This document is an English excerpt translation of the Japanese version of the consolidated financial summary of Tsubaki Nakashima has produced for immediate reference purpose. In the event of any discrepancy between the translated document and the Japanese version, the original shall prevail.

Consolidated Financial Results for the Nine Months Ended September 30, 2023 Unaudited [IFRS]

November 10, 2023

Company name: Tsubaki Nakashima Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 6464
URL: https://www.tsubaki-nakashima.com/en/
Representative: Koji Hirota, Director and Representative Executive Officer, CEO
Contact: Hisashi Tate, Director and Executive Officer, Senior EVP, CFO
Phone: +81-6-6224-0193
Scheduled date to file quarterly securities report: November 10, 2023
Scheduled date to commence dividend payments: Not Applicable
Availability of supplementary briefing material on financial results: Available
Schedule of financial results briefing session: Available (For institutional investors and securities analysts)

(Amounts of less than one million yen are rounded.)

1. Consolidated Financial Results for the Nine months ended September 30, 2023 (January 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes		Net profit for the period	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2023	59,189	1.3	2,776	4.3	2,706	(9.0)	1,192	(20.4)
September 30, 2022	58,409	14.1	2,662	(50.5)	2,974	(38.5)	1,499	(55.3)

	Net profit for the period attributable to owners of the parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Nine months ended	Million yen	%	Million yen	%	Yen	Yen
September 30, 2023	1,192	(20.2)	9,424	(30.6)	30.01	29.93
September 30, 2022	1,494	(55.4)	13,578	77.2	36.86	36.86

(Reference) EBITDA: The nine months ended September 30, 2023: 5,134 million yen (down 4.9%)
The nine months ended September 30, 2022: 5,401 million yen
EBITDA = Operating profit + depreciation and amortization.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent
	Million yen	Million yen	Million yen	%
As of September 30, 2023	165,850	58,436	58,398	35.2
As of December 31, 2022	159,891	50,131	50,096	31.3

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	—	13.00	—	17.00	30.00
Fiscal year ending December 31, 2023	—	13.00	—		

Fiscal year ending December 31, 2023 (Forecast)				17.00	30.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period.)

	Sales		Operating profit		Profit before taxes		Net profit for the period attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	80,000	1.2	4,500	―	3,500	―	1,700	―	42.79

(Note) Revision to the forecast for dividends announced most recently: No

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 41,599,600 shares

December 31, 2022: 41,599,600 shares

2) Total number of treasury shares at the end of the period:

September 30, 2023: 1,871,615 shares

December 31, 2022: 1,871,615shares

3) Average number of shares during the period:

Nine months ended September 30, 2023: 39,727,985 shares

Nine months ended September 30, 2022: 40,516,405 shares

*These financial results are outside the scope of audit by a certified public accountant or an audit corporation.

*Explanation of the proper use of financial results forecast and other notes:

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed to be reasonable and are not intended to be construed as assurance that they will be accomplished in the future. Actual results may differ significantly from these forecasts due to a wide range of factors.

1. Qualitative Information on Financial Results

(1) Explanation of Business Results

In Japan, demand in general moved moderately toward recovery. In particular, the automobile industry continued to improve due to the resolution of the semiconductor shortage and the depreciation of the yen, boosting the overall economy. On the other hand, the machine tool business remains sluggish as production remains weak due to falling demand, and there are also concerns about declining demand due to rising prices, increasing costs, and the negative impact of a worsening labor shortage. Overseas, although there are signs of economic recovery in the U.S. and elsewhere, there are concerns that domestic consumption in the U.S. will decline as inflation continues and interest rates remain high due to monetary tightening. In China as well, capital investment and real estate development investment are sluggish, triggered by the real estate recession, and personal consumption is showing little recovery, and we are closely monitoring trends in the global market, including Europe.

Under these circumstances, sales for the nine months ended September 30, 2023 increased 1.3% year-on-year to 59,189 million yen due to passing on of higher energy and raw material prices to selling prices and the impact of the yen's depreciation, despite the growth of the main products in the mainstay Precision Components business was sluggish due to the global decline in orders for machine tools and inventory adjustments by our customers.

On the profits front, operating profit increased 4.3% year-on-year to 2,776 million yen due to the absence of expenses (2.4 billion yen) for business restructuring of the roller business in Europe that were recorded in the same period of the previous year, despite a decrease in profits due to a decline in sales excluding foreign exchange effects and expenses of 1,916 million yen (1,726 million yen recorded in other expenses, and 190 million yen in productivity loss impact due to production stoppages, etc.) associated with the closure of stamping parts plant in the Netherlands. Net profit for the period attributable to owners of the parent decreased 20.2% year on year to 1,192 million yen.

The segment performance is as follows.

Precision Components Business

Sales in the segment increased 3.1% year-on-year to 56,070 million yen due to passing on of higher energy and raw material prices to selling prices and the impact of the yen's depreciation, despite the global decline in orders for machine tools, and inventory adjustments by our customers. Segment profit (operating profit) increased 12.9% year-on-year to 2,732 million yen due to the absence of expenses (2.4 billion yen) for business restructuring of the roller business in Europe that were recorded in the same period of the previous year, despite a decrease in profits due to a decrease in sales excluding foreign exchange effects and expenses of 1.9 billion yen associated with the closure of stamping parts plant in the Netherlands.

Linear Business

Sales in the segment decreased 22.5% year-on-year to 3,118 million yen due to the global decline in orders for machine tools and inventory adjustments by our customers. Segment profit (operating profit) decreased 87.4% year-on-year to 28 million yen due to a decline in sales.

(2) Explanation of Financial Position

Total assets at the end of the third quarter increased by 5,959 million yen from the end of the previous fiscal year to 165,850 million yen. This was mainly due to an increase of 1,726 million yen in trade and other receivables and 4,216 million yen in inventories, while a decrease of 9,643 million yen in cash and cash equivalents caused current assets to decrease by 3,221 million yen. Non-current assets increased by 9,728 million yen mainly due to increases in property, plant and equipment by 4,037 million yen, intangible assets and goodwill by 2,299 million yen, and other non-current assets by 3,001 million yen.

Liabilities decreased by 2,346 million yen from the end of the previous fiscal year to 107,414 million yen. This was mainly due to a decrease of 1,810 million yen in borrowings. Certain borrowings of 45,295 million yen that was in breach of financial covenants at the end of the previous fiscal year were included in bonds and borrowings, excluding current portion at the end of the third quarter of the current fiscal year.

Equity increased by 8,305 million yen from the end of the previous fiscal year to 58,436 million yen. This was mainly due to an increase of 8,229 million yen in accumulated other comprehensive income, such as foreign currency translation adjustments.

(Analysis of Status of Cash Flows)

The cash flow status and factors for each activity during the nine months of the fiscal year are as follows.

Net cash used by operating activities was 899 million yen. Cash increase factors included profit before taxes of 2,706 million yen and depreciation and amortization of 2,358 million yen, while cash decrease factors included an increase of 1,275 million yen in inventories, a decrease of 1,787 million yen in trade and other payables, interest paid 733 million yen, and income taxes paid 1,500 million yen.

Net cash used in investing activities was 3,417 million yen, mainly due to the payments for acquisition of property, plant and equipment.

Net cash used in financing activities was 6,527 million yen, mainly due to repayments of long-term loans and borrowings of 5,000 million yen.

After adding the foreign currency translation adjustments of 1,154 million yen, mainly due to the appreciation of the U.S. dollar and Euro during the period, cash and cash equivalents at the end of the period totaled 14,476 million yen, a decrease of 9,689 million yen from the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no change to the full-year consolidated earnings forecast for the fiscal year ending December 31, 2023, which was announced on June 16, 2023.

(4) Significant Events Regarding Going Concern Assumption

As a result of recording an operating loss in the previous consolidated fiscal year, the Group was in breach of financial covenants in syndicated loan contracts with some financial institutions at the end of the second quarter of the current consolidated fiscal year, as it was at the end of the previous fiscal year. However, as of the end of the third quarter of the current fiscal year, the Group received formal consent from the relevant financial institutions to waive of the right to forfeit the benefit of the time with respect to the borrowings that are in breach of the financial covenants and has determined that significant uncertainties regarding the premise of a going concern is not recognized.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not Applicable

(2) Changes in Accounting Policies and Accounting Estimates

The accounting policies of materiality applied in the Group's condensed quarterly consolidated financial statements are the same as those applied in the consolidated financial statements for the previous fiscal year, except for the following items.

Income tax expense for the nine months ended December 31, 2023 was calculated based on the estimated effective tax rate. The Company and its domestic consolidated subsidiaries have adopted the Japanese group relief from the first quarter of the current fiscal year.

(Changes in Accounting Policies)

The Group has applied the amendment to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction," effective from the first quarter of the current fiscal year.

The adoption clarifies the accounting for transactions that give rise to the same amount of additional temporary differences and subtractive temporary differences at the time of initial recognition and results in the recognition of deferred tax liabilities and deferred tax assets for such additional temporary differences and subtractive temporary differences in the consolidated statement of financial position, respectively.

The effect of the change in accounting policy on the condensed consolidated quarterly consolidated financial statements is not material.

(Changes in Accounting Estimates)
Not Applicable

3. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	24,119	14,476
Trade and other receivables, net	20,930	22,656
Inventories	35,048	39,264
Other current assets	1,787	1,719
Total current assets	81,884	78,115
Non-current assets		
Property, plant and equipment, net	30,763	34,800
Intangible assets, net and goodwill	40,958	43,257
Other investments	212	259
Deferred tax assets	2,254	2,598
Other non-current assets	3,820	6,821
Total non-current assets	78,007	87,735
Total assets	159,891	165,850
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	7,722	6,907
Current portion of borrowings	52,609	10,447
Income taxes payable	1,416	1,486
Other current liabilities	6,541	6,768
Total current liabilities	68,288	25,608
Non-current liabilities		
Bonds and borrowings, excluding current portion	35,378	75,730
Net defined benefit liability	2,320	2,279
Deferred tax liabilities	1,650	1,740
Other non-current liabilities	2,124	2,057
Total non-current liabilities	41,472	81,806
Total liabilities	109,760	107,414
Equity		
Share capital	17,117	17,117
Capital surplus	11,519	11,592
Treasury stock	(2,616)	(2,616)
Accumulated other comprehensive income (loss)	6,425	14,654
Retained earnings	17,651	17,651
Equity attributable to owners of the parent	50,096	58,398
Non-controlling interests	35	38
Total equity	50,131	58,436
Total liabilities and equity	159,891	165,850

(2) Consolidated Statements of Profit or Loss and Other Comprehensive Income (Loss)

(Millions of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Sales	58,409	59,189
Cost of sales	47,823	48,553
Gross profit	10,586	10,636
Selling, general and administrative expenses	6,063	6,076
Other income	270	84
Other expenses	2,131	1,868
Operating profit	2,662	2,776
Financial income	1,196	854
Financial expenses	884	924
Profit before taxes	2,974	2,706
Income tax expense	1,475	1,514
Net profit for the period	1,499	1,192
Net profit for the period attributable to.		
Owners of the parent	1,494	1,192
Non-controlling interests	5	0
Net profit for the period	1,499	1,192
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(66)	26
Total items that will not be reclassified to profit or loss	(66)	26
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	12,072	8,268
Cash flow hedges	294	(16)
Hedges costs	(221)	(46)
Total items that may subsequently be reclassified to profit or loss	12,145	8,206
Other comprehensive income (loss), net of tax	12,079	8,232
Total comprehensive income (loss)	13,578	9,424
Total comprehensive income attributable to.		
Owners of the parent	13,570	9,421
Non-controlling interests	8	3
Total comprehensive income (loss)	13,578	9,424
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	36.86	30.01
Diluted earnings per share (yen)	36.86	29.93

	For the third quarter ended September 30, 2022	For the third quarter ended September 30, 2023
Sales	20,151	19,624
Cost of sales	16,970	16,287
Gross profit	3,181	3,337
Selling, general and administrative expenses	2,081	1,988
Other income	238	21
Other expenses	28	490
Operating profit (loss)	1,310	880
Financial income	412	316
Financial expenses	290	311
Profit before taxes	1,432	885
Income tax expense	336	605
Net profit for the period (loss)	1,096	280
Net profit for the period attributable to.		
Owners of the parent	1,095	281
Non-controlling interests	1	(1)
Net profit for the period (loss)	1,096	280
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at FVOCI	(8)	(16)
Total items that will not be reclassified to profit or loss	(8)	(16)
Items that may subsequently be reclassified to profit or loss		
Foreign currency translation differences	1,669	1,254
Cash flow hedges	212	159
Hedges costs	(73)	(3)
Total items that may subsequently be reclassified to profit or loss	1,808	1,410
Other comprehensive income (loss), net of tax	1,800	1,394
Total comprehensive income (loss)	2,896	1,674
Total comprehensive income attributable to.		
Owners of the parent	2,895	1,675
Non-controlling interests	1	(1)
Total comprehensive income (loss)	2,896	1,674
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	27.08	7.09
Diluted earnings per share (yen)	27.08	7.07

(3) Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2022

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated Other Comprehensive Income (Loss)		
	Share capital	Capital surplus	Treasury stock	Financial assets measured at FVOCI	Foreign currency translation differences	Cash flow hedges
Balance as of January 1, 2022	17,102	11,415	(1,648)	54	(1,021)	(724)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	(66)	12,069	294
Total comprehensive Income (loss)	—	—	—	(66)	12,069	294
Issuance of new shares	10	10	—	—	—	—
Dividends	—	—	—	—	—	—
Acquisition of treasury stock	—	—	(612)	—	—	—
Disposition of treasury stock	—	—	31	—	—	—
Stock-based rewards	—	59	—	—	—	—
Total transactions with owners and other	10	69	(581)	—	—	—
Balance as of September 30, 2022	17,112	11,484	(2,229)	(12)	11,048	(430)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedge cost	Total				
Balance as of January 1, 2022	313	(1,378)	27,844	53,335	34	53,369
Net profit for the period	—	—	1,494	1,494	5	1,499
Other comprehensive income (loss), net of tax	(221)	12,076	—	12,076	3	12,079
Total comprehensive income (loss)	(221)	12,076	1,494	13,570	8	13,578
Issuance of new shares	—	—	—	20	—	20
Dividends	—	—	(1,177)	(1,177)	—	(1,177)
Acquisition of treasury stock	—	—	—	(612)	—	(612)
Disposition of treasury stock	—	—	—	31	—	31
Stock-based rewards	—	—	—	59	—	59
Total transactions with owners and other	—	—	(1,177)	(1,679)	—	(1,679)
Balance as of September 30, 2022	92	10,698	28,161	65,226	42	65,268

For the nine months ended September 30, 2023

(Millions of yen)

	Equity attributable to owners of the parent					
				Accumulated Other Comprehensive Income (Loss)		
	Share capital	Capital surplus	Treasury stock	Financial assets measured at FVOCI	Foreign currency translation differences	Cash flow hedge
Balance as of January 1, 2023	17,117	11,519	(2,616)	(3)	6,381	(154)
Net profit for the period	—	—	—	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	26	8,265	(16)
Total comprehensive Income (loss)	—	—	—	26	8,265	(16)
Issuance of new shares	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	—	—
Stock-based rewards	—	73	—	—	—	—
Total transactions with owners and other	—	73	—	—	—	—
Balance as of September 30, 2023	17,117	11,592	(2,616)	23	14,646	(170)

	Equity attributable to owners of the parent				Non-controlling interests Total	Total equity
	Accumulated Other Comprehensive Income (Loss)		Retained earnings	Total		
	Hedge cost	Total				
Balance as of January 1, 2023	201	6,425	17,651	50,096	35	50,131
Net profit for the period	—	—	1,192	1,192	—	1,192
Other comprehensive income (loss), net of tax	(46)	8,229	—	8,229	3	8,232
Total comprehensive income (loss)	(46)	8,229	1,192	9,421	3	9,424
Issuance of new shares	—	—	—	—	—	—
Dividends	—	—	(1,192)	(1,192)	—	(1,192)
Acquisition of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	—	—	—	—
Stock-based rewards	—	—	—	73	—	73
Total transactions with owners and other	—	—	(1,192)	(1,119)		(1,119)
Balance as of September 30, 2023	155	14,654	17,651	58,398	38	58,436

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2023
Cash flows from operating activities		
Profit before taxes	2,974	2,706
Depreciation and amortization	2,740	2,358
Increase (decrease) in net defined benefit liability	(106)	(110)
Interest and dividend income	(48)	(84)
Interest expense	827	850
Foreign exchange losses (gains)	(1,031)	(661)
(Gains) losses on sale of fixed assets	(6)	(21)
Decrease (increase) in trade and other receivables	(3,299)	(80)
Decrease (increase) in inventories	(4,637)	(1,275)
(Decrease) increase in trade and other payables	592	(1,787)
Other, net	488	(646)
Sub Total	(1,506)	1,250
Interest received	44	80
Dividend received	4	4
Interest paid	(691)	(733)
Income taxes paid	(1,642)	(1,500)
Net cash used by operating activities	(3,791)	(899)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(3,868)	(3,200)
Proceeds from sale of property, plant and equipment	4	45
Payments for acquisition of intangible properties	(100)	(23)
Payments for acquisition of subsidiaries	―	(239)
Other, net	1	0
Net cash used by investing activities	(3,963)	(3,417)
Cash flows from financing activities		
Proceeds from short-term loans and borrowings	―	3,000
Repayments of short-term loans and borrowings	―	(3,121)
Proceeds from long-term loans and borrowings	9,700	―
Repayments of long-term loans and borrowings	(9,030)	(5,000)
Payments of lease liabilities	(234)	(263)
Proceeds from exercise of subscription rights	20	―
Cash dividends paid	(1,144)	(1,143)
Proceeds from sales of treasury stock	5	―
Payments for acquisition of treasury stock	(612)	―
Net cash used in financing activities	(1,295)	(6,527)
Effect of exchange rate changes on cash and cash equivalents	1,357	1,154
Net (decrease) increase in cash and cash equivalents	(7,692)	(9,689)
Cash and cash equivalents at the beginning of the period	32,524	24,119
Increase in cash and cash equivalents from newly consolidated subsidiary	―	46
Cash and cash equivalents at the end of the period	24,832	14,476

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not Applicable

Operating Segments

1. General information

(1) Basis of segmentation

The Group is composed of segments by product and service and there are "Precision component business" and "Linear business" as reporting segments.

A reporting segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and is subject to regular review by the Chief Executive Officer of the Group for assessing performance and making resource allocation decisions.

The "Precision component business" segment engages in manufacturing and sales of several types of steel balls, rollers, cages and sheet metal parts. The "Linear business" segment engages in manufacturing and sales of ball screws and air blowers.

Segment information is determined in conformity with the accounting policies used in preparing the condensed interim consolidated financial statements. Operating profit (loss) of each reportable segment is measured in a consistent manner with consolidated operating profit, which is profit before income taxes before finance income and finance costs.

Pricing for the inter-segment transactions is determined on an arm's length basis.

(2) Segment Information

For the nine months ended September 30, 2022

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	54,387	4,021	1	58,409	—	58,409
Inter-segment sales	4	—	22	26	(26)	—
Total consolidated sales	54,391	4,021	23	58,435	(26)	58,409
Segment profit	2,421	225	16	2,662	0	2,662
				Financial income		1,196
				Financial expense		(884)
				Profit before taxes		2,974

(Note) Reconciling items to segment profit include elimination of inter-segment transactions.

For the nine months ended September 30, 2023

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	56,070	3,118	1	59,189	—	59,189
Inter-segment sales	2	—	22	24	(24)	—
Total consolidated sales	56,072	3,118	23	59,213	(24)	59,189
Segment profit	2,732	28	16	2,776	0	2,776
				Financial income		854
				Financial expense		(924)
				Profit before taxes		2,706

(Note) Reconciling items to segment profit include elimination of inter-segment transactions.

For the third quarter ended September 30, 2022

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	18,806	1,345	0	20,151	—	20,151
Inter-segment sales	0	—	8	8	(8)	—
Total consolidated sales	18,806	1,345	8	20,159	(8)	20,151
Segment profit	1,234	70	6	1,310	0	1,310
				Financial income		412
				Financial expense		(290)
				Profit before taxes		1,432

(Note) Reconciling items to segment profit include elimination of inter-segment transactions.

For the third quarter ended September 30, 2023

(Millions of yen)

	Reporting Segments		Other business	Total	Reconciling items	Consolidated financial statements
	Precision component business	Linear business				
Sales						
External sales	18,705	919	0	19,624	—	19,624
Inter-segment sales	1	—	7	8	(8)	—
Total consolidated sales	18,706	919	7	19,632	(8)	19,624
Segment profit	916	(41)	5	880	0	880
				Financial income		316
				Financial expense		(311)
				Profit before taxes		885

(Note) Reconciling items to segment profit include elimination of inter-segment transactions.

(Significant events after the reporting period)

Tsubaki Nakashima Co., Ltd. (the “Company”) hereby announces that our Board of Directors, at a meeting held on October 18, 2023, resolved to execute a business alliance agreement with Advantage Advisors Co., Ltd. (“Advantage Advisors”). On the same day, our Board of Directors resolved to offer 17th Share Acquisition Rights and 1st Series Unsecured Convertible Bonds with Share Acquisition Rights to be issued through a third-party allotment to the funds serviced by Advantage Advisors, and the payment for The Share Acquisition Rights and Unsecured Convertible Bonds with Share Acquisition Rights was completed on November 9, 2023. The details are described below.

(1) Purpose of Business Alliance with Advantage Advisors and its Agreement

In a Mid-Term Strategy "Transform Next 2023," which ends in the fiscal year ending December 31, 2023, the Company’s group (the “Group”) aims to become a "Best in Class" manufacturing company that engages in "base technology innovation," "Monozukuri innovation," "generating cash to execute strategic investments," and other initiatives.

Under this Mid-Term Strategy, the current management policies include: (A) strengthening sales by reviewing unprofitable products and other measures and restoring earning power by rebuilding the U.S. and linear businesses, and (B) improving development speed, streamlining and strengthening development resources, investing in human resources, and strengthening DX initiatives in order to become a "Best in Class" manufacturing company. The Group believes that the realization of these goals will lead to an increase in the corporate value of the Group.

Under these circumstances, the Company has selected Advantage Advisors, which has a track record of providing strategic advice to several listed companies, as a business partner with which we believe we can receive advanced management support regarding our initiatives such as recruiting, strengthening business management systems, promoting M&A, in addition to fundraising, and thus enhance our corporate value, and has executed a business alliance agreement on October 18, 2023. In this business alliance, the Company will actively promote the consideration and steady implementation of various measures to improve its business performance.

(2) Description of 17th Share Acquisition Rights and 1st Series Unsecured Convertible Bonds with Share Acquisition Rights

The Company allots 17th Share Acquisition Rights and 1st Series Unsecured Convertible Bonds with Share Acquisition Rights to the fund serviced by Advantage Advisors. The details are described below.

(A) 17th Share Acquisition Rights (the “Share Acquisition Rights”)

(a) Allotment date: November 9, 2023

(b) Total number of share acquisition rights: 62,814 acquisition rights (466 yen per Share Acquisition Right)

(c) Issue price of Share Acquisition Rights: 29 million yen in total

(d) Number of dilutive shares resulting from issuance:

・Number of dilutive shares at the initial exercise price (796 yen): 6,281,400 shares

・Number of dilutive shares at the Floor Exercise Price (676 yen): 7,396,441 shares

(e) Amount of funds to be procured: 5,029 million yen

(Note) The amount of funds to be procured shall be the aggregate amount of total issue price of the Share Acquisition Rights and the exercise price calculated on the assumption that all of the Share Acquisition Rights are exercised at the initial exercise price.

(f) Exercise price: 796 yen per share

(g) Capital and capital reserve to be increased in the event of the issuance of shares upon the exercise of the Share Acquisition Rights

① The amount of capital to be increased in the event of the issuance of shares upon the exercise of the Share Acquisition Rights shall be half of the maximum amount of increase in capital, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules, with any fraction of less than one yen resulting from the calculation being rounded up to the nearest one yen.

② The amount of capital reserve to be increased in the event of the issuance of shares upon the exercise of the Share Acquisition Rights shall be the amount obtained by subtracting the amount of capital to be increased as set forth in this paragraph ① from the maximum amount of increase in capital, etc. as stated in this paragraph ①.

(h) Method of offering or allotment: By way of third-party allotment

(i) The Allotee: AAGS S6, L.P.

(j) Other significant matters

① The allottee will not exercise the Share Acquisition Rights during the period from November 10, 2023 to May 9, 2024.

② The Company agreed that for the period from the due date of payment to the earlier of either i) November 9, 2028 or ii) the day on which the Allottee ceases to hold any shares, share acquisition rights, bonds with share acquisition rights, or other dilutive shares of the Company (collectively, the "Shares, Etc."), the Company shall not issue, dispose, or grant (the "Issuance, Etc.") the Shares, Etc. (excluding, however, any issuance of restricted share remuneration or stock options where the allottee is the officers and employees of the Company or its subsidiaries) without obtaining the prior consent of the Allottee in writing or by electronic or magnetic means, and that for the period from the due date of payment to the earlier of either i) November 9, 2028 or ii) the day on which the Allottee ceases to hold any Shares, Etc. of the Company, if the Company intends to make any Issuance, Etc. of the Shares, Etc. to a third party (excluding, however, any issuance of restricted share remuneration or stock options where the allottee is the officers and employees of the Company or its subsidiaries), the Company shall notify the Allottee of the details of the Shares, Etc. and the conditions of the Issuance, Etc. and confirm whether the Allottee intends to subscribe for all or part of the Shares, Etc. under those conditions prior to the agreement with the third party for the Issuance, Etc. of the Shares, Etc., and if the Allottee wishes to subscribe for the Shares, Etc., the Company shall perform the Issuance, Etc. of the Shares, Etc. to the Allottee, on the same conditions, on behalf of, or in addition to, the third party.

③ In the event that (A) a public tender offer is made for the shares issued by the Company pursuant to the Financial Instruments and Exchange Act (the "FIEA"), and the Company expresses its consent to the said offer and as a result of the offer the Company or the party that has made the tender offer announces or agrees that the shares of the Company may be delisted from all financial instrument exchanges in Japan on which the shares of the Company are listed, and the party making the tender offer acquires the shares of the Company through a public tender offer, (B) a Delisting Event occurs, or is reasonably expected to occur, with respect to the shares issued by the Company, (C) a Corporate Restructuring Activity with respect to the shares issued by the Company is approved by the board of directors of the Company, (D) a Control Change Event occurs, or is reasonably expected to occur, with respect to the shares issued by the Company, (E) a Squeeze-Out Event occurs, or is reasonably expected to occur, with respect to the shares issued by the Company, or (F) the shares issued by the Company are designated, or are reasonably expected to be designated, as Securities Under Supervision by the TSE, the Allottee may, at its own discretion, request the Company to acquire all or part of the Share Acquisition Rights by giving written notice to the Company.
After the issuance of the Share Acquisition Rights, in the event that (A) the closing price of the common shares of the Company in regular trading on the TSE at less than 60% of the exercise price of the Share Acquisition Rights (however, if the exercise price has been revised or adjusted, that amount shall be the exercise price after the revision or adjustment; rounded down to the nearest yen) over three consecutive trading days, (B) the average trading volume per trading day of the common shares of the Company in regular trading on the TSE over any ten consecutive trading days is less than 20% of the average trading volume per trading day of the common shares of the Company in regular trading on the TSE over the ten consecutive trading days prior to the due date of payment (however, if the number of allotted shares has been adjusted, that amount shall be adjusted in accordance with the adjustment of the number of allotted shares), (C) the Allottee holds any Share Acquisition Rights that have not been exercised after five years

from the due date of payment, (D) the business alliance agreement dated October 18, 2023 between the Company and Advantage Advisors is terminated, or (E) trading of the common shares of the Company on the TSE has been suspended for a period of five trading days or more, the Allottee may, at its own discretion, request the Company to acquire all or part of the Share Acquisition Rights by giving written notice to the Company. The Company will acquire the Share Acquisition Rights pertaining to that acquisition request at a price equivalent to the amount to be paid in per Share Acquisition Right on the fifth business day from the business day immediately following the day on which the written notice pertaining to the acquisition request reaches the Company.

In addition to the above, other terms and conditions are set forth in accordance with the underwriting agreement concluded with the allottee.

(B) 1st Series Unsecured Convertible Bonds with Share Acquisition Rights

(a) Name of the bonds:

1st Series Unsecured Convertible Bonds with Share Acquisition Rights (the "Bonds with Share Acquisition Rights," and the bonds thereof are hereinafter referred to as the "Bonds," and the share acquisition rights attached thereto are hereinafter referred to as the "Share Acquisition Rights")

(b) Total amount issued (total bonds): 10,000 million yen

(c) Offering price (issue price): 100.2 yen per 100 yen of each the Bonds

(d) Interest rate: No interest is paid on the Bonds.

(e) Issue date (Payment date): November 9, 2023

(f) Redemption date, etc.:

The Bonds will be redeemed at 100% of their face value on November 9, 2028 (redemption date). In addition, there are provisions for early redemption and cancellation by purchase in the event of certain events in the terms and conditions of issuance.

(g) Matters related to the Share Acquisition Rights:

① Total number of the Share Acquisition Rights to be issued: 40

② Exercise price or Convertible price: 796 yen per share of common stock. However, there are provisions in the terms and conditions of the issuance to the effect that adjustments will be made in the event of certain events occur.

③ Number of dilutive shares resulting from issuance:

・Number of dilutive shares at the initial conversion price (796 yen): 12,562,800 shares

・Number of dilutive shares at the Floor Conversion Price (676 yen): 14,792,800 shares

④ Exercise period: The period shall be from November 10, 2023 to November 9, 2028. However, there are provisions in the terms and conditions of the issuance regarding the exercise period in the event that certain events occur.

⑤ Capital and capital reserve to be increased in the event of the issuance of shares upon exercise of the Bonds with Share Acquisition Rights:

(a) The amount of capital to be increased in the event of the issuance of shares upon the exercise of the Bonds with Share Acquisition Rights shall be half of the maximum amount of increase in capital, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules, with any fractions less than one yen resulting from the calculation being rounded up.

(b) The amount of capital reserve to be increased in the event of the issuance of shares upon the exercise of the Bonds with Share Acquisition Rights shall be the amount obtained by subtracting the amount of capital to be increased as set forth in (a) above from the maximum amount of increase in capital, etc. as set forth in (a) above.

(h) Method of offering or allotment: By way of third-party allotment

(i) The Allotee: AAGS S6, L.P.

(j) Other significant matters

① The Company agreed that for the period from the due date of payment to the earlier of either i) November 9, 2028 or ii) the day on which the Allottee ceases to hold any shares, share acquisition rights, bonds with share acquisition rights, or other dilutive shares of the Company (collectively, the "Shares, Etc."), the Company shall not issue, dispose, or grant (the "Issuance, Etc.") the Shares, Etc. (excluding, however, any issuance of restricted share remuneration or stock options where the allottee is the officers and employees of the Company or its subsidiaries) without obtaining the prior consent of the Allottee in writing or by electronic or magnetic means, and that for the period from the due date of payment to the earlier of either i) November 9, 2028 or ii) the day on which the Allottee ceases to hold any Shares, Etc. of the Company, if the Company intends to make any Issuance, Etc. of the Shares, Etc. to a third party (excluding, however, any issuance of restricted share remuneration or stock options where the allottee is the officers and employees of the Company or its subsidiaries), the Company shall notify the Allottee of the details of the Shares, Etc. and the conditions of the Issuance, Etc. and confirm whether the Allottee intends to subscribe for all or part of the Shares, Etc. under those conditions prior to the agreement with the third party for the Issuance, Etc. of the Shares, Etc., and if the Allottee wishes to subscribe for the Shares, Etc., the Company shall perform the Issuance, Etc. of the Shares, Etc. to the Allottee, on the same conditions, on behalf of, or in addition to, the third party.

② If, after November 9, 2025 (however, if any event of a breach of the financial covenants (defined below) occurs prior to the said date, the date on which such event occurs,) an event occurs that falls under an early redemption event stipulated in the issuance guidelines, such as organizational restructuring or a breach of financial covenants, the allottee has the right, at its option, to request that the Company, upon prior notice, redeem in advance all or part of the Bonds with Stock Acquisition Rights it holds at 100 yen per 100 yen of each bond on the relevant early redemption date.

The following events are considered to be reasons for a breach of the financial covenants.

If the Company's operating income (loss) or ordinary income (loss) as shown on the consolidated statement of income for two consecutive fiscal years after the fiscal year ending December 31, 2022, or if the amount of total net assets as shown on the consolidated balance sheet for the fiscal year ending December 31, 2022 (excluding the foreign currency translation differences of the Company's overseas subsidiaries,) falls below 75% of total net assets as shown on the consolidated balance sheet for the fiscal year immediately preceding the last day of the fiscal year.

③ As long as the unredeemed balance of the Bonds with Share Acquisition Rights remains, if, after the issuance of the Bonds with Share Acquisition Rights, the Company creates a security interest in any other convertible bond-type bonds with share acquisition rights to be issued in the future in Japan, the Company shall create a security interest of the same rank for the Bonds with Share Acquisition Rights in accordance with the Secured Bond Trust Law.

In addition to the above, other terms and conditions are set forth in accordance with the underwriting agreement concluded with the allottee.

(C) Use of funds to be procured

The funds procured will be allocated mainly to capital expenditure to increase production of ceramic balls, steel balls, and medical parts, streamlining logistics, and capital expenditure to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation.