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Notice of reorganisation of production plants in the USA

Tsubaki Nakashima has four production plants in the USA (one in Georgia, two in Tennessee and one in Michigan), and has decided to radically reorganise three of these plants, excluding Michigan, which manage steel products.

1. Aims of the reorganisation

- 1-1. to clarify the characteristics of the three plants, rationalise the duplication of products and warehouses, and strengthen the integration of logistics functions in North America.
- 1-2. to adapt to areas of sustained growth and profitability, such as ceramics and aerospace-related products.
- 1-3. these restructurings are expected to accelerate the improvement of the profitability of the US business, while at the same time enhancing customer support.
- 1-4. furthermore, the efficiency gains in logistics and steel production are expected to have a positive effect on CO2 emission reductions.

2. Overview

2-1. Georgia Plant

- (1) All steel ball production, except for special and low-volume products, will be transferred to two plants in Tennessee in two phases by the end of 2023 (already started).
- (2) To increase production of ceramic balls, for which demand from North American customers is strong, and to make a full-scale entry into the aerospace business (balls made of ceramic and other materials used in commercial jet aircraft engines), which is expected to grow in the future, the plant will be converted into a plant specialising in these fields.
- (3) By adding a North American logistics centre function, finished products will be concentrated from the two Tennessee plants to the Georgia plant, and the warehouses held at the two Tennessee plants will be eliminated.

The consolidation of finished products to Georgia, which will have a single pick-up point and easy access, is expected to improve customer service and inventory management.

- (4) The required rightsizing will be conducted as a result of the above reorganisation.

2-2. Two plants in Tennessee

- (1) The two plants, which can be moved within an hour or so, will be operated as one organisation, and the duplicated functions of each plant are eliminated (already done).
- (2) Specialise in the production of steel products (balls and rollers) to increase the production capacity and efficiency. This will improve the cost of a high-volume product line with low profitability.

As a result of the above, the number of plants producing steel products in the US will be reduced from three to two.

3. Impact on consolidated financial results

3-1. Capital investment associated with the project is expected to total ¥ 1.06 billion (¥ 0.3 billion in 2023 + ¥ 0.76 billion in 2024).

3-2. Of the above, ¥ 0.3 billion in 2023 has already been factored into the consolidated financial results for the fiscal year ending December 31, 2023.