FY2024 Results Presentation

February 17, 2025

Tsubaki Nakashima Co., Ltd.

（Prime Market of TSE 6464）

TSUBAKI NAKASHIMA

Progress of Investigation into Improper Conduct in Quality Inspections of Certain Products in Linear Business

October 2, 2024
Discovered falsification of measured values in some quality inspection items for ball screws manufactured at the Koriyama Plant

October 3
Established emergency task force to begin fact-finding

October 16
Established a Special Investigation Committee composed of external attorneys, began investigating

Purpose: To investigate the facts and causes, verify the relevance of governance and organizational culture, and provide an opinion on effective recurrence prevention measures

Scope: Not only the Koriyama plant (where the incident was discovered), but also linear business plants and non-linear business plants in Japan

Investigation period: Approx. 4 months

February 17, 2025
Published investigation report and “Notice of Formulation of Measures to Prevent Recurrence Based on Recommendations from the Special Investigation Committee” on our website

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Summary of Special Investigation Committee's Investigation Report | Causes of Falsification and the Falsifications Discovered During the Investigation

Cause (of falsification of quality inspection measurements for ball screws at Koriyama Plant)

- Aging of inspection equipment
- Pressure on employees to meet production schedules
- Justification for falsification: "there are no performance problems involving products delivered customers"

Discovered the following additional incidents

- **Koriyama Plant:**
  If the outside diameter of a ball screw shaft deviated from the standard but the deviation was not significant, the shaft passed inspections based on internal judgment
- **Linear Business, Sechibaru Plant:**
  If the sliding resistance of the ballway deviated from the standard but the deviation was not significant, the it passed inspections based on internal judgment
- **Ball Business, Katsuragi Plant:**
  Acoustic tests on steel balls were conducted using an alternative method based on internal judgment, instead of the method in the specifications agreed with the customer
- **Ball Business, Katsuragi Plant:**
  The hardness of pen balls was not measured because the method in the specifications agreed with the customer was deemed unnecessary based on internal judgment
- **Okayama Plant:**
  A report was submitted that did not fully reflect the known facts when responding to a customer complaint concerning a pen ball product

We sincerely apologize to our customers, shareholders, and all other stakeholders for the significant inconvenience and concern this matter has caused.

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Causes of Falsifications Identified in the Special Investigation Committee’s Report

- **Insufficient fundamental understanding of quality assurance**
- **Inadequate training**
- **Lack of compliance awareness**
- **Dysfunctional management structure**
- **Insufficient checks and balances**

  (quality assurance department, certification processes, internal audits, whistleblower system)
- **Organizational silos**
- **Isolation and declining motivation at Koriyama Plant**
- **Awareness issues among past management**

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Recurrence Prevention Measures in Response to Recommendations

Quality Compliance Committee Initiatives and Structure

Steering Committee

- CEO
- CFO
- CHRO
- BU President
- Transformation Director
- Legal Advisor (external)

Board of Directors

Chairperson
CEO: Itaru Matsuyama

Implementation Leader
Global Quality & EHS Director

- Reinforcement of Companywide Quality Assurance and Quality Control
- Personnel System and Organizational Culture Reform
- Review of Control Environment
- Implement thorough compliance training
- Strengthen risk management

Finalize action plan by mid-March
Complete company-wide rollout and implementation by December 2025

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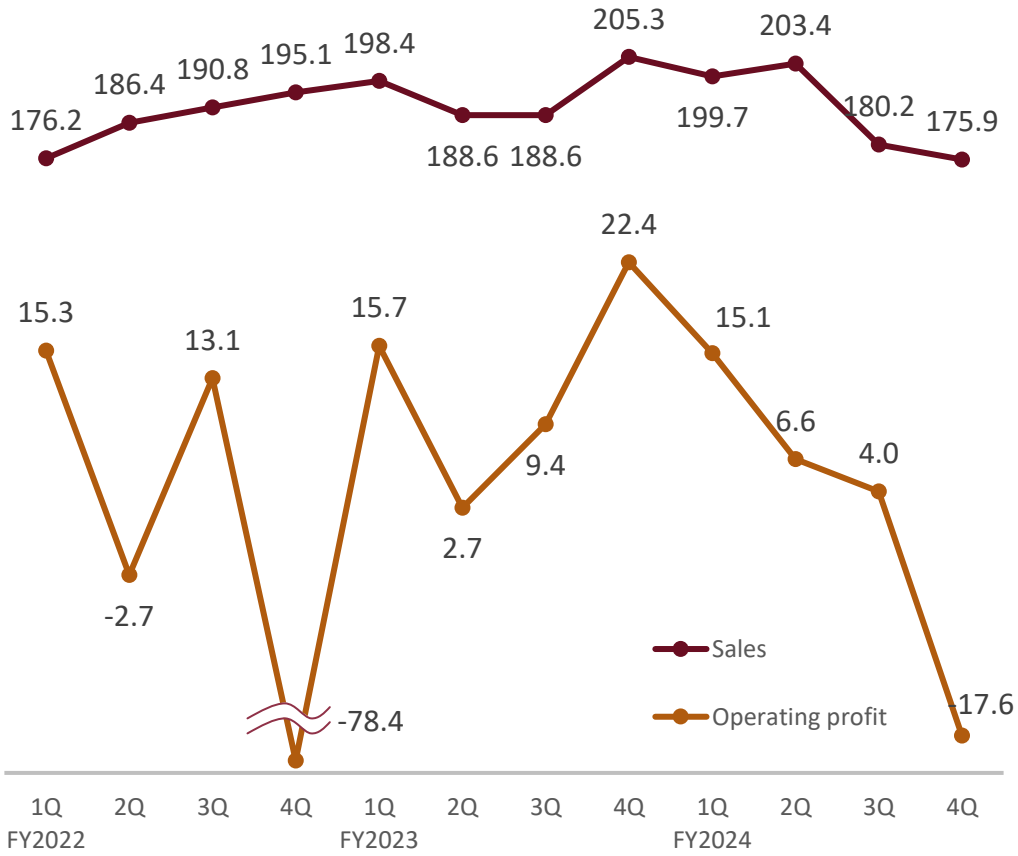
Summary for FY2024

(¥100million)

Sales	Operating Profit	EBITDA
759.2	8.1	40.6
YoY ▲1.5%	YoY ▲83.8%	YoY ▲49.2%
Exclude	Exclude	Exclude
FX impact ▲7.8%	FX impact ▲86.7%	FX impact ▲51.0%
Latest Guidance ＋1.2%	Latest Guidance ＋62.8%	

- Sales decreased by 1.5% YoY, despite the positive impact of yen depreciation, due to the stagnant European economy, production cuts by some Japanese automakers, slow recovery in demand for general industrial equipment and machine tools, and temporary production stoppages due to hurricanes in the US. On the other hand, sales increased by 1.2% vs the guidance announced last November
- In the growth strategies, while sales of ceramic balls were relatively sluggish, medical devices and sales expansion in Asia remained strong, recording a 27.1% and 9.3% increase YoY, respectively
- Operating profit fell 83.8% YoY due to lower sales, inventory valuation losses in an effort to improve asset efficiency, and restructuring costs, despite the positive effects of cost improvements (compared to guidance, operating income rose 62.8% YoY)
- Year-end dividend ¥10/share. Annual dividend ¥25/share including interim dividend of ¥15/share

Quarterly Financial Results



* In this document, financial results are disclosed primarily as figures for continuing operations only, excluding discontinued operations.

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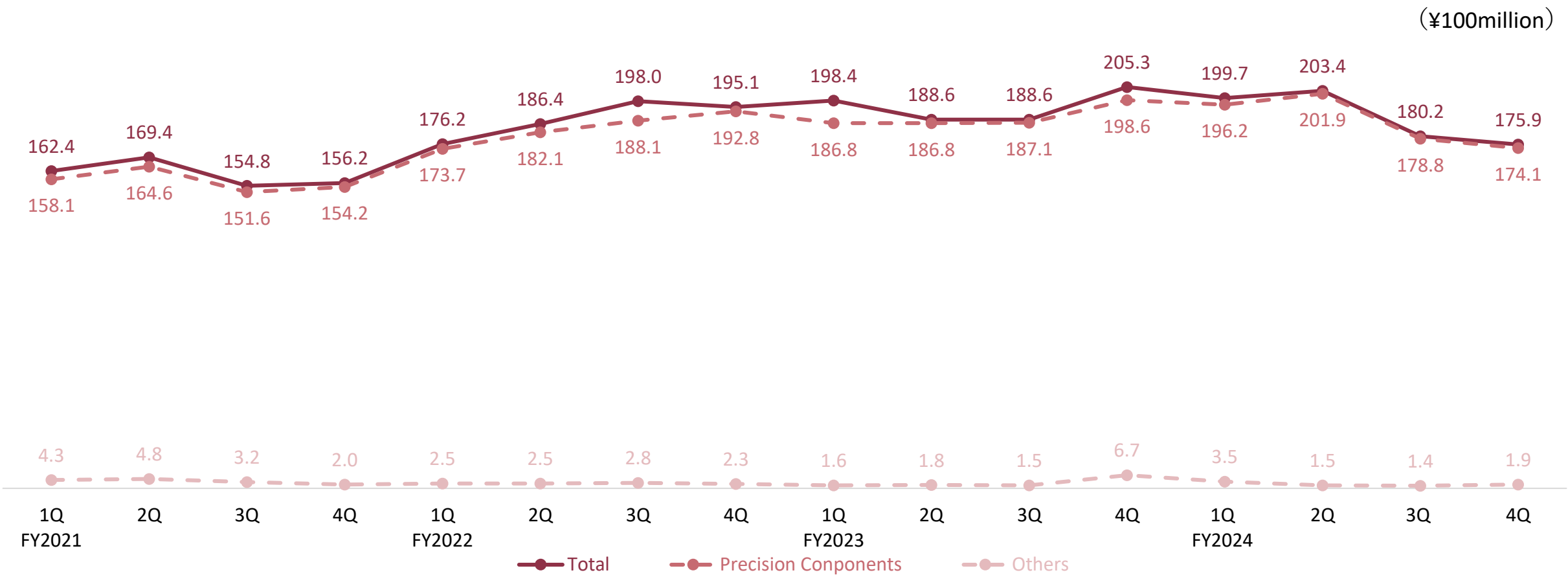
Sales by Quarter

Sales of Precision Components : -12.3% YoY, -2.6% QoQ
Sales of Others decreased : -72.1% YoY, +39.1% QoQ



*The above figures through the end of 2023 have not been audited by an accounting auditor
※"Others" above has been replaced by 'Blower & Real Estate Business' from this fiscal year (same on the next page and thereafter)

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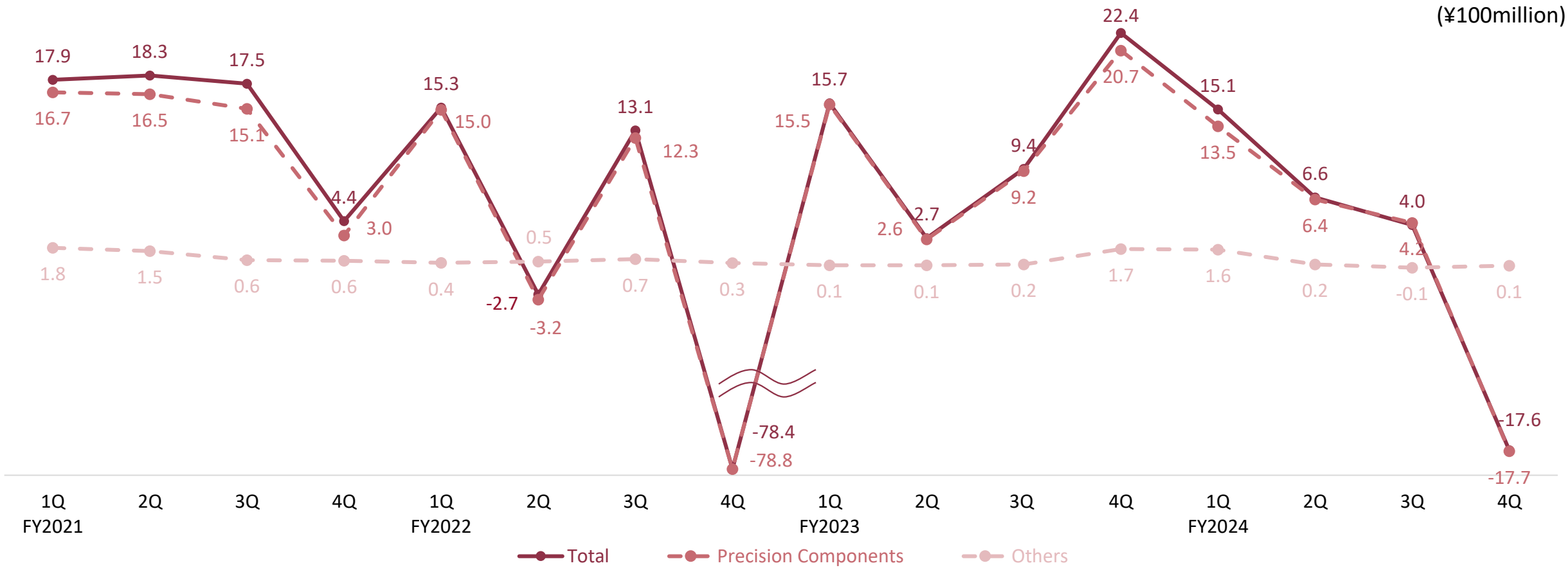
Operating profit by Quarter

OP of Precision Components : Deficit in Q4

OP of Others : Surplus in Q4, but a significant decline YoY



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FY2024 Consolidated results (YoY)

Sales excluding FX impact declined by 8% YoY mainly due to decline in Europe
Operating profit declined by 87% YoY due to restructuring expenses and inventory valuation lossed
Net profit recorded a surplus of ¥900 million due to the recognition of derivative valuation gains and foreign exchange gains resulting from the fair value assessment of convertible bonds and stock acquisition rights.

(¥100million)

	FY2023	FY2023	FY2024			
	Actual (Including "discontinued operations")	Actual ("continuing operations" only)	Actual ("continuing operations" only)	FX impact	Inc/dec※1	Inc/dec%※1
Sales	803.4	770.9	759.2	48.5	▲ 60.1	▲ 7.8%
Operating profit	8.5	50.2	8.1	1.5	▲ 43.5	▲ 86.7%
OP%	1.1%	6.5%	1.1%	–	—	—
EBITDA	40.4	79.8	40.6	1.5	▲ 40.7	▲ 51.0%
PBT	1.1	42.7	17.5	3.5	▲ 28.7	▲ 67.3%
Net profit	▲ 12.9	16.0	9.1	3.1	▲ 10.1	▲ 62.8%

※1 Inc/dec and Inc/dec% excluding foreign exchange impact.

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FY2024 Segment/Region Sales (YoY)

Among the situation for Sales by region (excluding FX impact), the largest decline was in Europe. Meanwhile, China increased by 3.3% YoY due to strong exports. Sales expansion in Asia excluding China was led by India.

(¥100million)

	FY2023	FY2023	FY2024			
	Actual (Including "discontinued operations")	Actual ("continuing operations" only)	Actual ("continuing operations" only)	FX impact	Inc/dec※1	Inc/dec%※1
Consolidated	803.4	770.9	759.2	48.5	▲ 59.6	▲ 7.7%
Precision Components※2	759.3	759.3	751.0	48.5	▲ 56.3	▲ 7.4%
Japan	136.7	136.7	116.6	0.0	▲ 20.1	▲ 14.7%
North America	154.7	154.7	148.6	11.2	▲ 17.3	▲ 11.2%
Europe	270.8	270.8	252.3	22.0	▲ 45.6	▲ 16.9%
China	156.3	156.3	171.8	10.7	5.2	3.3%
Asia(ex. China)	40.8	40.8	62.5	4.5	17.2	42.2%
Others	44.1	11.6	8.2	0.0	▲ 3.4	▲ 29.2%

※1 "Inc/dec" and "Inc/dec%" exclude "FX impact"
※2 Excluding inter-regional transaction

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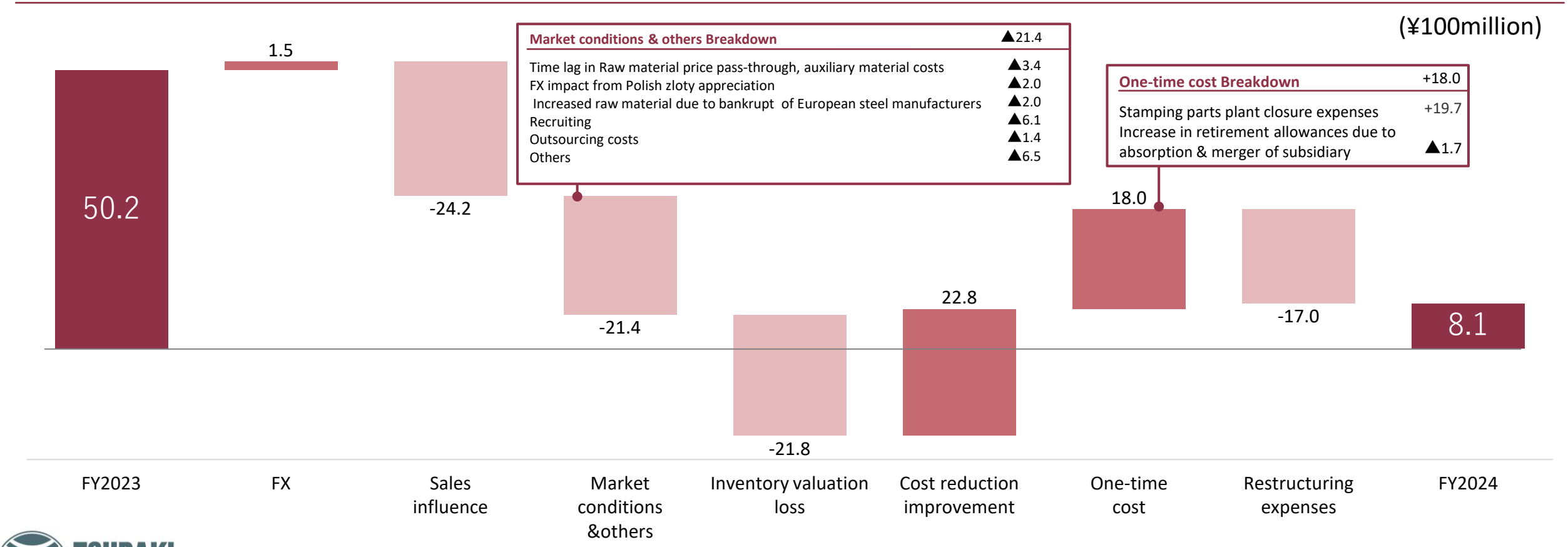
FY2024 OP bridge vs FY2023

Operating profit fell by 83.8% YoY to ¥810 million due to lower sales, inventory valuation losses in an effort to improve asset efficiency, and restructuring costs, despite the positive effects of cost improvements



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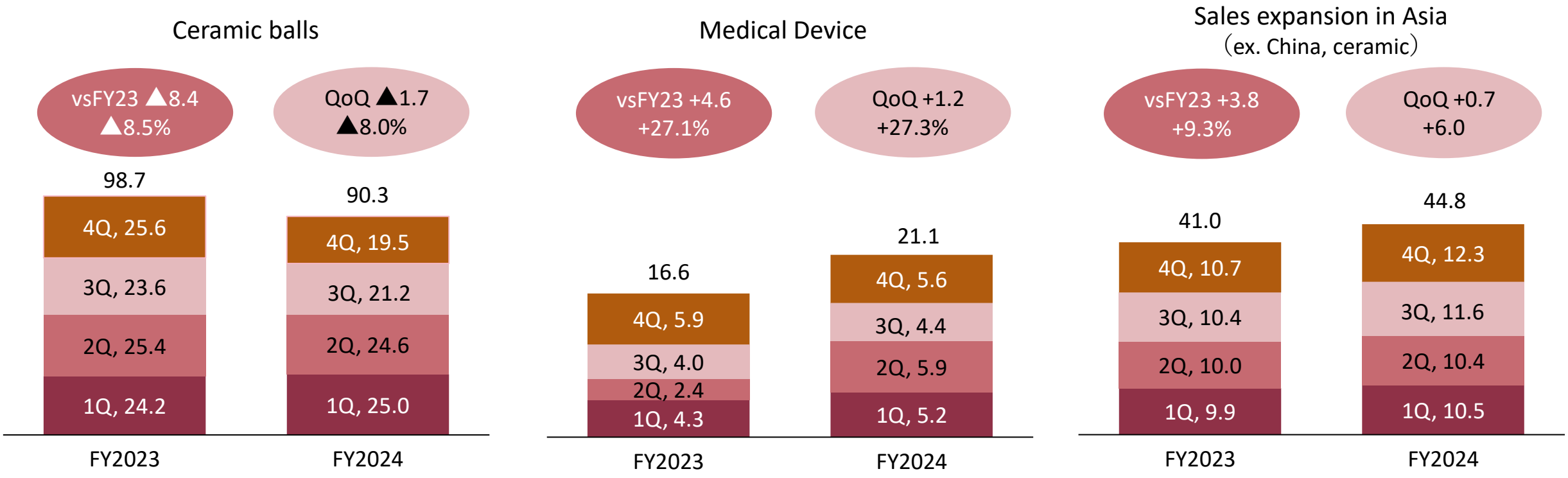
Progress in Growth Strategies (FY2024)

"Ceramic balls" sales remained sluggish (down 8.4% vs FY2023), while "Medical Device" and “Sales expansion in Asian" remained strong, recording a 27.1% and 9.3% increased vs FY2023, respectively

（¥100million）



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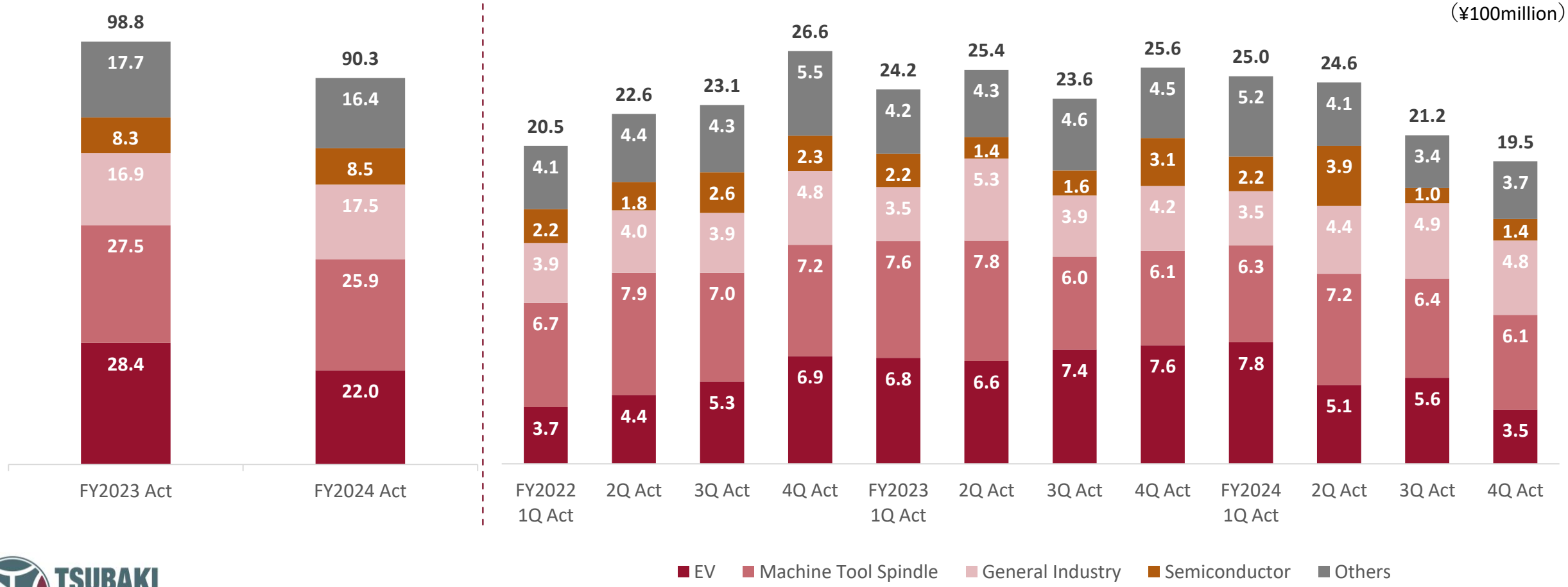
Ceramic Ball Sales Trend / Forecasts by Application

Annual sales slowed down significantly in 2H, with demand for EVs and machine tool spindles falling sharply



※ ¥200million of FY2024 Act is for Aero & Defense (others)

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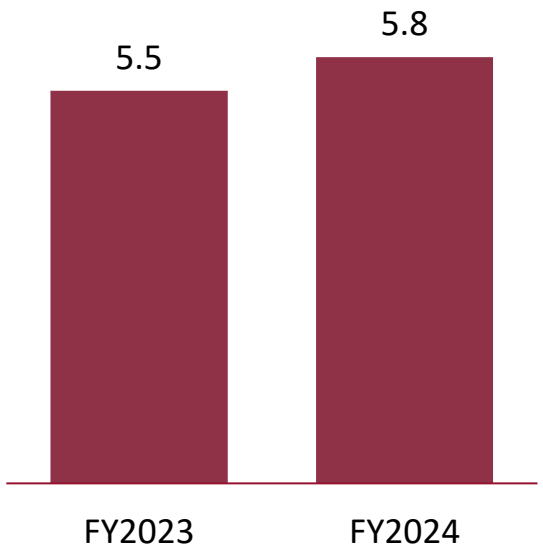
BS/CF

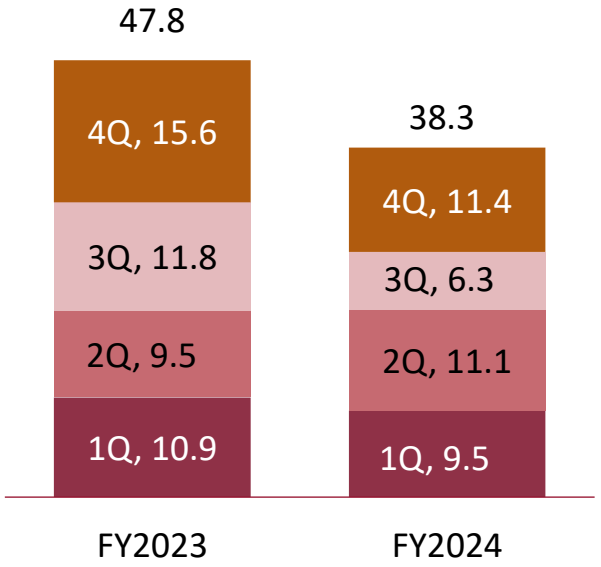
Inventory Turn-over (months)

Deterioration of 0.3 month due to sales decline



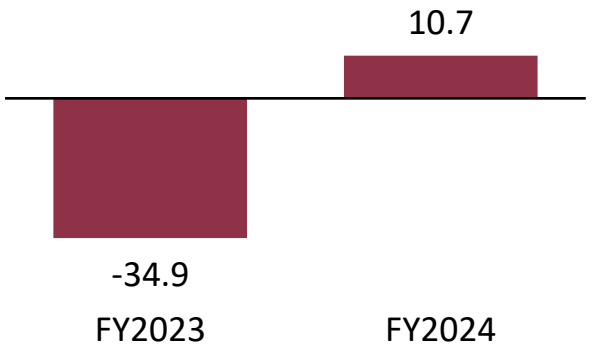
CAPEX (¥100million)

Progress as planned within budget



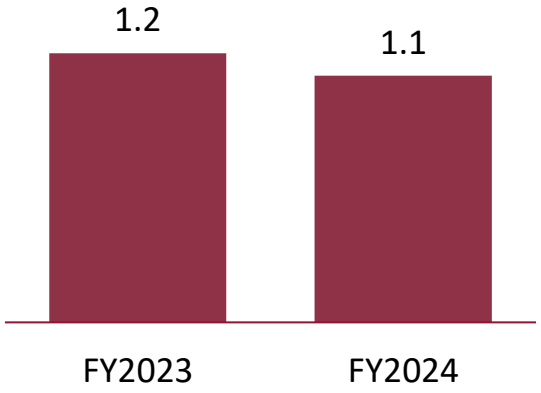
Free CF (¥100million)

Return to profitability due to working capital improvement mainly in accounts receivables and reduction in CAPEX



Net D/E Ratio （Times）

Improvement due to increased retained earning



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Sustainability Initiatives

Sustainable development Strategy

- ✓ Reduce **energy consumption**
- ✓ Photovoltaic systems
- ✓ **Purchase green energy** thanks to the Renewable Energy Certificates
- ✓ Challenge: **improve the general efficiency** of TN plants through high utilization
- ✓ **Electrification** of TN plants

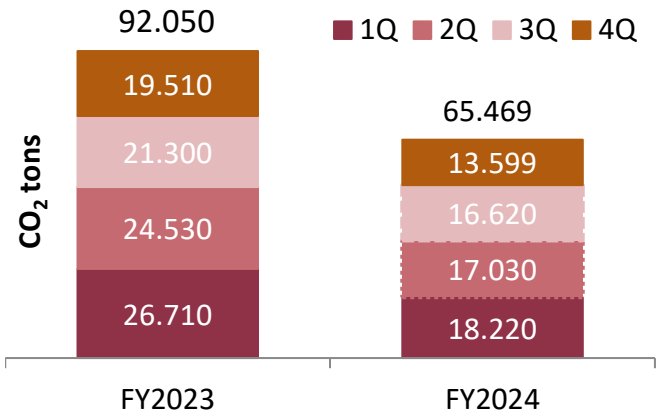
2024 Key milestones

- ✓ **-2% of energy intensity** that means a reduction of **3.900 MWh of energy consumption**
- ✓ **4.000 MWh of electricity produced by solar panels** installed in our plants
- ✓ **70.000 MWh of green energy purchased** thanks to the Renewable Energy Certificates

Carbon footprint

CO_2 tons/tons	2023	2024	% 24 vs 23
Japan	1,10 **1.01**※	0,88 **0,68**※	-0,22 **-0,33**※
Europe	1,04	0,77	-0,27
Ceramic	19,3	11,8	-7,5
China	0,99	0,66	-0,33
Americas	0,81	0,71	-0,10
EPC	1,52	1,41	-0,11
TSUBAKI NAKASHIMA	1,03 **1,02**※	0,74 **0,72**※	-0,29 **-0,30**※

Total CO_2 emissions



(Figures for «continuining operations only»)

- ✓ **Carbon Disclosure Project (CDP):** the world's economy looks to CDP as the gold standard of environmental reporting. **The aim of CDP is to see a thriving economy that works for people and planet in the long term.** CDP focus investors and companies on building a sustainable economy by measuring and acting on their environmental impact.
- ✓ **TN obtained Level B- for "Climate Change"**

CDP Discloser 2024

- ✓ **Science Based Targets Initiative (SBTi):** TN's greenhouse gas emissions reduction targets have been certified by the SBT Initiative ("SBTi") as a "Science Based Targets".
- ✓ **TN** commits to reduce absolute **scope 1 and 2** GHG emissions **42% by 2030** from a 2022 base year. **TN** also commits to reduce absolute **scope 3** GHG emissions **25% by 2030** from a 2023 base year.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

2022	2023	2024	2025	2026	2027	2028	2029	2030
109.610 CO_2 tons	94.595 CO_2 tons	65.469※ CO_2 tons	85.691※ CO_2 tons	80.351※ CO_2 tons	75.012※ CO_2 tons	69.672※ CO_2 tons	64.332※ CO_2 tons	58.922※ CO_2 tons
101.711※	92.050※							

※ Figures for «continuining operations only»

＊Each figure on this page is based on the "market-based method".

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FY2025 Forecast

Announced Mid-Term Business Plan 2025-2029 (MTP) in conjunction with FY2024 financial results
The first half of the MTP will be positioned as a “Sed-sawing” period for regrowth and high profitability
No dividends will be paid in FY2025 and cash generated will be used to fund shareholder returns from FY2026 onward.

（¥100million）

	FY2024		FY2025			
	Actual	% of Sales	Guidance	% of Sales	Inc/dec	Inc/dec
Sales	759.2	100.0%	715.0	100.0%	▲ 44.2	▲ 5.8%
Operating profit	8.1	1.1%	10.0	1.4%	1.9	22.9%
PBT	17.5	2.3%	▲ 6.0	—	▲ 23.5	—
Net profit	9.1	1.2%	▲ 8.0	—	▲ 17.1	—
EPS (Yen)	22.91	—	▲ 20.10	—	▲ 43.01	—
DPS (Yen)	35	—	0	—	▲ 35	—

Exchange rate assumption : 1 USD 140 Yen, 1 EUR 154 Yen, 1 RMB 20.30 Yen
(2023 Actual average rate : 1 USD 151.58 Yen, 1 EUR 163.95 Yen, 1 RMB 21.02 JPY)

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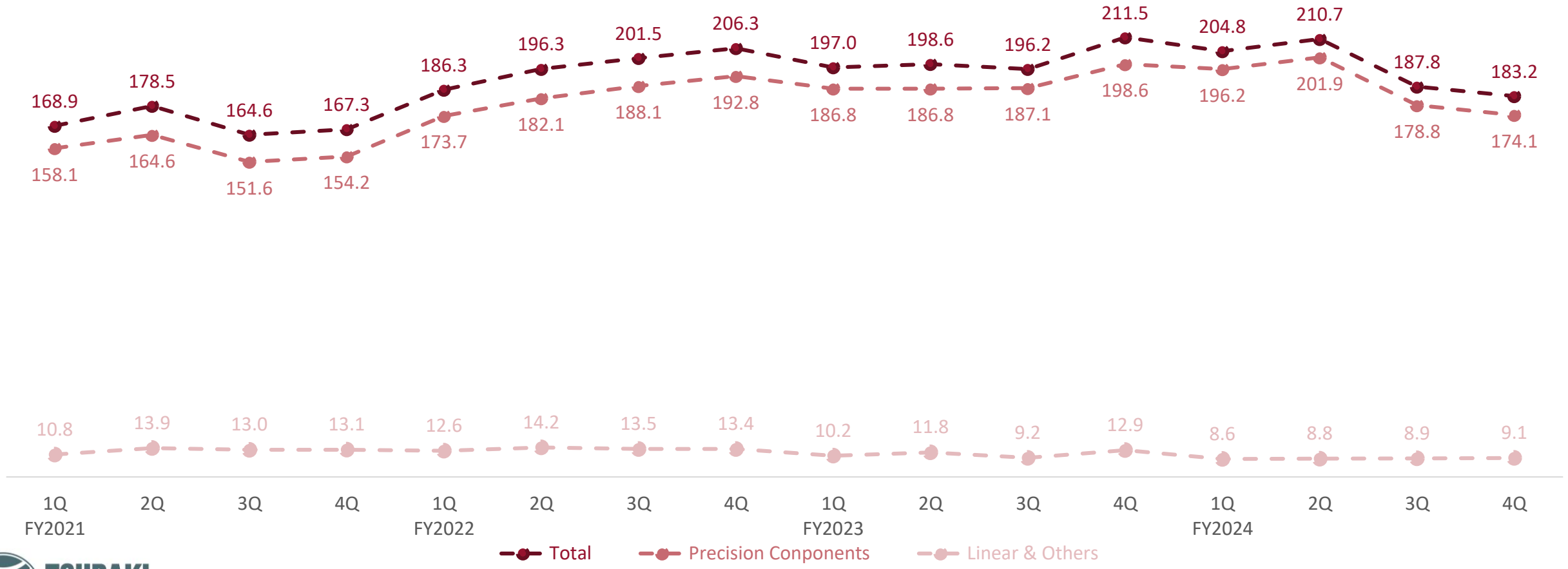
【Appendix】Sales by Quarter (including discontinued operations)

（¥100million）



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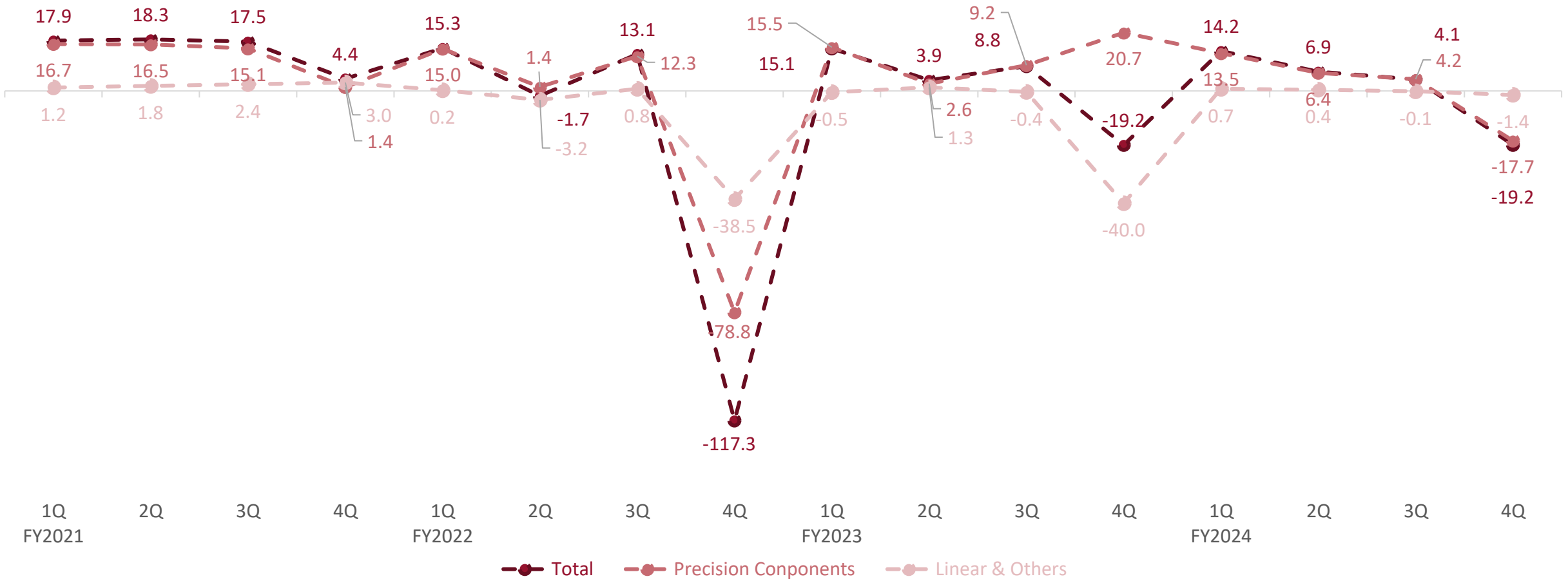
【Appendix】Operating profit by Quarter (including discontinued operations)

（¥100million）



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