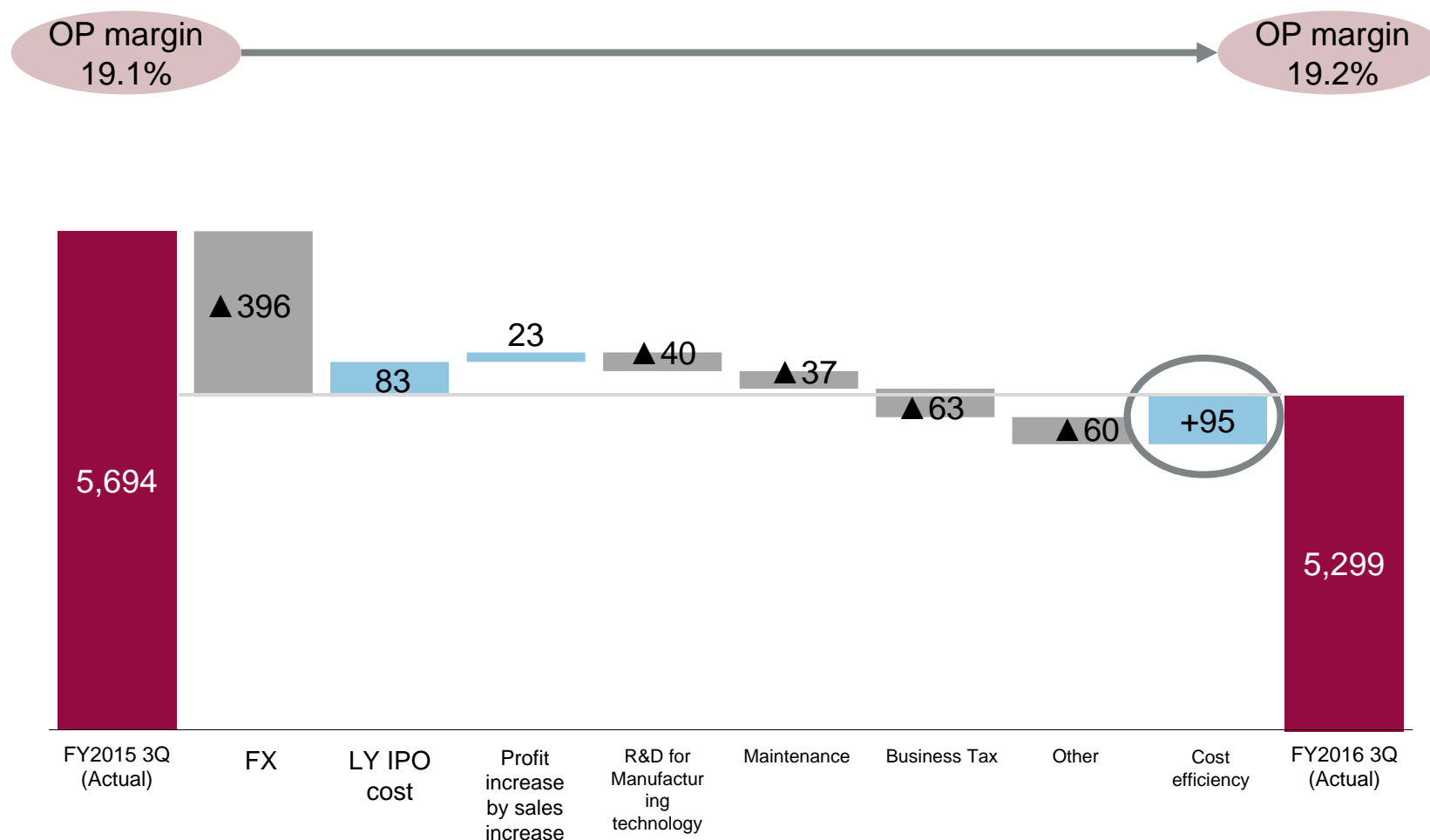
	FY2015 3Q	FY2016 3Q			
	Actual	Actual	FX impact	inc/dec (w/o FX)	inc/dec% (w/o FX)
Japan	13,836	12,932	—	▲904	▲ 6.5%
North America	4,653	4,077	▲458	▲119	▲ 2.5%
Europe	4,722	4,494	▲862	+634	+13.4%
Asia	6,556	6,030	▲996	+470	+7.2%



FY12/2016 3Q Operating margin bridge

Operating margin improved by 0.1% due to cost improvement initiatives, Total Operating profit was lower due to adverse Exchange impact

Operating profit (vs FY12/2015 3Q)



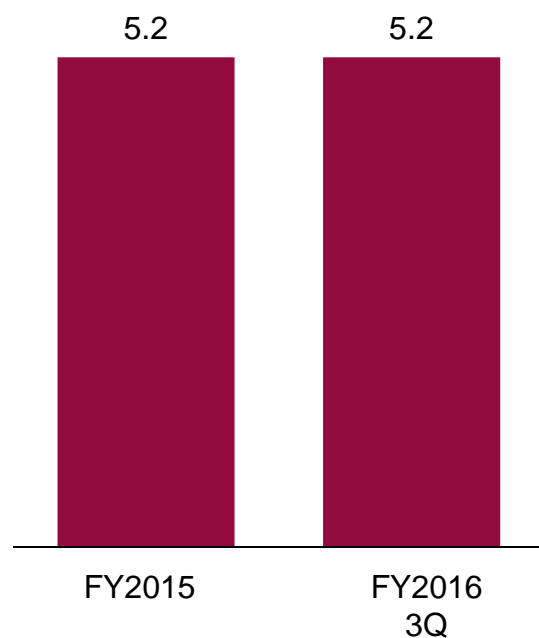


BS/CF

Steady cash flows from constant improvement of BS and CF.

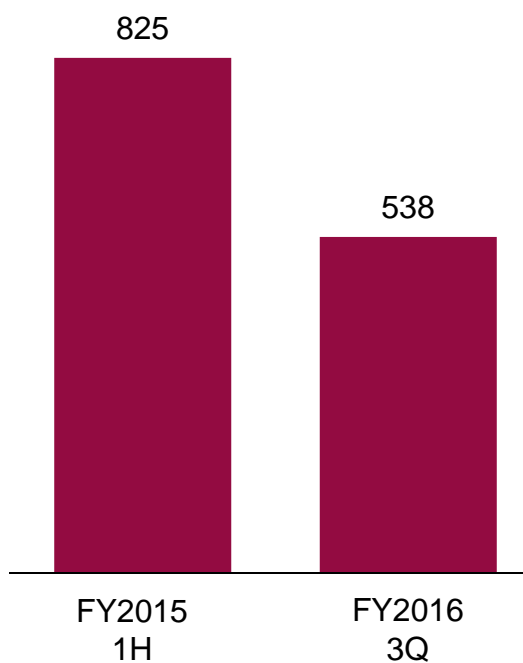
Inventory Turn-over (months)

- Keep same level as last year due to efficient inventory control



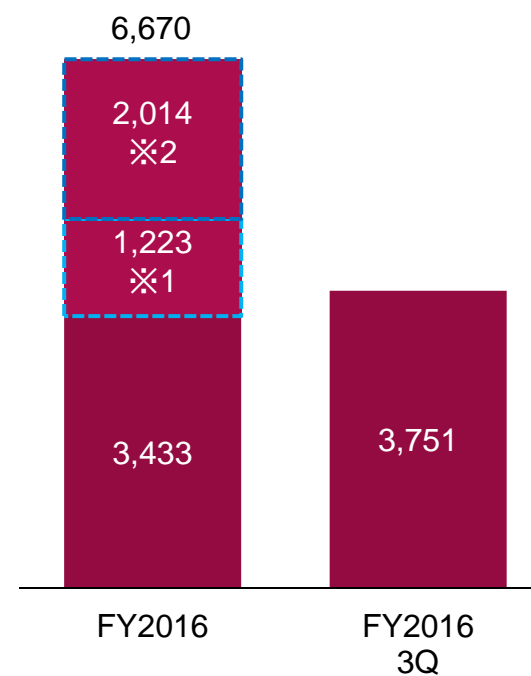
CAPEX (¥ million)

- Keep necessary and sufficient level of CAPEX



FCF (¥ million)

- Generate Cash flows constantly



(*1)Initial effect of A/R liquidation
(*2)Initial effect of inventory reduction
(0.6months × Monthly average sales)

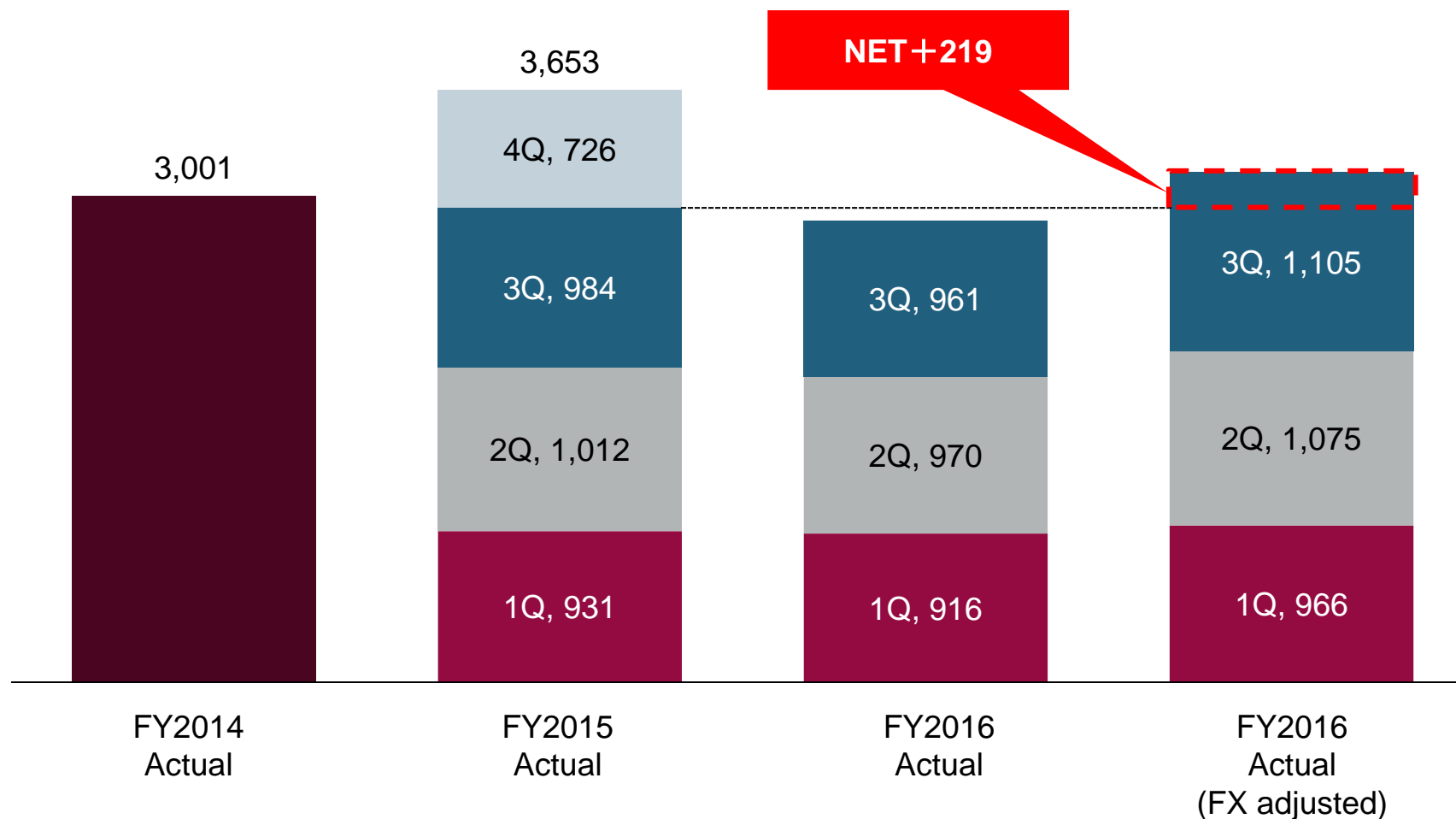
Growth strategy execution

① Sales to Non-Japanese Customers



Steadily gaining despite negative FX impact and Macro environment.

(¥ million)



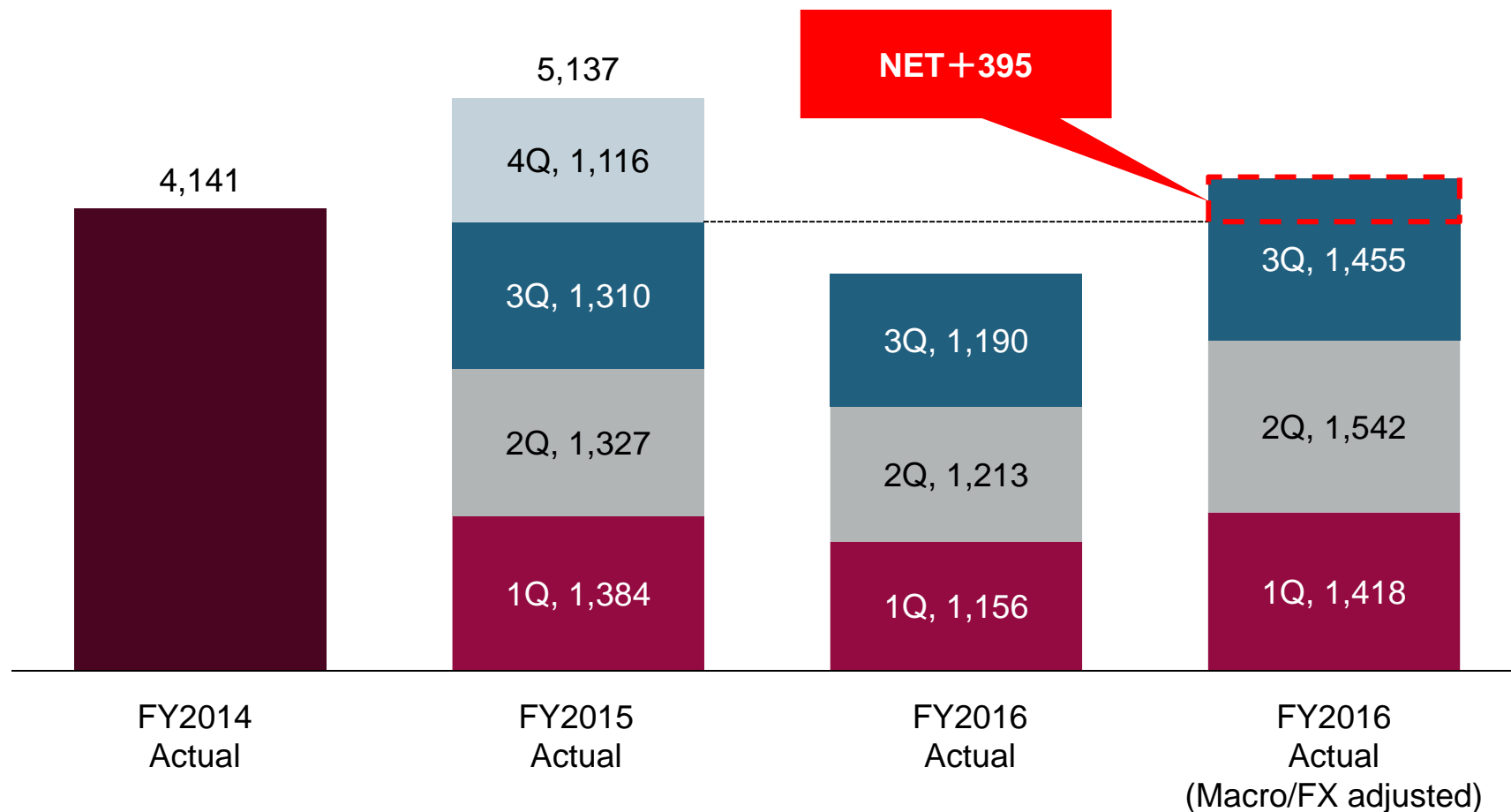
Growth strategy execution

②Ceramic balls



Ceramic balls sales increased on performance basis, adjusted for FX impact and negative growth of machine tools industry.

(¥ million)



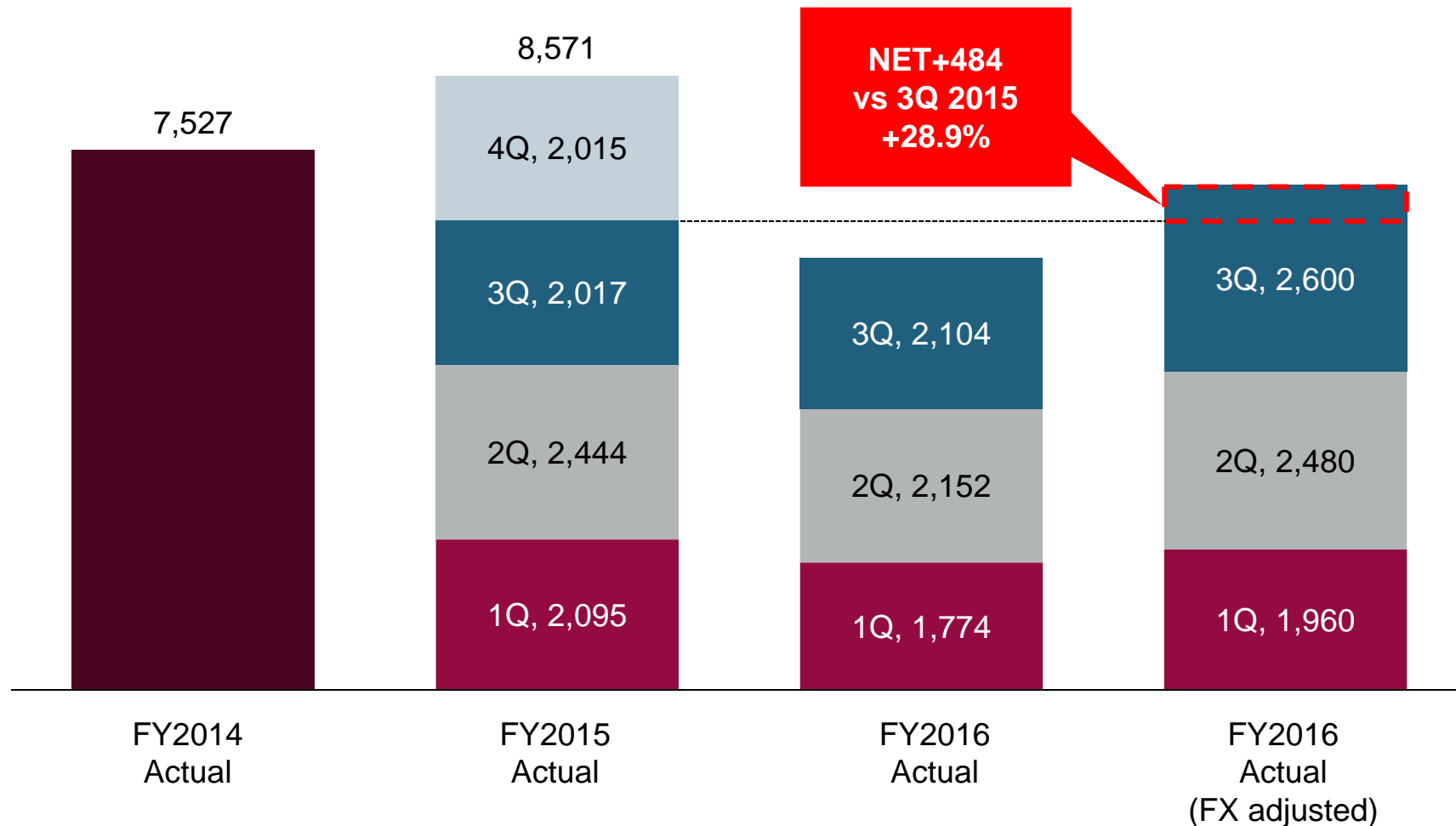
Growth strategy execution

③Growth in Asia



Sales growth started in Q2 gathered further momentum and sales increased on performance basis

(¥ million)



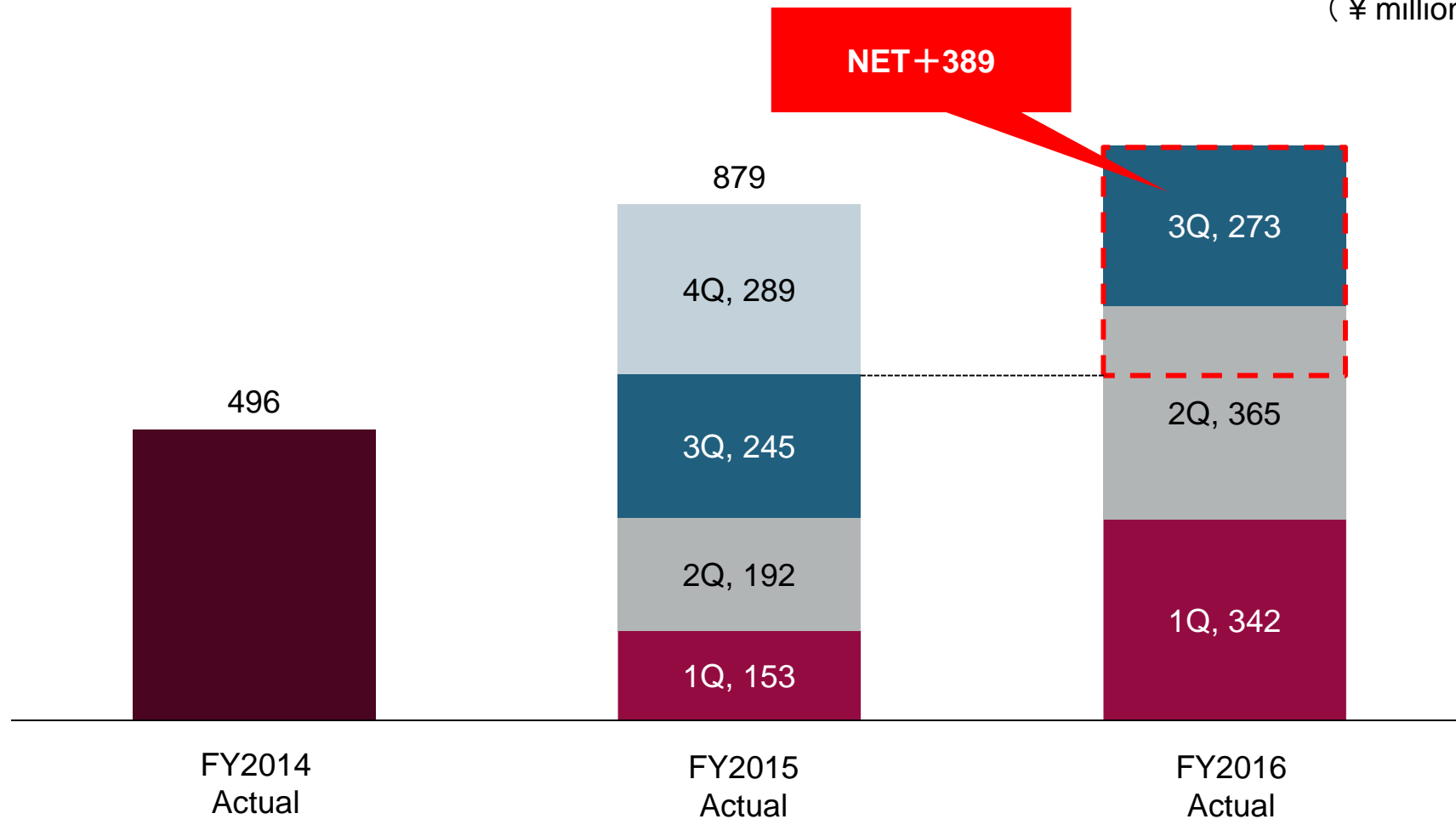
Growth strategy execution

④New Frontiers



Growth continued due to demand from emerging markets -- Especially from China optical network investments

(¥ million)



(※1) No FX impact due to domestic sales