

FY2023 Results Presentation

February 9, 2024

Tsubaki Nakashima Co., Ltd.

(Prime Market of TSE 6464)



FY2023 Management Policy

Sales · Profits

- Recovery of earning power
 - Strengthen sales content
 - Thoroughly pass on cost inflation to sales prices
 - Americas Business: President changed in Sept. 2022 + Bringing in a dedicated team /Accelerate reforms and put the company on a revival track under the direct control of the CEO from Feb. 2023.
 - Linear Business: CGO is appointed as a head from Feb. 2023, combined outside professional resources with our employee to rebuild the business drastically by reshuffling and reforming overall business with a focus on Monozukuri

■ Sales ¥86 billion, Operating profit ¥9 billion

Growth Strategy

- Accelerate growth of the ceramics business: contribution to customer strategy, diversification & Increase in Customers
- Medical Device Business: Improve earnings and expand sales channels in existing business and develop new markets
- Asian markets: Expanding presence

Building a Foundation for the Future

- Toward “Best in Class” Monozukuri Companies
 - Increase development speed/ Streamlining and strengthening development resources
 - Investment in human resources
- Strengthening DX initiatives
- Building a Global Roller Business → Business expansion with an eye on European & North American markets

Shareholder Return

- In FY2023 and beyond, the Company intends to maintain an annual dividend of ¥30 per share in principle as a stable dividend regardless of profit level, while maintaining a stable dividend payout ratio of 35%.

Looking back at FY2023

Sales ¥80.3 billion

Operating Profit ¥0.85 billion (¥6.8 billion excluding impairment losses, etc. of ¥4 billion & restructuring expenses of ¥1.9 billion)

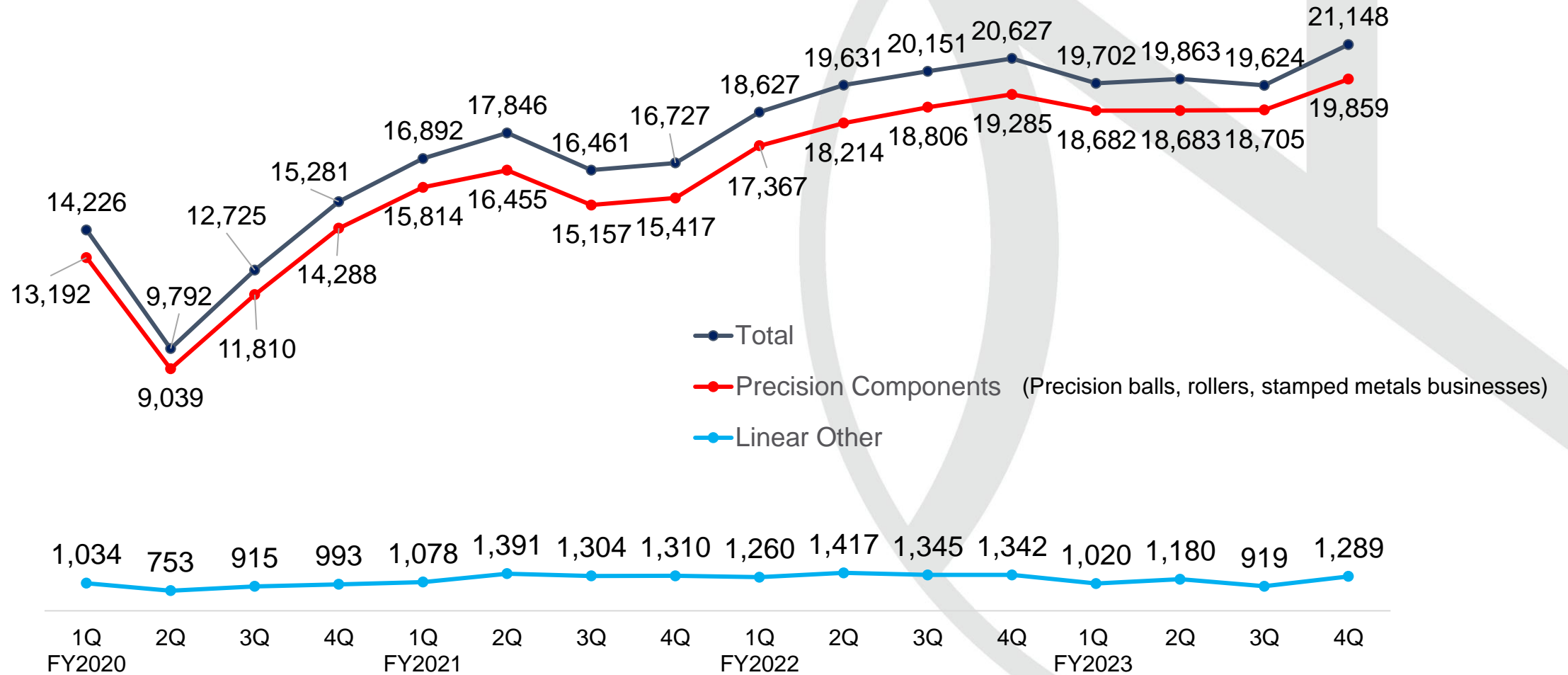
- Linear Business : Because fundamental reforms remained sluggish, and we were unable to prevent a sales decline and earning deteriorating due to declining demand for machine tools in Japan and the sluggish Chinese economy, we plan to sell the Linear Business (manufacturing and selling of ball screws and ball ways) at a loss of ¥4 billion within 2024, thereby eliminating the pending issue
- Closure of stamping parts plant in the Netherlands (¥1.9 billion restructuring expenses), thereby completing the elimination of the former unprofitable Netherlands business (roller & stamping)
- Americas Business : Consolidation of steel ball production at the Georgia plant to two plants in Tennessee to improve production efficiency and costs, and focus on diversifying and expanding sales, which had been an issue
- Sales of steel balls declined due to inventory adjustments by customers and lower demand for machine tools and general industrial applications, and the target profit was not achieved
- Cost improvement is firmly established
- Price pass-through of energy, raw material, and other cost inflation is to be promoted by making rules & applying them
- Profit recovery covered by growth areas centered on ceramics business
- Growth strategy: M&A to strengthen medical devices. Ceramic sales fell short of the target, although demand for EVs offset the decline in demand for machine tools and general industrial applications. Sales to Asian markets were lower than the previous year due to the economic slowdown in China
- Dividend : A year-end dividend of ¥0 per share
Annual dividend ¥13 per share (Interim dividend ¥13)

Sales by Quarter

Sales of Precision Components increased by 2.9% YoY, increased by 6.2% QoQ

Sales of Linear Other decreased by 3.9% YoY, increased by 40.3% QoQ

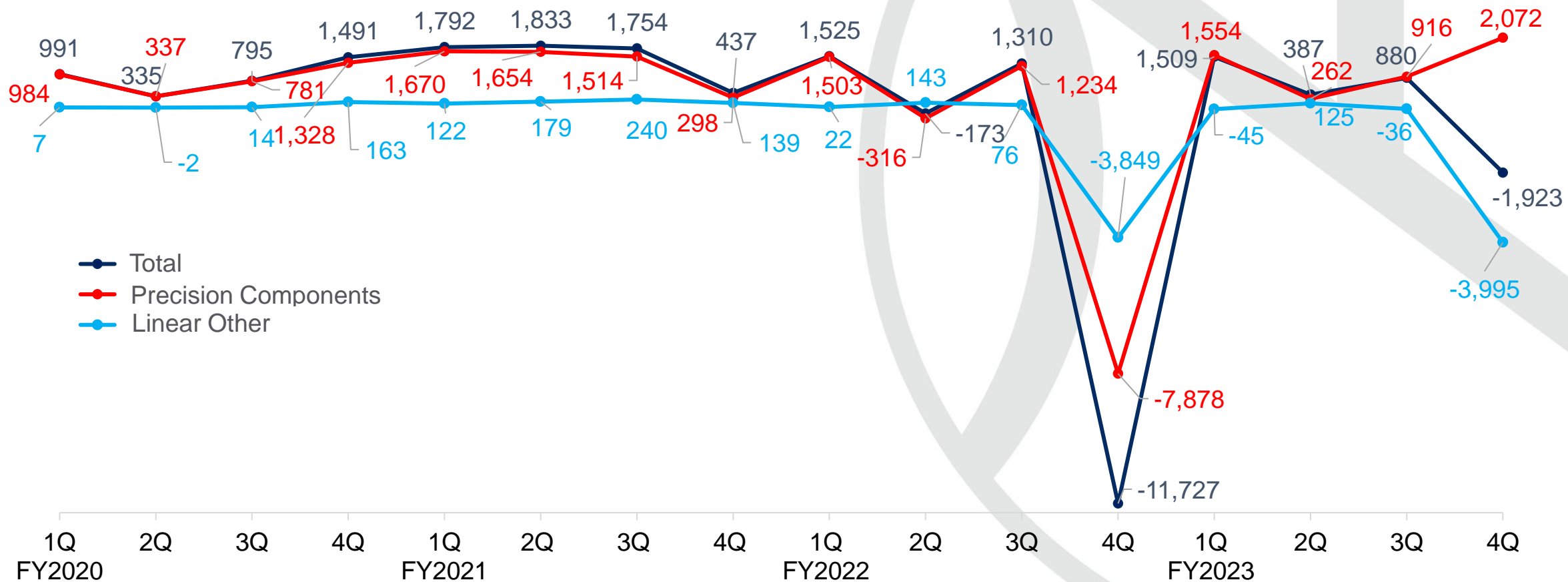
(¥million)



Operating profit by Quarter

Precision Components : 4Q OP of ¥2,072 million (increased by 126.2% QoQ)

Linear Other : OL of ¥3,995 million due to impairment losses, etc. of ¥4,042 million expected from the transfer of the ball screws and ball ways manufacturing and selling business in the 4Q. (¥million)



FY2023 Consolidated results (YoY)

Sales (excluding FX impact) decreased by 3.9% and OP returned to profitability due to the absence of impairment losses recorded in the previous year, but net income was in the red due to the recording of impairment losses, etc. in the linear business.

(¥million)

	FY2022	FY2023			
	Actual	Actual	FX impact	Inc/dec ^{※1}	Inc/dec% ^{※1}
Sales	79,036	80,337	4,414	▲ 3,113	▲ 3.9%
Operating profit	▲ 9,065	853	57	9,861	—
OP%	▲ 11.5%	1.1%	—	—	—
EBITDA	8,155	7,465	213	▲ 903	▲ 11.1%
PBT	▲ 9,648	113	40	9,721	—
Net profit	▲ 9,089	▲ 1,287	▲ 9	7,811	—

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

FY2023 Segment/Region Sales (YoY)

(¥million)

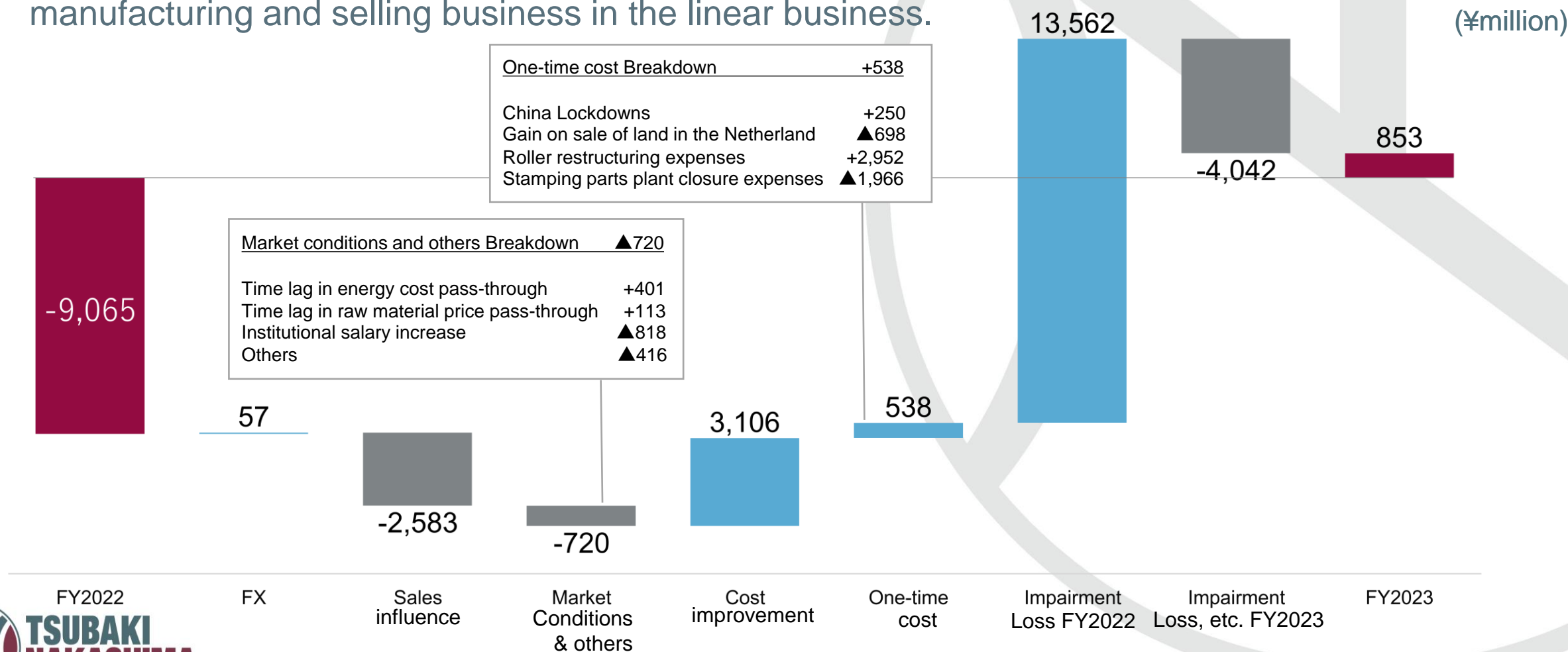
	FY2022	FY2023			
	Actual	Actual	FX impact	Inc/dec ^{※1}	Inc/dec% ^{※1}
Consolidated	79,036	80,337	4,414	▲ 3,113	▲ 3.9%
Precision Components ^{※2}	73,671	75,929	4,396	▲ 2,138	▲ 2.9%
Japan	13,495	13,670	—	175	1.3%
North America	14,915	15,473	1,033	▲ 475	▲ 3.2%
Europe	27,319	27,079	2,768	▲ 3,008	▲ 11.0%
China	14,841	15,632	319	472	3.2%
Asia(ex. China)	3,106	4,077	276	695	22.4%
Linear Other	5,365	4,408	18	▲ 975	▲ 18.2%

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

※2 Excluding inter-regional transaction

FY2023 OP bridge vs FY2022

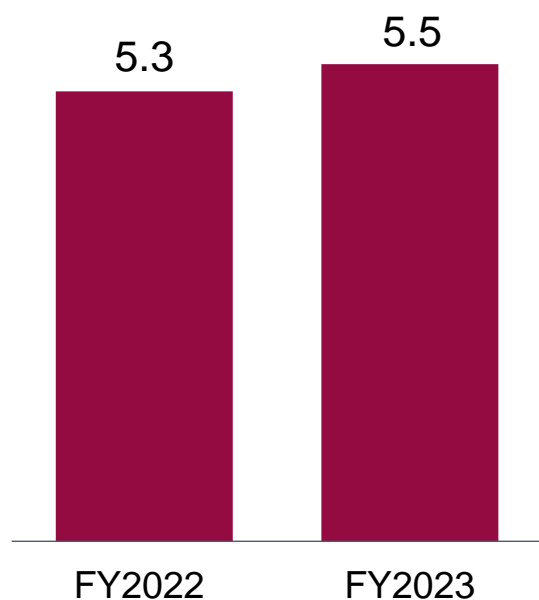
Despite lower sales, OP increased ¥9,918 million to ¥853 million due to cost improvement, lower one-time cost, and the absence of impairment losses recorded in FY2022, while impairment losses, etc. of ¥4,042 million are expected in FY2023 due to the transfer of the ball screws and ball ways manufacturing and selling business in the linear business.



BS/CF

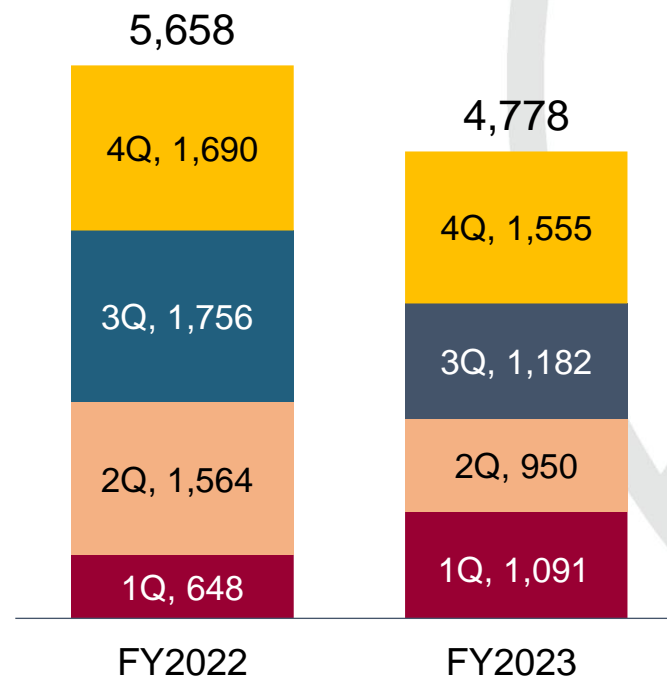
Inventory Turn-over (months)

Increase in inventory due to sales decline (0.4month improvement from 3Q)



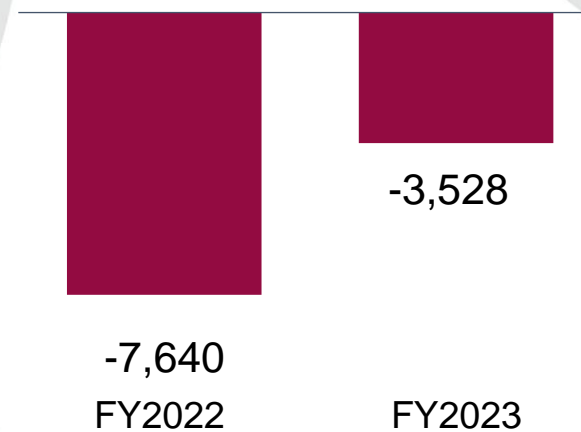
CAPEX (¥million)

Curb investments other than those for growth strategies to improve cash flow



Free CF (¥million)

Improved operating cash flow, mainly from improvement in income and expenses and trade receivables



Progress in Growth Strategies (FY2023)

Sales of 4Q Ceramic ball increased ¥200 million by 8.5% QoQ

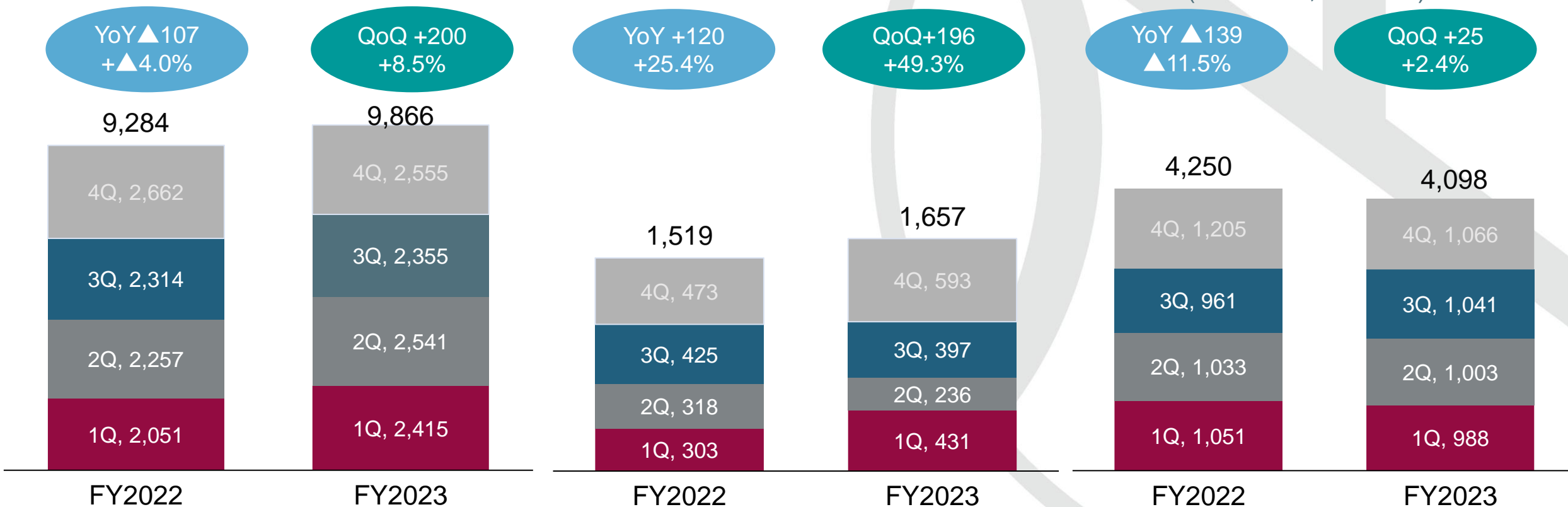
Sales of 4Q Medical Device was the highest ever on a quarterly basis

(¥million)

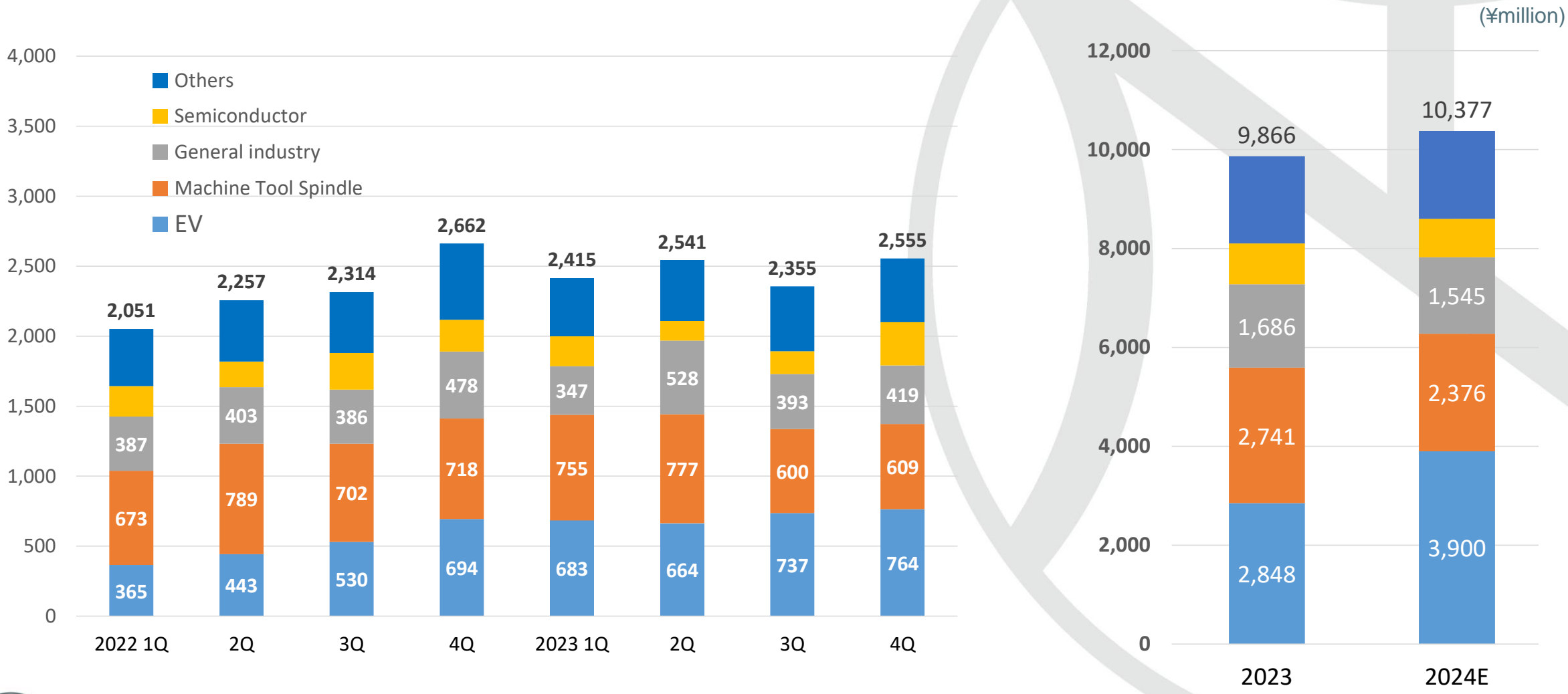
Ceramic balls

Medical Device

Growth in Asia
(ex. China, ceramic)

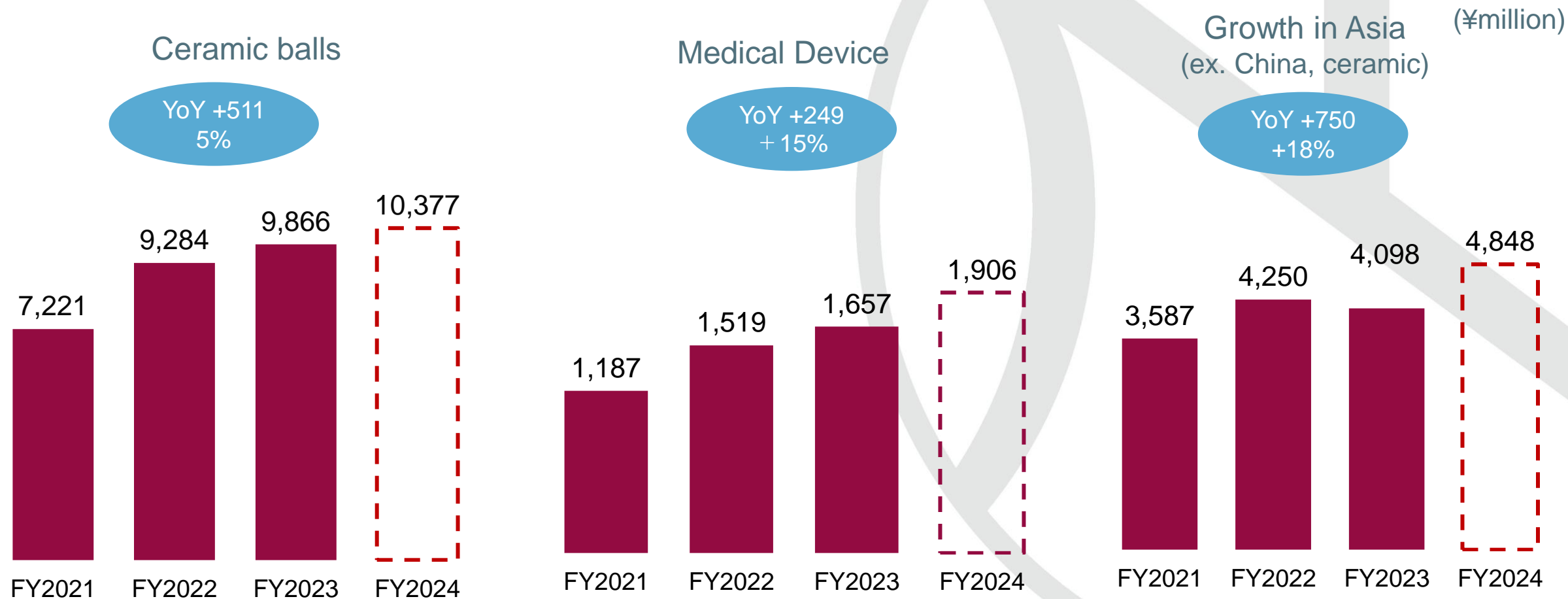


Ceramic Ball Sales Trend / Forecasts by Application

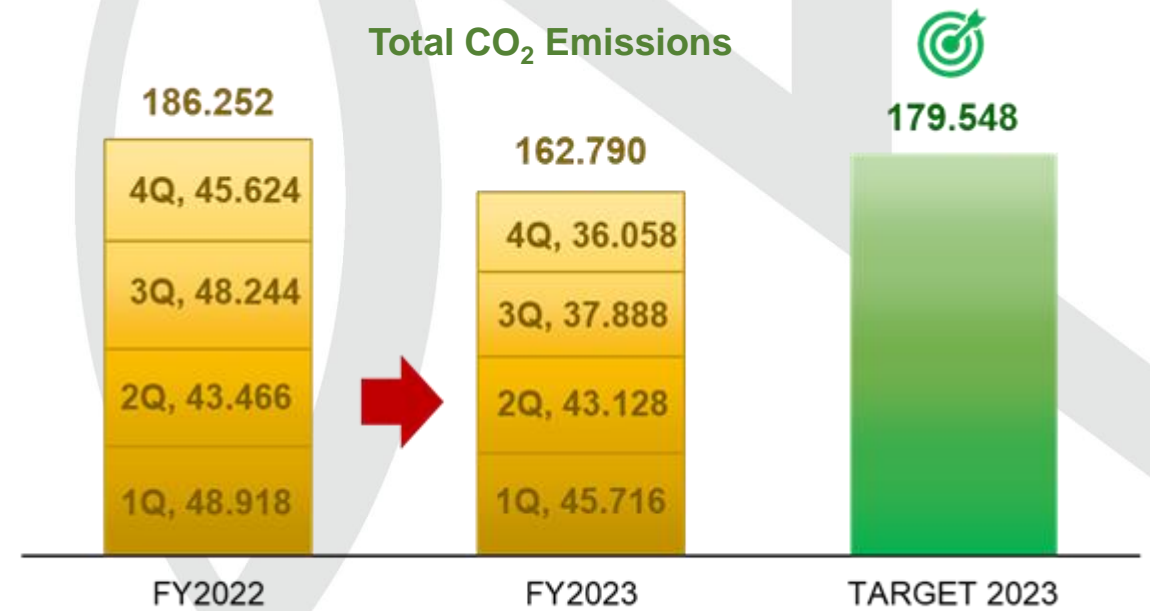
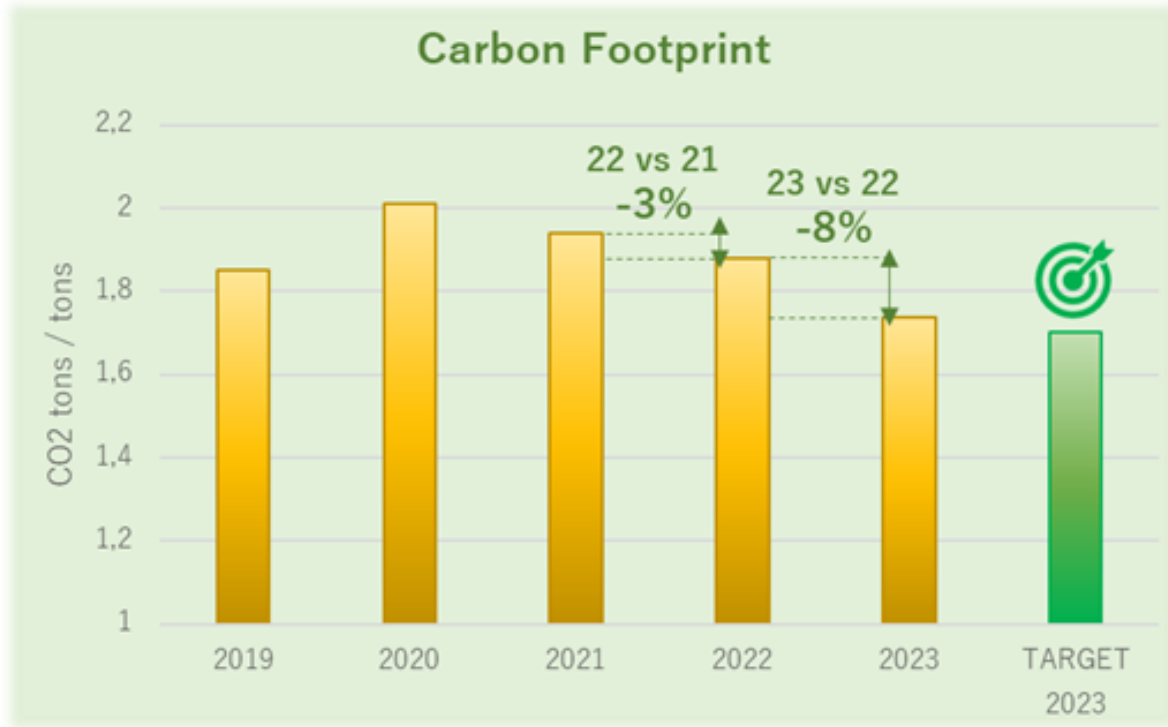
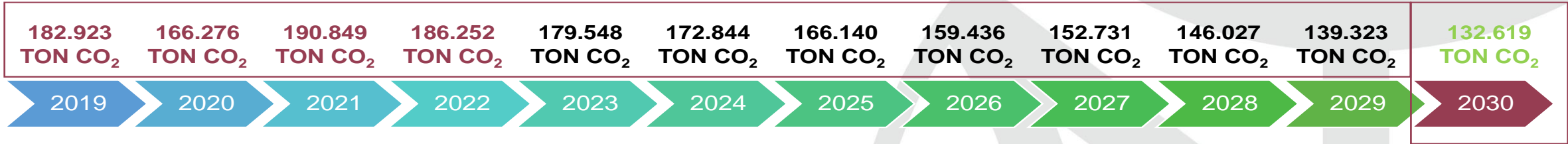


Progress in Growth Strategies (FY2024)

In the three growth strategies, all strategic divisions are expected to grow gradually
Ceramic balls, the driving force, aim to increase ¥500 million (+5%) YoY



Sustainability Results 2023



- 23,462 CO₂ tons (2023 vs 2022)

- #### Key CO₂ reduction projects 2023
1. photovoltaic plant in Kunshan (China)
 2. energy efficiency projects in Japan, Poland, India and Italy
 3. purchase of green energy in Taicang (China) and Japan

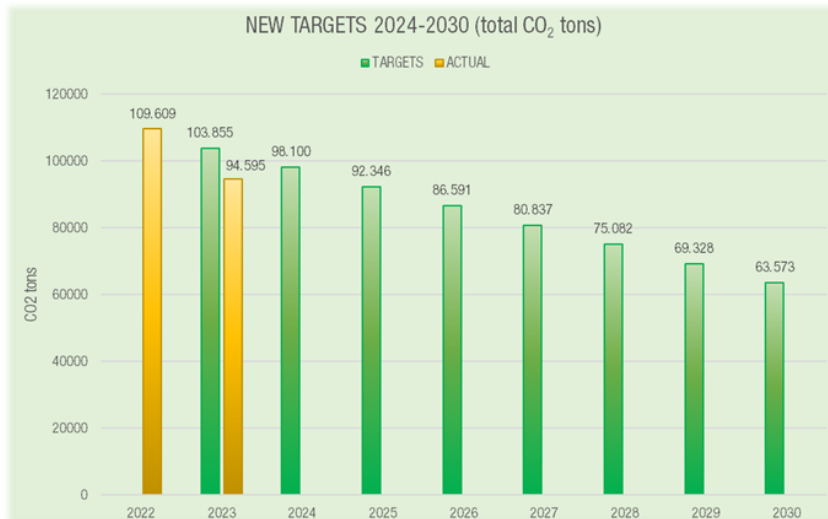
Sustainability Targets & Methodology

In **2023** and in previous years Tsubaki Nakashima had adopted the **location-based approach** for Scope 2 emission monitoring.

With a perspective of continuous improvement **from 2024 onward**, the **market-based method** will be used.

The main reasons that led us to reconsider and change the targets for the coming years are:

- 1. New methodology proposed by SBTi:** Tsubaki Nakashima committed to Science Based Target Initiative during 2023; SBTi's new methodology includes more demanding targets.
- 2. New emission factors for Scope 2 emissions (electricity).** The new emission factors used are specific to the electricity suppliers of our plants and thus resulted more accurate (market-based method) than those used so far which instead reflected a country average (location-based method).
- 3. New baseline year: the year 2022** was chosen as the baseline year as requested by SBTi; by changing the methodology for calculating Scope 2 emissions, **we also updated our targets (see below)**.



PREVIOUS TARGET	
Baseline year	2019
CO ₂ tons in 2019 with OLD emission factors	182.923 CO ₂ tons
2030 targets	132.619 CO ₂ tons
% reduction in 2030 vs 2019	-27,5 %

NEW TARGET	
Baseline year	2022
CO ₂ tons in 2022 with NEW emission factors	109.610 CO ₂ tons
2030 targets	63.573 CO ₂ tons
% reduction in 2030 vs 2022	-42 %

Sustainability Strategy & Commitment

aiming to achieve carbon neutrality by 2050

OUR COMMITMENT

- Tsubaki Nakashima is committed to validating its CO₂ reduction targets with **Science Based Targets (SBTi)** - official validation expected in 2024
- Tsubaki Nakashima joined **CDP - Carbon Disclosure Project** in 2022, obtaining **Level B** for the “**Climate Change**” category, better than Asia and Metal products manufacturing sector (average of C)
- During 2023 Tsubaki Nakashima decided to extend the scope by answering the questionnaire regarding **climate change** and also **water security** - In February 2024, official scores are announced and the Company receives a "B-" rating in the area of **climate change** (average is a "C") and a "C" rating in the area of **water security** (average is a "C")



OUR STRATEGY

- Improve energy efficiency of the plants
- Implementation of renewable energy systems
- Strategy for green energy purchasing
- Improve efficiency of the plant through high utilization
- Plants' electrification

TN strongly believes in the sustainable transformation of its products. By embracing sustainability, and setting ambitious Science Based Targets, Tsubaki Nakashima is taking a proactive standing in fighting climate change and contributing to a more sustainable future and growth.

FY2024 Management Policy

Sales ·
Profits

Growth
Strategy

Building a
Foundation
for the Future

Shareholder
Return

- Reforms of unprofitable and non-core businesses have been completed or are on track by 2023
 - Sale of Linear Business
 - Integration of roller business in the former Netherlands into Bosnia and withdrawal from stamping business
 - Reorganisation of production plants in the U.S. (Completion of consolidation of three steel ball plants into two plants, commercialization of products for the aerospace industry to begin, logistics center utilizing the space of the Georgia plant to which steel ball production was transferred (2nd half of 2024))
- Sales ¥80.8 billion, Operating profit ¥7 billion
- Ceramics Business: Implement strategies to overcome the competition in an increasingly competitive environment
- Medical Device Business: Accelerate technology transfer to the Michigan plant in the U.S. and customer development by leveraging synergies from the integration with Rispa
- Asian markets: Seize business opportunities with non-Japanese customers to increase sales
- Business in India (utilization of the second plant in India): Create a foundation to achieve a 1,000 ton/month production system in the next five years by leveraging cost competitiveness through expansion of the top line
- Global Roller Business: Improve the level of profitability of the European roller business and make the U.S. roller plant profitable, and move to a stage where we can build the North American (U.S. & Mexico) roller business from a medium-term perspective
- ESG: Continuous improvement has been achieved, and we will go further
- The Company intends to maintain the following policy, and plan to pay an annual dividend of ¥35 per share in 2024
 - Continue to pay stable dividends with a target payout ratio of 35%
 - Maintain an annual dividend of ¥30 per share in principle as a stable dividend regardless of profit level

FY2024 Guidance

(¥million)

	FY2023		FY2024			
	Actual	% of Sales	Guidance	% of Sales	Inc/dec	Inc/dec
Sales	80,337	100.0%	80,800	100.0%	463	0.6%
Operating profit	853	1.1%	7,000	8.7%	6,147	720.7%
PBT	113	0.1%	5,785	7.2%	5,672	5,029.4%
Net profit	▲ 1,287	▲ 1.6%	3,960	4.9%	5,247	—
EPS (Yen)	▲ 32.38	—	99.68	—	132.06	—
DPS (Yen)	13	—	35	—	22	—

* This forecast includes the annual forecasted amount for the ball screws and ball ways manufacturing and selling business, which is the business to be sold announced on February 9, 2024.

Exchange rate assumption : 1USD 139Yen, 1EURO 150Yen, 1RMB 19.7Yen

(2023 Actual average rate : 1USD 140.56Yen, 1EURO 152.00Yen, 1RMB 19.82Yen)

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