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Notice regarding Issuance of Subordinated Bonds through Public Offering

Tsubaki Nakashima Co., Ltd. (“the company”) decided to issue a maximum aggregate principal amount of 10 billion yen of its subordinated bonds ("the hybrid bonds") through a public offering. The company submitted the amended version of the shelf registration statements regarding this issuance to the Director of the Kanto Local Finance Bureau.

1. Purpose and Background of the issuance of the hybrid bonds

On May 14, 2021, the company announced “2021-2023 Mid-Term Strategy” in which the company focuses on the growth strategies of "expansion of ceramic business, expansion and global development of medical device business, and expansion and strengthening in Asian markets”.

The company has decided to procure funds by issuing the hybrid bonds in order to promote the above three growth strategies, steadily implement the "2021-2023 Mid-Term Strategy," as well as to improve financial soundness and capital efficiency.

When the company issues the maximum amount of the hybrid bonds (10 billion yen), in addition to the 10 billion yen "subordinated syndicated loan" disclosed on May 14, 2021, our Net DE Ratio is expected to be around 0.75 times at the end of FY2021, which will be a significant advance over the FY2023 target of 0.9 times set in our Mid-Term Strategy.

2. Characteristics of the hybrid bonds

Financing with the hybrid bonds is a type of hybrid financing midway between equity and debt. Although the hybrid bonds are classified as debt and therefore do not dilute the equity value per share, they have characteristics similar to equity including such as voluntary deferral of interest, very long maturities, and subordination in the liquidation and bankruptcy proceedings. Accordingly, the company expects that Rating and Investment Information, Inc. (“R&I”) to identify an equity content on 50% of the fundraising amount for the rating.

Disclaimer : The English translation is only for reference purposes. When there is any discrepancy between original Japanese version and English translation, the original Japanese version always prevails.

3. Schedule

The company designated Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Nomura Securities Co., Ltd.as lead managers for the hybrid bonds and will decide the terms and conditions including the issuance amount after comprehensively taking account of various factors such as the demand and interest rate trend. The terms and conditions will be announced as soon as they are determined.

Note: The purpose of this notice is to officially announce the issuance of the subordinated bonds through public offering, not for the purpose of solicitation of investment and other similar activities.

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