



November 11, 2024

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## Notice Regarding Improper Conduct in Quality Inspections of Certain Products in Linear Business

A recent internal investigation has revealed that the measured values in some of the quality inspection items for ball screws manufactured in Koriyama plant for Linear Business had been falsified (hereinafter referred to as “the Improper Conduct” and the products in question as “the Affected Products”). Tsubaki Nakashima Co. Ltd. (hereinafter referred to as “the Company”) would like to inform all relevant parties of the current situation and its response to the issue as follows.

We sincerely apologize for the significant inconvenience and concern the Improper Conduct may cause to our customers, shareholders, and all other stakeholders.

As it had been announced on February 9 this year, the Company has had the intention of selling the ball screw business, and while we ran various checks for the purposes, the Improper Conduct was discovered on October 3 per one of our employees’ report. The Company formed a task force with Itaru Matsuyama, CEO as the chairperson immediately after the discovery. Currently, we are reporting the facts of this matter to the customers who received the Affected Products while we continue to look into the issue. Although there have been no reports of impacts on the quality or performance of the Affected Products nor any accidents related to the Improper Conduct, the senior management take this situation very seriously as it is something that should never occur.

It has been decided to establish a Special Investigation Committee composed of external attorneys on October 16 to investigate this matter. We will fully cooperate with the Special Investigation Committee to uncover the full extent of the Improper Conduct and promptly formulate and implement measures to prevent recurrence. Additionally, we are committed to enhancing the effectiveness of our quality assurance program and will make every effort to restore social trust as quickly as possible.

The Company is currently assessing the impact of this matter on our business performance. Should any material information arise that requires disclosure, we will promptly make an announcement.

1. Summary of the Improper Conduct
  - 1) Products affected by the Improper Conduct to Date  
Some of the ball screws manufactured in Koriyama Plant
  - 2) Details of the Improper Conduct  
Alteration of values automatically recorded by measuring equipment for some of the key quality inspection items of the ball screws over an extended period.

2. Establishment of the Special Investigation Committee
  - 1) Purpose of establishing the Special Investigation Committee
    - Investigation of the facts and causes related to the Improper Conduct
    - Investigation into the presence of other potential major improper conduct affecting the quality of our products
    - Verification of the effectiveness of recurrence prevention measures based on the report by the special investigation committee established in 2018 and their relevance to the Improper Conduct
    - Verification of the relevance of governance and organizational culture to the Improper Conduct, and provision of an opinion on effective recurrence prevention measures based on the verification
    - Other relevant matters deemed necessary by the Special Investigation Committee
  - 2) Members of the Special Investigation Committee
 

Chairperson	Tsuyoshi Unemoto	(Attorney-at-law, Oh-ebashi LPC & Partners)
Member	Kaku Hirao	(Attorney-at-law, Nishimura & Asahi)
Member	Hiroshi Yagi	(Attorney-at-law, Nishimura & Asahi)
  
3. Future Measures
 

At this point, we are not made aware of any incidents that raise concerns about the safety of our products. However, the Company has started a technical verification process with the customers to assess the potential impact on the quality of downstream products. Additionally, the Company has been contacting each customer who may be impacted by the Affected Products promptly.

Going forward, we will fully cooperate with the investigation conducted by the Special Investigation Committee to ensure the investigation can be completed swiftly. Additionally, if any matters that need to be disclosed arise in the course of the investigation, we will promptly make them available to the public. We expect to receive an investigation report by the Special Investigation Committee around January 2025, but this can be delayed depending on the progress of the Special Investigation Committee's activities. The results of the investigation will be announced as soon as the investigation report by the Special Investigation Committee is received.
  
4. About the ball screw business (reference information)
 

The revenue of ball screw business at Koriyama plant that was subject to the Improper Conduct accounts for 3% of overall sales revenue of the Company in the last fiscal year.