



May 14, 2021

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Notice Concerning Financing through a Subordinated Syndicated Loan

Tsubaki Nakashima Co., Ltd. (“the company”) decided in its Board of Directors meeting held on May 14, 2021 to finance through a subordinated syndicated loan (“the subordinated loan”) as per details below.

1. Purpose and Background of the subordinated loan

The company announced today “2021-2023 Mid-term Strategy” which 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 finance through the subordinated loan in order to promote the above three growth strategies as well as to strengthen its financial position and maintain and improve capital efficiency.

2. Characteristics of the subordinated loan

The subordinated loan is a type of hybrid financing midway between equity and debt. Although the subordinated loan is classified as debt and therefore does not dilute the equity value per share, it has characteristics similar to equity, such as voluntary deferral of interest, very long maturities, and subordination in bankruptcy proceedings. Accordingly, the company expects Rating and Investment Information, Inc. (“R&I”) to identify an equity content on 50% of the fundraising amount for its rating.

3. Overview of the subordinated loan (planned)

Loan amount	JPY10 billion
Contract date	May 25, 2021
Execution date	June 30, 2021

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.

Due date	June 30, 2051
Early repayment *	The company may repay before the due date all or part of the principal on each interest payment date seven years from the execution date or later, or in certain other specified circumstances.
Use of funds	Long-term business funds
Interest deferral clause	The company may defer payment of interest.
Subordination clause	If any of the events prescribed in the subordinated loan agreement (liquidation, bankruptcy, reorganization proceedings, or rehabilitation proceedings) should occur, the creditors of the subordinated loan have claim rights subordinate to all senior creditors in the priority of repayment. The terms of the agreement of the subordinated loan must not be changed to disadvantage any senior creditor
Lenders	Resona Bank, Limited (Lead arranger), Development Bank of Japan Inc. (Joint arranger), The Chugoku Bank, Ltd., The Nanto Bank, Ltd., The Dai-ichi Life Insurance Company, Limited, Fukoku Mutual Life Insurance Company, Kansai Mirai Bank, Limited, The Minato Bank, Ltd., The Hachijuni Bank, Ltd.
Equity credit evaluation by the rating agency	"Class 3 – Equity Credit 50" (R&I)

* In the case of early repayment of the subordinated loan, the company anticipates procuring funds through the issue of common stock or debt (refinancing securities) approved by rating agencies as having equity credit attributes equivalent to or higher than the subordinated loan. However, if the company satisfies certain financial requirements when early repayment is made seven years after the execution date or later, it may defer the procurement of funds through refinancing securities.

Based on the significance that "the company's management reforms through strategic investments will contribute to a speedy and steady recovery and growth after COVID-19, and ultimately result in regional revitalization, thereby leading an energetic improvement in the economic system overall in the post-COVID-19 era", this subordinated loan utilizes the Growth Fund for Coronavirus Revival, which is one type of Special Investment Operations set up by Development Bank of Japan Inc. ("DBJ"). For details, please refer to the news release issued by DBJ (URL: <https://www.dbj.jp/news/>).

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