February 17, 2025

（TEL 06-6224-0193）
Tsubaki Nakashima Co., Ltd.
Itaru Matsuyama
Representative Executive Officer CEO
(Code: 6464, Prime, Tokyo Stock Exchange)
Contact for inquiries: Ikunori Morita
Phone: +81 (0)6-6224-0193

Notice Regarding the Formulation, etc., of Recurrence Prevention Measures Following Proposals from the Special Investigation Committee

As announced in "Receipt of Investigation Report Related to the Improper Conduct in Quality Inspections of Certain Products in the Linear Business (Progress of Disclosed Matters)" disclosed on February 17, 2025, we have taken the fact that the measured values in some of the quality inspection items for ball screws manufactured in the Koriyama plant for the Linear Business had been falsified (hereinafter referred to as "the Improper Conduct"), as well as the discovery of additional improper matters in the investigation process (hereinafter referred to as "Additional Matters") very seriously, and have formulated a set of recurrence prevention measures in line with the details of the investigation report from the Special Investigation Committee (hereinafter referred to as "the Investigation Committee"; Chairperson: Tsuyoshi Unemoto, Attorney-at-law, Oh-ebashi LPC & Partners; Kaku, Hirao, Attorney-at-law, Nishimura & Asahi; Hiroshi Yagi, Attorney-at-law) to prevent any future improper conduct. We hereby give notice of the recurrence prevention measures below.

We would like to offer our sincerest apologies to all those whom this incident may have inconvenienced or otherwise caused significant concern, including our valued customers and shareholders.

Understanding the importance of working as a company and under the leadership of management to prevent the recurrence of the Improper Conduct and Additional Matters, we have set up the Quality & Compliance Committee (hereinafter referred to as "the Committee; Chairperson: Representative Executive Officer CEO Itaru Matsuyama). We will steadily implement these recurrence prevention measures so that we can regain the trust of our customers and our stakeholders as quickly as possible.

1. Establishment of the Special Investigation Committee and Scope of Investigation

As communicated through "Notice Regarding Improper Conduct in Quality Inspections of Certain Products in the Linear Business" disclosed on November 11, 2024, we determined to establish the Investigation Committee that was independent from company management and employees to investigate the facts and causes of the Improper Conduct, to verify the relevance of the company's governance and organizational culture to the Improper Conduct, and to examine and provide an opinion on effective recurrence prevention measures based on the aforementioned verification. The Investigation Committee's activities began on October 16, 2024, and continued through to February 14, 2025. Throughout this period, as a company we fully cooperated with the Investigation Committee's activities.

Based on the Investigation Committee's decision, the scope of the investigation was not limited to the Koriyama plant where the Improper Conduct was discovered, but also extended to other plants in the Linear Business, as well as other domestic plants in other businesses. In terms of our overseas plants, as in recent years they have become part of our network through acquisitions, and as the environments and histories of these plants differ from our plants in Japan, it could not be said that there was an immediate probability of similar improper quality inspections being conducted at these overseas plants. As such, the Investigation Committee reported to exclude our overseas plants from the scope of investigation.

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

2. Overview of the Special Investigation Committee's findings

According to the Investigation Committee's report, the causes of the Improper Conduct were ageing inspection equipment, pressure on employees stemming from production schedules, and the justification of falsified data, based on the premise that there were no performance issues with products delivered to customers.

Moreover, alongside the Improper Conduct, the following Additional Matters were also discovered.

- At the Koriyama Plant, if the outer diameter of ball screw shafts deviated from the required standards, the ball screw shafts would pass tests regardless as long as the deviation was minimal
- At the Sechibaru Plant of the Linear business, if sliding resistance values etc. for ball ways deviated from the required standards, the ball ways would pass tests regardless as long as the deviation was minimal based on in-house decisions
- At the Katsuragi Plant of the Ball business, sound testing for steel balls was not conducted in line with the methods defined in specifications agreed with the customer, but using other methods based on in-house decisions
- At the Katsuragi Plant in the Ball business, hardness measurements for ballpoint pen balls that were defined in specifications agreed with the customer were not conducted based on in-house decisions

Elsewhere, although different to the Improper Conduct and Additional Matters, the following individual compliance violations (hereinafter referred to as "Individual Matters") were identified by the Investigation Committee.

- At the Okayama Plant, following a product-related complaint from a customer, the company submitted a report that did not sufficiently reflect the understood facts

According to the report from the Investigation Committee, some employees involved in these improper activities justified their actions as there were no issues with product performance or safety. The Investigation Committee pointed out the inadequacy of our quality education programs and a lack of understanding regarding the very essence of quality assurance. The Investigation Committee also said that it was undeniable that employees had insufficient awareness of the importance of compliance.

The report also referred to dysfunctional management-level personnel, pointing out their lack of ability in picking up on frontline issues, and how this was the underlying cause of the quality fraud as it prevented issues facing manufacturing plants from being escalated to the management level.

In terms of company management, the report described how the fundamental cause of the Improper Conduct was a lack of awareness among Tsubaki Nakashima management at the time. The report told how following the discovery of our falsification of production locations in 2018, it was essential that management recognized how the incident was one that could lead to quality fraud at any time, and that thorough recurrence prevention measures should have been implemented across the company. The report also described the issues with the recurrence prevention measures that were implemented following the incident in 2018, saying that as the measures formulated and implemented by management were focused exclusively on the Ball business, they were not able to prevent the Improper Conduct discovered in the Linear business.

In line with the above, the Investigation Committee has proposed the implementation of measures to ensure thorough quality assurance, to develop awareness of the importance of compliance, to reinforce management-level personnel, to strengthen monitoring functions (stronger QA functions, acquisition/retention of public accreditations, understanding of the essence of quality, stronger internal audit functions, and an effective internal whistleblower system), to bring greater energy to the organization through personnel interactions, and to review management's awareness of the importance of compliance.

3. Acceptance of the Investigation Committee's report

We have earnestly taken on board the report from the Investigation Committee and fully accepted its findings. In response, we have put together the recurrence prevention measures in "4. Company initiatives" below.

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

4. Company initiatives

The improper actions uncovered by the Investigation Committee's investigation were objectively confirmed through surveys and employee interviews conducted by the Investigation Committee. Taking these findings extremely seriously, we have established the Quality & Compliance Committee to take charge of the formulation and implementation of the required recurrence prevention measures following approval from the Board of Directors. The Committee is chaired by our Representative Executive Officer CEO Itaru Matsuyama. We will strive to implement improvements across the company, including at our overseas locations, through the following five themes.

- Reinforcement of Companywide Quality Assurance and Quality Control

Through messages communicated directly from management, we will promote and reinforce our QA-first approach across the organization. Paying careful attention to the essence of QA, we will systematize QA processes across our global locations, work to acquire public accreditations, foster understanding, and reinforce the functions of the QA Department. We will promote a stronger global QA and management system, including through the appointment of external human resources, and roll out quality education and quality improvement workshops across our plants.

- Personnel System and Organizational Culture Reform

We will aim to bring greater energy to the organization through personnel interaction. In addition to reviewing appropriate skill requirements and assessment methods for management-level personnel, we will conduct ongoing reviews of appropriate spans of control in consideration of workloads.

- Review of Control Environment

Initiative: In the organizational reforms and management reviews we conducted in FY2024, we set out to reinforce internal auditing functions by appointing external human resources and elevating the status of the Internal Audit Office to the Internal Audit Department. While continuing with these efforts moving forward, we will place more focus on themed audits, particularly audit items associated with quality. Moreover, we will raise awareness among employees of how the internal whistleblower system is an effective means to solve compliance issues and at the same time improve the system's effectiveness.

- Thorough Compliance Education

As part of the organizational reforms we announced on August 21, 2024, we established the Legal & Compliance Department and sought to strengthen its functions. To improve awareness of the importance of compliance among employees, including management-level personnel, in addition to implementing fundamental reforms to the content, frequency, and methods of our compliance training, we will repeatedly communicate the importance of compliance through platforms for the direct exchange of opinions between company management and employees.

- Strengthening of Risk Management

In the organizational reforms and management reviews we conducted in FY2024, we sought to strengthen risk management through the assessment of risks and opportunities in sales, procurement, and each of our other functions, the formulation of risk mitigation plans, and regular reporting to the Audit Committee, for example. To ensure more thorough promotion of these efforts, we will reinforce and continue to implement the relevant initiatives under the leadership of the CEO.

The core component of these five themes is "Reinforcement of Companywide Quality Assurance and Quality Control." The director of global quality & EHS is responsible for overseeing these efforts and working with the officers responsible for each theme to manage progress, and for reporting to the Steering Committee on a monthly basis. Moreover, the Committee will provide quarterly progress reports to the Board of Directors.

By mid-March, we will aim to specify our action plan for the future in line with the findings of the investigation report, and we plan to finish its company-wide rollout and implementation by December 2025. From FY12/2026 onwards, we plan for each activity to become a part of routine operations. While reporting to the Board of Directors on our progress, we will examine the systems and operations necessary according to progress levels.

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

In terms of measures for our customers, alongside the Investigation Committee's investigation, we have conducted individual briefings for customers who have been confirmed as possible recipients of noncompliant products resulting from the Improper Conduct, Additional Matters, and Individual Matters. Although to date we have not received any reports of product quality or performance issues, or related accidents, resulting from our improper conduct, we will continue to respond in earnest to customers' queries and concerns.

5. Voluntary return of remuneration and action against the individuals concerned

(1) Voluntary return of remuneration by members of Board of Directors

Given the severity of this Improper Conduct, the following member of the Board of Directors proposed the voluntary return of part of their executive remuneration, and this proposal was approved at the Board of Directors meeting held on February 14. 2025.

Director, Hisashi Tate	Equivalent to 10% of monthly remuneration (for 3 months) during term of employment as executive officer
Director, Evelise Faro	Equivalent to 10% of monthly remuneration (for 3 months) during term of employment as executive officer
Itaru Matsuyama, Representative Executive Officer CEO	10% of monthly remuneration (for 1 month)

(2) Actions taken against employees

We will respond as appropriate in line with the investigation report, etc., from the Investigation Committee.

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