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Notice of Offering of 17th Share Acquisition Rights and 1st Series Unsecured Convertible Bonds with Share Acquisition Rights to be Issued Through Third-Party Allotment

Tsubaki Nakashima Co., Ltd. (the "Company") hereby announces that its Board of Directors, at a meeting held on October 18, 2023, resolved to conduct an offering of share acquisition rights (the "Share Acquisition Rights") and convertible bonds with share acquisition rights (the "Bonds with Share Acquisition Rights," and the bonds thereof are hereinafter referred to as the "Bonds," and the share acquisition rights attached thereto are hereinafter referred to as the "Convertible Bond-Type Share Acquisition Rights") to be issued through a third-party allotment. The details are described below.

Please also refer to the "Notice of Business Alliance" dated today.

1. Overview of Offering

17th Share Acquisition Rights

(1)	Allotment date	November 9, 2023 Under the Subscription Agreement (as defined below), the Scheduled Allottee agrees to pay the total amount of issue price on the due date of payment provided that the conditions set out in the Subscription Agreement are satisfied.
(2)	Total number of share acquisition rights	62,814 acquisition rights (466 yen per Share Acquisition Right)
(3)	Issue price of Share Acquisition Rights	29,271,324 yen in total
(4)	Number of dilutive shares resulting from issuance	Number of dilutive shares at the initial exercise price (796 yen): 6,281,400 shares Number of dilutive shares at the Floor Exercise Price (676 yen): 7,396,441 shares
(5)	Amount of funds to be procured	5,029,265,724 yen (estimated net proceeds: 5,024,265,724 yen) (Note) (Breakdown) Issuance of the Share Acquisition Rights: 29,271,324 yen Exercise of the Share Acquisition Rights: 4,999,994,400 yen
(6)	Exercise price	796 yen per share If the average closing price (rounded up to the nearest yen; the "Revision Date Price") of the common shares of the Company in regular trading on the Tokyo Stock Exchange, Inc. (the "TSE") over the

	20 consecutive trading days ending on (and including) May 9, 2024, May 9, 2025, and May 9, 2026 (individually or collectively, the "Revision Date") is lower than the exercise price effective on the Revision Date by one yen or more, the exercise price shall be revised to the Revision Date Price from the Revision Date onward. However, if the amount obtained as a result of the above calculation is less than the Floor Exercise Price (as defined below), the revised exercise price shall be the Floor Exercise Price. The "Floor Exercise Price" shall be 676 yen (the product of the initial exercise price multiplied by 85%.)
(7) Method of offering or allotment	By way of third-party allotment
(8) Scheduled allotee	AAGS S6, L.P.
(9) Other Matters	The Company will today execute the subscription agreement (the "Subscription Agreement") regarding the Share Acquisition Rights and Bonds with the Share Acquisition Rights with AAGS S6, L.P. (the "Scheduled Allotee"). The following matters will be set out in the Subscription Agreement. The date on which the Share Acquisition Rights will be allotted to the Scheduled Allottee is November 9, 2023. (i) The Scheduled Allotee will not exercise the Share Acquisition Rights from November 10, 2023 to May 9, 2024. (ii) Notwithstanding (i), if (A) an early redemption event prescribed in the terms and conditions occurs, (B) it is discovered that the conditions precedent provided for in the Subscription Agreement are not satisfied on the due date of payment, (C) the Company agrees to the exercise of the Share Acquisition Rights by the Scheduled Allottee, (D) trading of the common shares of the Company on the TSE has been suspended for a period of five trading days or more, (E) the Company is in material breach of any of its obligations, representations, or warranties under the Subscription Agreement, or (F) the Company fails to lawfully submit the Annual Securities Report or Quarterly Securities Report, the Scheduled Allottee may exercise the Share Acquisition Rights at any time thereafter. (iii) The following matters will be set out in the Subscription Agreement. For further information, please refer to "(5) First Refusal Right" and "(6) Put options regarding the Share Acquisition Rights" under "6. Reason for Selection of Scheduled Allottee, Etc." below. - First refusal right - Put options regarding the Share Acquisition Rights

Note: The amount of funds to be procured shall be the aggregate amount of total issue price of the Share Acquisition Rights and the exercise price calculated on the assumption that all of the Share Acquisition Rights are exercised at the initial exercise price. If the Share Acquisition Rights are not exercised within the exercise period of the Share Acquisition Rights or cancelled by the Company, the amount of funds procured will decrease.

1st Series Unsecured Convertible Bonds with Share Acquisition Rights

(1) Due date of payment	November 9, 2023 The allotment date of the Bonds with Share Acquisition Rights is November 9, 2023. Under the Subscription Agreement, the Scheduled Allottee agrees to pay the total amount of issue price on the due date of payment provided

	that the conditions set out in the Subscription Agreement are satisfied.
(2) Total number of share acquisition rights	40 acquisition rights
(3) Issue price of Bonds and Share Acquisition Rights	100.2 yen per 100 yen of each Bond However, no payment in exchange for the Convertible Bond-Type Share Acquisition Rights is required.
(4) Number of dilutive shares resulting from issuance	Number of dilutive shares at the initial conversion price (796 yen): 12,562,800 shares Number of dilutive shares at the Floor Conversion Price (676 yen): 14,792,800 shares
(5) Amount of funds to be procured	10,020,000,000 yen (estimated net proceeds: 10,010,000,000 yen)
(6) Exercise price or conversion price	796 yen per share If the average closing price (the Revision Date Price) of the common shares of the Company in regular trading on the TSE over the 20 consecutive trading days ending on (and including) May 9, 2024, May 9, 2025, and May 9, 2026 (the Revision Date) is lower than the conversion price effective on the Revision Date by one yen or more, the conversion price shall be revised to the Revision Date Price from the Revision Date onward. However, if the amount obtained as a result of the above calculation is less than the Floor Conversion Price (as defined below), the revised conversion price shall be the Floor Conversion Price. The "Floor Conversion Price" shall be 676 yen (the product of the initial conversion price multiplied by 85%.)
(7) Method of offering or allotment	By way of third-party allotment
(8) Scheduled allotee	AAGS S6, L.P.
(9) Other Matters	The Company will today execute the Subscription Agreement regarding the Share Acquisition Rights and Bonds with the Share Acquisition Rights with the Scheduled Allotee. The date on which the Bonds with the Share Acquisition Rights will be allotted to the Scheduled Allottee is November 9, 2023. (i) The Scheduled Allottee shall not exercise the Convertible Bond-Type Share Acquisition Rights if the closing price of the common shares of the Company in regular trading on the trading day immediately prior to the date on which the Scheduled Allotee intends to request to exercise the Convertible Bond-Type Share Acquisition Rights (if no closing price is available for the last trading day before that day, then the closing price on the most recent trading day prior to that day) is lower than the product of the conversion price effective on the day on which the Scheduled Allotee intends to request to exercise the Convertible Bond-Type Share Acquisition Rights multiplied by 1.2 (rounded down to the nearest whole yen). However, if the Scheduled Allottee intends to request to exercise the Convertible Bond-Type Share Acquisition Rights, the Scheduled Allottee may convert the Convertible Bond-Type Share Acquisition Rights to the extent that (A) the cumulative number of common shares of the Company to be acquired by such conversion and the cumulative number of common shares of the Company acquired by the Scheduled Allottee by the time of such conversion does not exceed (B) the cumulative number of common shares of the Company sold by the Scheduled Allottee by the time of such conversion (including the case where the cumulative number in

	(A) exceeds the cumulative number in (B), but the excess number is lower that the number of common shares of the Company to be acquired in exchange for one Convertible Bond-Type Share Acquisition Right that is effective on the day on which the Scheduled Allottee intends to request to exercise the Convertible Bond-Type Share Acquisition Rights). (ii) Notwithstanding (i), if (A) an early redemption event prescribed in the terms of issue occurs, (B) it is discovered that the conditions precedent provided for in the Subscription Agreement are not satisfied on the due date of payment, (C) the Company agrees to the exercise of the Convertible Bond-Type Share Acquisition Rights by the Scheduled Allottee, (D) trading of the common shares of the Company on the TSE has been suspended for a period of five trading days or more, (E) the Company is in material breach of any of its obligations, representations, or warranties under the Subscription Agreement, or (F) the Company fails to lawfully submit the Annual Securities Report or Quarterly Securities Report, the Scheduled Allottee may exercise the Convertible Bond-Type Share Acquisition Rights at any time thereafter. (iii) The following matters will be set out in the Subscription Agreement. For further information, please refer to "(5) First Refusal Right" under "6. Reason for Selection of Scheduled Allottee, Etc." below. - First refusal right

2. Purpose of and Reasons for Offering

The Company's group (the "Group") consists of the Company and 22 domestic and overseas consolidated subsidiaries that manufacture and sell precision balls, precision rollers, ball screws, blowers, and other precision components. As a manufacturing company, the Group places "safety, quality, and environment" at the top of its management priorities and seeks to carry out its business activities in harmony with society, local communities, and nature. The Group is accelerating the globalization of medical products and other products that meet the needs for high-quality healthcare in response to the COVID-19 and the aging of the population toward the realization of a decarbonized society in the future. The Group is working daily to steadily implement its management strategy, achieve further profitable growth, and become a shining company that continues to create corporate value. In addition, the Group has formulated a Mid-Term Strategy "Transform Next 2023," which ends in the fiscal year ending December 31, 2023, and aims to become a "Best in Class" manufacturing company that engages in "base technology innovation," "Monozukuri innovation," "generating cash to execute strategic investments," and other initiatives.

Under these circumstances, the Group's current management policies include: (A) strengthening sales by reviewing unprofitable products and other measures and restoring earning power by rebuilding the U.S. and linear businesses, and (B) improving development speed, streamlining and strengthening development resources, investing in human resources, and strengthening DX initiatives in order to become a "Best in Class" manufacturing company. The Group believes that the realization of these goals will lead to an increase in the corporate value of the Group.

The Company concluded that, in order to ensure the implementation of the above measures, it would be effective to combine its own resources with external alliances to raise the necessary funds and carry out the measures. It then received a proposal from Advantage Advisors Co., Ltd. (Address: Toranomon Towers Office 4-1-28 Toranomon, Minato-ku Tokyo; Representative Director: Taisuke Sasanuma; "Advantage Advisors"), to provide various types of business support to the Group, as well as information, customer referrals, and financing through Advantage Advisors' group network. Since around May 2023, the Company has continued discussions with Advantage Advisors while exchanging information and holding meetings with them, and after careful consideration of Advantage Advisors' specific proposal as well as their track record of support for multiple listed companies, the Company determined that forming a business alliance with Advantage Advisors and issuing share acquisition rights and convertible bonds with share acquisition rights by way of a third-party allotment to a fund serviced by Advantage Advisors is the most appropriate proposal to enhance the corporate value of the Group, on the basis that (i) in addition to Advantage Advisors' extensive consulting experience, they will be able to provide high-level management support as the Company addresses the business challenges it has identified, and (ii) the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights by way of a third-party allotment as proposed by Advantage Advisors is the most suitable fund-raising method for the Company, as described in "Reasons for selecting financing through share acquisition rights and convertible bonds with share acquisition rights" in "(2) Specific use of funds to be procured" in "3. Amount of funds to be procured, purpose of use, and scheduled timing of expenditure" below. As such, the Company determined at the Board of Directors meeting held today to enter into a business alliance with Advantage Advisors.

3. Amount of funds to be procured, purpose of use, and scheduled timing of expenditure

(1) Amount of funds to be procured (estimated net proceeds)

Total amount to be paid in (yen)	Estimated amount of issuance costs (yen)	Estimated net proceeds (yen)
15,049,265,724	15,000,000	15,034,265,724

Note:
1. Consumption taxes and the like are not included in the estimated amount of issuance costs.
2. Issuance costs are mainly comprised of fiscal agent fees, attorney's fees, third-party appraiser fees, expenses for investigating anti-social forces, other administrative expenses (printing service expenses, registration expenses), and the like.
3. The total amount to be paid in is calculated on the assumption that all of the Share Acquisition Rights are exercised. If the Share Acquisition Rights are not exercised within the exercise period or the Share Acquisition Rights acquired by the Company are cancelled, the total amount to be paid in and the estimated net proceeds will decrease.
4. The estimated amount of issuance costs is the sum of the estimated amount of issuance costs for the Share Acquisition Rights (5,000,000 yen) and the estimated amount of issuance costs for the Bonds with Share Acquisition Rights (10,000,000 yen), and the estimated net proceeds is the sum of the estimated net proceeds for the Share Acquisition Rights (5,024,265,724 yen) and the estimated net proceeds for the Bonds with Share Acquisition Rights (10,010,000,000 yen).

(2) Specific use of funds to be procured

In respect of the 15,034,265,724 yen of the abovementioned estimated next proceeds (5,024,265,724 yen from the Share Acquisition Rights and 10,010,000,000 yen from the Bonds with Share Acquisition Rights), the funds for increasing production, improving quality, and enhancing profitability are scheduled to be allocated by no later than October 2028. The specific breakdown of such funds is as follows.
Until their actual expenditure, the procured funds will be securely managed as in the bank accounts of the Company.

In respect of the 10,010,000,000 yen of the estimated next proceeds that pertain to the Bonds with Share Acquisition Rights, the funds are scheduled to be allocated mainly to (A) capital expenditure to increase production of ceramic balls, steel balls, and medical parts, (B) capital expenditure to supply high quality products, (C) capital expenditure to improve profitability in the U.S. Business by changing work schedules, streamlining logistics, and incorporating high value-added products, and (D) capital expenditure to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation. In respect of the 5,024,265,724 yen of the estimated next proceeds that pertain to the Share Acquisition Rights, the funds are scheduled to be allocated mainly to (A) capital expenditure to increase production of ceramic balls, steel balls, and medical parts, (B) capital expenditure to supply high quality products, and (D) capital expenditure to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation.

If the Share Acquisition Rights are not exercised within the exercise period or the Share Acquisition Rights acquired by the Company are cancelled, the total amount to be paid in and the estimated net proceeds will decrease. If all or part of the Share Acquisition Rights are not exercised during the scheduled expenditure period and the amount of funds raised through the exercise of the Share Acquisition Rights is less than the scheduled expenditure amount, the funds will be allocated in the above priority order, and may be allocated to the above purposes of use through the use of cash on hand or through other methods such as bank loans.

Specific use of funds	Amount (Millions of yen)	Scheduled timing of expenditure
(A) Capital expenditure to increase production of ceramic balls, steel balls, and medical parts	7,300 (4,900 Bonds with Share Acquisition Rights / 2,400 Share Acquisition Rights)	January 2024 to October 2028
(B) Capital expenditure to supply high quality products	3,200 (2,000 Bonds with Share Acquisition Rights / 1,200 Share Acquisition Rights)	January 2024 to October 2028
(C) Capital expenditure to improve profitability in the U.S. Business by changing work schedules, streamlining logistics, and incorporating high value-added products	1,000 (1,000 Bonds with Share Acquisition Rights)	November 2023 to October 2028
(D) Capital expenditure to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation	3,534 (2,110 Bonds with Share Acquisition Rights / 1,424 Share Acquisition Rights)	January 2024 to October 2028

Use of proceeds

(A) Capital expenditure to increase production of ceramic balls, steel balls, and medical parts

The Company's Precision Component Business manufactures and sells a wide range of high quality precision balls and resin products. Demand for ceramic balls, a type of precision ball, has been strong in the machine tool industry due to aggressive capital investment in the manufacturing industry in general and the accelerating shift to EVs in the automotive market, contributing significantly to the Group's sales. In addition, demand for steel balls, another type of precision ball, has been growing strongly in India and ASEAN countries, overtaking the limited production capacity of the plant in China from which we have long shipped steel balls, and necessitating the construction of a second plant in India to increase production capacity. Among resin products, the Group's medical parts business, which was formerly limited to production and manufacturing in the United States, can now expand into the European market following the acquisition of an Italian medical company with mold manufacturing capabilities, and we later intend to proceed with global expansion. The Group believes that it is essential to systematically increase production in order to further capture the strong demand for ceramic balls as described above and enable business expansion in steel balls and medical parts. The Company plans to appropriate 7.3 billion yen to capital expenditure to increase production of ceramic balls for EVs, capital expenditure to increase production of steel balls for the growth markets of Indian and ASEAN, and capital expenditure to increase production of medical parts with the aim of global expansion.

(B) Capital expenditure to supply high quality products

As stated in "2. Purpose of and Reasons for Offering" above, the Group considers increasing development speed and improving the efficiency and effectiveness of development resources to be an essential element in the achievement of its medium-term management strategy, and necessary for further enhancement of corporate value. The Group manages its business with an emphasis on revenue, EBITDA, and free cash flows with the aim of achieving "further profitable growth," and recognizes that to become a "Best in Class" manufacturing company, one of its challenges is provide high-quality products while reducing costs. To address this challenge, the Company envisions globally installing automated transportation and picking equipment and other facilities to supply high value-added, high-quality precision ball products by further upgrading its polishing and inspection technologies, while reducing costs through labor-saving. The Company plans to appropriate3.2 billion yen as investment funds for these facilities.

(C) Capital expenditure to improve profitability in the U.S. Business by changing work schedules, streamlining logistics, and incorporating high value-added products

The Group's U.S. Business did not perform to expectations in the most recent fiscal year, and recorded an loss of 9,546 million yen on impairment of property, plant and equipment and other assets. As described in "2. Purpose of and Reasons for Offering" above, recovering its earning capacity is one of the Group's current management measures. As the Company expects a certain amount of growth in the U.S. ball market, the Company considers the reconstruction of the U.S. Business to be an urgent task in order to improve profitability. To achieve this, the Company believes it is necessary to take measures such as changing the work schedule of the U.S. Business, streamlining logistics, and incorporating high value-added products, and the Company plans to appropriate 1 billion yen as funds for these purposes.

(D) Capital expenditure to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation

As described in "2. Purpose of and Reasons for Offering" above, the Group places importance on harmony with society, local communities, and nature in its business activities, and has established energy management and responsible use of resources as one of its ESG (Environment, Social and Governance) goals. In addition, the Group's finances have been impacted by high energy prices and the weak yen, itself a result of the significant interest rate differential between Japan and the U.S. The Company plans to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation in order to mitigate the effects of high energy prices and the weak yen, in addition to its goal of helping build a zero-carbon society. The Company plans to appropriate approximately 3.5 billion yen to capital investment for these purposes.

Reasons for selecting financing through share acquisition rights and convertible bonds with share acquisition rights

In securing the funds necessary for enhancing corporate value and sustainable growth, the Company examined a number of financing methods. As a result, the Company concluded that the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights by way of third-party allotment is the most appropriate financing method for the following reasons.

(A) In the case of financing through issuing new shares by way of public offering or third-party allotment, while it is possible to complete financing by issuing new shares at the same time and without requiring redemption, because the number of issued shares immediately increases, there is a possibility that such method may have a significant impact on the share price. On the other hand, because financing through issuing share acquisition rights and convertible bonds with share acquisition rights does not immediately dilute shares, it is expected that the impact on the share price will be relatively lessened. In addition, because issuing only convertible bonds with share acquisition rights would increase the amount of liabilities that the Company may be obligated to redeem, the Company decided to issue share acquisition rights, which are equity and can limit the impact of dilution, in conjunction with the bonds.

(B) In the case of financing through issuing share acquisition rights, while it is generally possible to avoid immediate dilution as in the case of financing through issuing convertible bonds with share acquisition rights, there is a possibility that the Company would be unable to procure funds at the time or in the amount that it initially expected. Therefore, the Company decided to combine share acquisition rights with convertible bonds with share acquisition rights in order to raise a large amount of funds (10,049,271,324 yen in total) on the due date of payment.

(C) In the case of financing through bank loans, while it would be necessary to repay the principal at maturity, it is generally possible to procure a considerable amount of funds without interest through the issuance of convertible bonds with share acquisition rights, and if the share price rises and the conversion into shares processes in the future, it is expected that the Company's equity capital may be enhanced and its financial foundation may be reinforced without the need to repay the amount equivalent to the face value amount.

Merits and demerits of the financing scheme through issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights

Merits

(A) Fixed amount to be paid in when exercising share acquisition rights
The amount of property to be contributed upon exercise of one Share Acquisition Right is fixed at 79,600 yen. Therefore, even if the exercise price is revised, there is no risk that the amount to be paid in per Share Acquisition Right on exercise will decrease.

(B) Consideration of the impact on the interests of existing shareholders
The impact of the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights on the interests of the existing shareholders is expected to be limited due to the fact that (i) the Share Acquisition Rights and the Bonds with Share Acquisition Rights are expected to be exercised and converted multiple times and the exercises and conversions are expected to be dispersed, meaning that a temporary excess supply of the Company's shares is likely to be avoided, unlike the issuance of common shares, which would cause immediate dilution, and (ii) the Floor Exercise Price of the Share Acquisition Rights is set at 676 yen, and the Floor Conversion Price of the Bonds with Share Acquisition Rights is set at676 yen.

Demerits

(A) Limited initial financing
Although immediate financing funding is possible for the Bonds with Share Acquisition Rights portion, the full amount of the financing from the Share Acquisition Rights will not be raised at the time of the initial issuance, as the amount of financing is the product of the number of Share Acquisition Rights exercised multiplied by the contribution amount, at such time as the Share Acquisition Rights are exercised by the holders.

(B) Possibility of significantly lower financing than initially estimated due to share price slump
Since the Floor Exercise Price of the Share Acquisition Rights is set at 676 yen, there is a possibility that the rights will not be exercised depending on the share price at the time.

(C) Increase in the maximum number of shares to be delivered during a share price slump
The maximum total number of shares to be issued upon exercise of the Share Acquisition Rights is the maximum integer quotient of the product of the total number of Share Acquisition Rights (62,814) multiplied by the contribution amount (79,600 yen) divided by the exercise price. Therefore, if the exercise price of the Share Acquisition Rights is revised to an amount lower than the initial exercise price, the maximum number of shares to be delivered may increase and exceed the dilution ratio based on the initial exercise price.

(D) Inability to benefit from increased financing when the share price rises
Even if the exercise price of the Share Acquisition Rights is revised, the revised exercise price cannot exceed the initial exercise price. Therefore, even if the average closing price of the common shares of the Company in regular trading on the TSEover the 20 consecutive trading days ending on the date of the revision of the exercise price exceeds the initial exercise price, the exercise price will not be revised, the maximum number of shares to be delivered and the dilution ratio will not decrease, and the Company will not benefit from increased financing.

In addition, as a result of the discussions with the Scheduled Allottee to delay the timing of dilution of the share value as much as possible, it will be agreed on in the Subscription Agreement that the Scheduled Allottee shall not exercise the Share Acquisition Rights from November 10, 2023 through May 9, 2024 as a reasonable period of time to confirm any enhancement of corporate value and sustainable growth obtained through financing by the Bonds with Share Acquisition Rights (except in the case of falling under the reasons listed in (ii) of "(9) Other matters" in "17th Series Share Acquisition Rights" in "1. Overview of Offering"). On the other hand, the Scheduled Allottee intends to acquire capital gains to be obtained by aiming to increase the corporate value of the Company and maximize the share price of the Company in the mid- to long-term (during which time the Scheduled Allottee will recover its investment funds upon the exercise of the Share Acquisition Rights or the conversion of the Bonds with Share Acquisition Rights into common shares and the sale of such shares), the Scheduled Allotee will exercise the Share Acquisition Rights and convert the Bonds with Share Acquisition Rights into shares at the time that the Scheduled Allottee deems appropriate taking into account the share price of common shares of the Company and other matters during the period in which the Share Acquisition Rights and the Bonds with Share Acquisition Rights are exercisable. Based on the above, premised on the fact that the Scheduled Allottee will consider the share price and existing shareholders' benefits, aiming to increase the corporate value of the Company and maximize the share price of the Company in the mid- to long-term while responding to the Company's funding needs benefits the Scheduled Allottee. Therefore, the Company concluded that the most appropriate financing method is to execute the Subscription Agreement and issue the Share Acquisition Rights and the Bonds with Share Acquisition Rights through third-party allotment.

4. Views concerning rationality of use of funds

The Company believes that the use of funds is reasonable from the Company's business perspective because the allocation of the funds procured from the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights for the uses stated above in "(2) Specific use of funds to be procured" under "3. Amount and Use of Funds to be Procured, and Scheduled Timing of Expenditure" is connected with an increase in corporate value and the maximization of shareholder benefit.

5. Rationality of Issuance Conditions, Etc.

(1) Basis of calculation and specific details of the amount to be paid in

(A) Share Acquisition Rights

In order to ensure fairness in the determination of the issuance conditions of the Share Acquisition Rights, the Company requested Akasaka International Accounting Co., Ltd. (Address: 1-1-8 Motoakasaka, Minato-ku, Tokyo; Representative: Kenzo Yamamoto) ("Akasaka International"), a third-party institution independent from the Company and the Scheduled Allottee, to calculate the value of the Share Acquisition Rights and the Bonds with Share Acquisition Rights and received a valuation report (the "Valuation Report") of the Share Acquisition Rights and the Bonds with Share Acquisition Rights on October 18, 2023. After comparing the calculation results with and examining the results of a Black-Scholes model, binomial model, and other price calculation models, Akasaka International utilized a Monte Carlo simulation when evaluating the Share Acquisition Rights, which as a price calculation model could reflect the various conditions set out in the terms and conditions and the like for the Share Acquisition Rights against the calculation results in a relative and appropriate manner. Akasaka International also calculated the fair value of the Bonds with Share Acquisition Rights by reflecting the trading volume (liquidity) on the stock market, after setting certain conditions for the Company's share price (759 yen), volatility (47.7%), projected dividend amount (30 yen per share), risk-free interest rate (0.5%), , etc. and positing certain premises on the Scheduled Allottee's act of exercising its rights, taking into account the various conditions set out in the terms and conditions of the Bonds with Share Acquisition Rights, the market environment on the valuation reference date (October 17, 2023), and other factors.

The exercise price of the Share Acquisition Rights has been set at 796 yen (representing a premium of 4.87% to the closing price of the Company's common shares on the last business day before the Board of Directors resolution (759 yen)) as a result of discussions with the Scheduled Allottee, in consideration of the financial and business conditions of the Company. The exercise price of the Stock Acquisition Rights will be adjusted to the average closing price of the Company's common shares in regular trading on the TSE over the 20 consecutive trading days ending on (and including) the date of each adjustment, following consultation with the Scheduled Allottee. The initial exercise price is equivalent to the average closing price (rounded to the nearest whole number; the same applies hereinafter) of the Company's common shares in regular trading on the TSE over the three months ended on (and including) October 17, 2023, and the Floor Exercise Price is the price15.08% lower than the initial exercise price. This is considered to be not unreasonable given that it is not excessively low compared to the Company's share price as of the last trading day before the resolution to issue Share Acquisition Rights.

Given the above, the Company has determined the issue price of the Share Acquisition Rights (466 yen) to be the amount equal to the appraised value evaluated by Akasaka International. Because no significantly unreasonable point was found in respect of the procedures for such calculation, the Company determined that the issuance conditions for the Share Acquisition Rights do not constitute an issuance with particularly favorable conditions (*yuri hakko*), and that the price is appropriate and reasonable.

The Audit Committee of the Company expressed an opinion that, as a result of the examination based on the details of explanation for the terms and conditions, as well as the results of the Valuation Report pertaining to the Share Acquisition Rights and the details of the consideration by the Board of Directors' meeting, the issuance of the Share Acquisition Rights does not constitute an issuance with particularly favorable conditions (*yuri hakko*) to the Scheduled Allottee and that the issuance is legal and appropriate on the grounds that Akasaka International, a third party valuation institution independent from the Company and the Scheduled Allottee, calculated the value of the Share Acquisition Rights, that the calculation method of the value of the Share Acquisition Rights utilized by Akasaka International is a generally accepted and reasonable method pursuant to financial engineering, that the valuation is based on the main facts that may have an impact on the appraised value of the Share Acquisition Rights and no unreasonable point was found in respect of the calculation process and premises, etc., for the terms and conditions, and that the amount to be paid in for the Share Acquisition Rights is equal to the fair value of the Share Acquisition Rights.

(B) Bonds with Share Acquisition Rights

In order to ensure fairness in the determination of the issuance conditions of the Bonds with Share Acquisition Rights, the Company requested Akasaka International, a third-party institution independent from the Company and the Scheduled Allottee, to calculate the value of the Share Acquisition Rights and the Bonds with Share Acquisition Rights and received the Valuation Report on October18, 2023. After comparing the calculation results with and examining the results of a Black-Scholes model, binomial model, and other price calculation models, Akasaka International utilized a Monte Carlo simulation when evaluating the Bonds with Share Acquisition Rights, which as a price calculation model could reflect the various conditions set out in the terms and conditions and the like for the Bonds with Share Acquisition Rights against the calculation results in a relative and appropriate manner. Akasaka International also calculated the fair value of the Bonds with Share Acquisition Rights by reflecting the trading volume (liquidity) on the stock market, after setting certain conditions for the Company's share price (759 yen), volatility (47.7%), projected dividend amount (30 yen per share), risk-free interest rate (0.5%), , etc. and positing certain premises on the Scheduled Allottee's act of exercising its rights, taking into account the various conditions set out in the terms and conditions of the Bonds with Share Acquisition Rights, the market environment on the valuation reference date (October17, 2023), and other factors.

The conversion price of the Bonds with Share Acquisition Rights has been set at 796 yen (representing a /premium of 4.87% to the closing price of the Company's common shares on the last business day before the Board of Directors resolution (759 yen)) as a result of discussions with the Scheduled Allottee, in consideration of the financial and business conditions of the Company. The conversion price of the Bonds with Share Acquisition Rights will be adjusted to the average closing price of the Company's common shares in regular trading on the TSE over the 20 consecutive trading days ending on (and including) the date of each adjustment, following consultation with the Scheduled Allottee. The initial conversion price is equivalent to the average closing price of the Company's common shares in regular trading on the TSEover the three months ended on (and including) October 17, 2023, and the Floor Conversion Price is the price 15.08% lower than the initial conversion price. This is considered to be not unreasonable given that it is not excessively low compared to the Company's share price as of the last trading day before the resolution to issue Bonds with Share Acquisition Rights.

Given the above, the Company has determined the issue price of the Bonds with Share Acquisition Rights (100.2 yen per 100 yen of each bond) to be the amount higher than the bond the appraised value (97.1 to

100.1 yen per 100 yen of each bond) evaluated by Akasaka International. Because the substantial consideration for the Convertible Bond-Type Share Acquisition Rights is generally equal to the fair value of the Convertible Bond-Type Share Acquisition Rights after comparing the economic interests that the Company may acquire by attaching the Convertible Bond-Type Share Acquisition Rights to the Bonds with the fair value of the Convertible Bond-Type Share Acquisition Rights themselves based on the financial engineering, and because no significantly unreasonable point was found in respect of the procedures for such calculation, the Company determined that the issuance conditions for the Bonds with Share Acquisition Rights do not constitute an issuance with particularly favorable conditions (*yuri hakko*), and that the price is appropriate and reasonable.

The Audit Committee of the Company expressed an opinion that, as a result of the examination based on the details of explanation for the issuance terms and conditions, as well as the results of the Valuation Report pertaining to the Bonds with Share Acquisition Rights and the details of the consideration by the Board of Directors' meeting, the issuance of the Bonds with Share Acquisition Rights does not constitute an issuance with particularly favorable conditions (*yuri hakko*) to the Scheduled Allottee and that the issuance is legal and appropriate on the grounds that Akasaka International, a third party valuation institution independent from the Company and the Scheduled Allottee, calculated the value of the Bonds with Share Acquisition Rights, that the calculation method of the value of the Bonds with Share Acquisition Rights utilized by Akasaka International is a generally accepted and reasonable method pursuant to financial engineering, that the valuation is based on the main facts that may have an impact on the appraised value of the Bonds with Share Acquisition Rights and no unreasonable point was found in respect of the calculation process and premises, etc., for the terms and conditions, and that the substantial consideration for the Share Acquisition Rights attached to the Bonds with Share Acquisition Rights is generally equal to the fair value of the Share Acquisition Rights.

The issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights requires obtainment of an opinion on the necessity and appropriateness from a person who is independent from the management of the Company to a certain extent, as procedures for obtaining an opinion from an independent third party prescribed in Rule 432 of the Securities Listing Regulations provided for by the TSE and other provisions because the dilution ratio is 25% or more; therefore, the Company has selected Shinsuke Matsumoto, attorney-at-law (Nakamura, Tsunoda & Matsumoto), Noboru Yamamoto (outside director, chairperson of the board of directors), and Ken Kono (outside director, chairman of the Audit committee), outside experts who do not have any interests in the Company, as persons who are independent from the Company and the Scheduled Allottee to a certain extent, and requested the third party committee (the "Third Party Committee") consisting of the said three members to provide its opinion regarding the necessity and appropriateness of the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights. As a result, as stated in "9. Matters Concerning the Procedures Required by the Corporate Code of Conduct" below, the Company has obtained an opinion to the effect that the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights is necessary and appropriate.

(2) Basis of judgment that the issuance quantity and impact of dilution are reasonable

The total of the number of common shares of the Company to be delivered if all of the Share Acquisition Rights are exercised at the initial exercise price of 796 yen (6,281,400 shares/62,814 voting rights) and the number of common shares of the Company to be delivered if all of the Bonds with Share Acquisition Rights are converted at the initial conversion price of 796 yen (12,562,800 shares/125,628 voting rights) is 18,844,200 shares (188,442 voting rights), and such number represents 45.30% (rounded to the second decimal place; the same applies hereinafter) of 41,599,600 shares, which is the total number of issued shares of the Company as of September 30, 2023, and 47.30% of 398,364 voting rights, which is the total number of voting rights of the Company as of September 30, 2023, respectively. The total of the number of common shares of the Company if all of the Share Acquisition Rights are exercised at the Floor Exercise Price of 676 yen (7,396,441 shares/73,964 voting rights) and the number of common shares of the Company to be issued if all of the Bonds with Share Acquisition Rights are converted at the Floor Conversion Price of 676 yen (14,792,800 shares/147,928 voting rights) is 22,189,241 shares (221,892 voting rights) which is the total number of issued shares of the Company, and53.34% of 41,599,600 shares, which is the total number of voting rights of the Company as of September 30, 2023, and55.70% of 398,364 voting rights, which is the total number of voting rights of the Company as of September 30, 2023, respectively.

However, the Company believes that the allocation of the funds procured from the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights as stated above in "(2) Specific use of funds to be procured" of "3. Amount and Use of Funds to be Procured, and Scheduled Timing of Expenditure" will contribute to improved corporate value and continuous growth, accordingly, the Company determined that the scale of the dilution of shares due to the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights will not have an excessive impact on the market and is reasonable.

6. Reason for Selection of Scheduled Allottee, Etc.

(1) Overview of Scheduled Allottee

(As of October 18, 2023)

<table>
<tr><td>(i)</td><td>Name</td><td colspan="2">AAGS S6, L.P.</td></tr>
<tr><td>(ii)</td><td>Location</td><td colspan="2">Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008 Cayman Islands</td></tr>
<tr><td>(iii)</td><td>Basis of establishment, etc.</td><td colspan="2">Exempted Limited Partnership Law of the Cayman Islands</td></tr>
<tr><td>(iv)</td><td>Purpose of formation</td><td colspan="2">Investment</td></tr>
<tr><td>(v)</td><td>Date of formation</td><td colspan="2">July 12, 2023</td></tr>
<tr><td>(vi)</td><td>Scheduled investment amount</td><td colspan="2">7,567,000,000 yen</td></tr>
<tr><td>(vii)</td><td>Investors, investment ratio and overview of investors</td><td colspan="2">Advantage Advisors Growth Support Investment Limited Partnership 100%</td></tr>
<tr><td rowspan="5">(viii)</td><td rowspan="5">Overview of general partner</td><td>Name</td><td>AAGS Investment, Inc.</td></tr>
<tr><td>Location</td><td>Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008 Cayman Islands</td></tr>
<tr><td>Title and name of representative</td><td>Douglas R. Stringer, Director</td></tr>
<tr><td>Description of business</td><td>Management and administration of investment partnership assets</td></tr>
<tr><td>Stated capital</td><td>1,000 U.S dollars</td></tr>
<tr><td>(ix)</td><td>Overview of Japanese agent</td><td colspan="2">Not applicable.</td></tr>
<tr><td rowspan="3">(x)</td><td rowspan="3">Relationship with the Company and the fund</td><td>Relationship between listed company and fund</td><td>The Company, and the Company's relevant parties and affiliates do not directly or indirectly invest in the fund.</td></tr>
<tr><td>Relationship between listed company and general partner</td><td>There is no capital, personnel, or transactional relationship to be noted between the Company and the general partner of the fund. Also, there is no capital, personnel, or transactional relationship to be specifically noted between the Company and the Company's relevant parties and affiliates, and the fund's general partner, the fund's investors (including current investors), and the relevant parties and affiliates of the fund's general partner.</td></tr>
<tr><td>Relationship between listed company and Japanese agent</td><td>Not applicable.</td></tr>
</table>

Note: The Company requested K.K. Security & Research (Representative: Toshitsugu Haneda; Address:

2-16-6, Akasaka, Minato-ku, Tokyo), a third party research institution, to research whether the Scheduled Allottee, its general partner and officers, and all investors of the Scheduled Allottee (collectively, the "Scheduled Allottee Relevant Parties") are anti-social forces such as organized crime groups, etc., and whether they have any relationship with anti-social forces. The Company received a report from K.K. Security & Research that it examined, analyzed, and verified documents and materials, confirmed previous acts, attribute information, lawsuit records, criminal records, and other matters, made inquiries to various related institutions, collected reputational information, and conducted on-site surveys in relation to the Scheduled Allottee, its related corporations and other groups, and its related individuals.

The Company received a written report on September 8, 2023 stating to the effect that as a result of such research, no information was found which indicates that the persons subject to such research have any relationship with anti-social forces, etc. or have committed illegal acts.

Therefore, the Company determined that the Scheduled Allottee Relevant Parties have no relationship with anti-social forces such as organized crime groups, etc. The Company also filed their confirmation that the Scheduled Allottee Relevant Parties have no relationship with anti-social forces with the TSE.

(2) Reason for selection of scheduled allottee

The Company selected AAGS S6, L.P. as the Scheduled Allottee of the Share Acquisition Rights and the Bonds with Share Acquisition Rights for the following reasons.

As stated above in "2. Purpose and Reasons for Offering," the Group is working daily to steadily implement its management strategy, achieve further profitable growth, and become a shining company that continues to create corporate value. In examining the procurement of necessary funds, financial strategies, and the like based on such policy, Advantage Advisors proposed to provide the Company with business support and information provision through the network, in addition to the procurement of funds, in late May 2023.

In addition, Advantage Advisors introduced to the Company a fund for which Advantage Advisors provides services as the Scheduled Allottee as a financing method that may satisfy the Company's needs, in which the Company desires to procure necessary funds while fully considering the share price and existing shareholders benefit. Advantage Advisors provides management and financial advice, and provides information by using its own network, to the listed companies in which the fund for which the Advantage Advisors provides services invests in order to maximize investment returns for the fund for which Advantage Advisors provides services. After consideration through exchanges of various information, interviews, and the like, the Company has determined that through third-party allotment of the Share Acquisition Rights and the Bonds with Share Acquisition Rights to the fund for which Advantage Advisors provides services, it will be possible to receive not only financing but also high-level management support for the resolution of management issues of which the Company is aware and the execution of the medium-term management strategy and to improve the Company's corporate value. In other words, the Company has determined that the allocation of the procured funds to (A) capital expenditure to increase production of ceramic balls, steel balls, and medical parts, (B) capital expenditure to supply high quality products, (C) capital expenditure to improve profitability in the U.S. Business by changing work schedules, streamlining logistics, and incorporating high value-added products, and (D) capital expenditure to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation, would enable the Company to improve the corporate value and sustainable growth while also utilizing Advantage Advisors' strategic advice based on its expertise in management and finance cultivated by the track record of providing strategic advice and extensive network, promptly procure a large amount of interest-free financing, and contribute to the strengthening of the Company's financial base if the Share Acquisition Rights are exercised as anticipated by the Company, and thereby improve the Company's corporate value. Therefore, in mid-August 2023, the Company has selected the fund for which Advantage Advisors provides services, as the Scheduled Allottee.

(3) Holding policy of the Scheduled Allottee

The Company has received oral explanations from the Scheduled Allottee that the Scheduled Allottee has the policy in which it will not transfer of the Share Acquisition Rights or the Bonds with Share Acquisition Rights to a third party within a short period of time after the allocation because the Scheduled Allottee anticipates the medium-to long-term growth of the Company and intends to acquire capital gains to be obtained by aiming to increase the corporate value of the Company and maximize the share price of the Company in the mid- to long-term (during which time the Scheduled Allottee will recover its investment funds upon the exercise of the Share Acquisition Rights and the conversion of the Bonds with Share Acquisition Rights into common shares and the sale of such shares). However, the Scheduled Allottee has the policy in which it will sell the common shares of the Company to be delivered upon the exercise of the Share Acquisition Rights or the conversion of the Bonds with Share Acquisition Rights while taking into account the operating results of the corporate group, the status of distribution, market trends and other matters.

In addition, as stated above in "(9) Other Matters" in "17th Series Unsecured Convertible Bonds with Share Acquisition Rights" under "1. Overview of Offering," in principle, the Scheduled Allottee may not be able to exercise the Share Acquisition Rights within one year from the Closing Date during the period from November10, 2023 to May9, 2024.

As stated in "(4) Confirmation of the existence of assets required for the Scheduled Allottee to make payment" below, in the event of the exercise of the Share Acquisition Rights or the conversion of the Bonds with Share Acquisition Rights, the Scheduled Allottee plans to sell the shares of the Company acquired by the exercise or conversion of the Bonds with Share Acquisition Rights and allocate the proceeds of the sale to the exercise of the Share Acquisition Rights, in a lump sum or repeatedly.

Although there is no restriction on transfer of share acquisition rights with respect to the Bonds with Share Acquisition Rights as provided for in Article 236, Paragraphs 1, item (6) of the Companies Act, as a restriction under the Subscription Agreement executed between the Company and the Scheduled Allottee, it is agreed that any transfer of the Bonds with Share Acquisition Rights to a third party by the Scheduled Allottee will require the Company's approval by resolution of the Board of Directors of the Company (however, this shall not apply to the creation of a pledge on the Bonds with Share Acquisition Rights for the purpose of securing any debts owed by the Scheduled Allottee to the financial institution which is scheduled to make the loan to the Scheduled Allottee in connection with the payment of the issue price of the Bonds with Share Acquisition Rights, the transfer of the pledge in connection with the assignment of the status or rights of the financial institution under the agreement pertaining to the loan, and the acquisition or disposition of the Bonds with Share Acquisition Rights by the pledgee upon the execution of the pledge). In the case of a transfer of the Bonds with Share Acquisition Rights with such approval by a resolution of the Board of Directors of the Company, it is confirmed that the transferee will succeed to the rights and obligations relating to prior identity verification and anti-social forces compliance checks, confirmation of the source of the funds for the payment upon the exercise, confirmation of the holding policy for the Bonds with Share Acquisition Rights and the shares to be acquired upon the exercise thereof, restrictions on the exercise under the agreement to be executed between the Company and the Scheduled Allottee, and the like, and if the transfer is approved, the Company will disclose the details of the transfer.

In addition,the Scheduled Allottee will agree in the Subscription Agreement that if the Scheduled Allotee sells the shares acquired through the exercise of the Share Acquisition Rights or the conversion of the Bonds with Share Acquisition Rights through off-market trading over the counter (excluding application for public tender offer or trading in which the purchaser is unidentifiable such as PTS trading or off-floor trading), the Scheduled Allotee will give prior notice to the Company.

(4) Confirmation of the existence of assets required for the Scheduled Allottee to make payment

With respect to the existence of the assets required for the Scheduled Allotee of the Share Acquisition Rights and the Bonds with Share Acquisition Rights to pay the issue price, the Company obtained a copy of the account balance (as of October 12, 2023) issued by the transaction bank of the Scheduled Allotee of the Share Acquisition Rights and the Bonds with Share Acquisition Rights, and the loan certificates (as of October 12, 2023) obtained by the Scheduled Allottee from The Bank of Fukuoka, Ltd. indicating that the bank is prepared to make a loan in the maximum amount of 3.0 billion yen on the specific conditions (such as interest rate, term, and repayment method) that were separately determined upon consultation. The Company examined the loan term, loan type, repayment method, conditions for loan drawdown, and other matters, and confirmed that the relevant loan will be executed on early November, 2023 and that there are no material conditions that would prevent the execution of such loan between the Scheduled Allottee and The Bank of Fukuoka, Ltd..

Based on the results of such confirmation, the Company determined that the payment of the issue price of the Share Acquisition Rights and the Bonds with Share Acquisition Rights is assured.

The Company has not been able to confirm the total amount necessary for the exercise of the Share Acquisition Rights; however, upon the exercise of the Share Acquisition Rights, the Scheduled Allottee's basic intention is to exercise the Share Acquisition Rights or convert the Bonds with Share Acquisition Rights, sell the shares of the Company acquired by the exercise or conversion, and allocate the proceeds of the sale to the exercise of the Share Acquisition Rights, in a lump sum or repeatedly; therefore, it is not necessary to secure the full amount necessary for the exercise of the Share Acquisition Rights at this time. The funds to which Advantage Advisors provides services also underwrite the share acquisition rights and bonds with share acquisition rights of a number of companies, and as some of these companies adopt a scheme generally equivalent to this case, the Company has confirmed through meetings that the funds necessary for the exercise of share acquisition rights will be procured by selling the shares of the company acquired through the exercise of the share acquisition rights of the conversion of bonds with share acquisition rights.

(5) First refusal right

The Company will agree in the Subscription Agreement that for the period from the due date of payment to the earlier of either i) November 9, 2028 or ii) the day on which the Scheduled Allottee ceases to hold any shares, share acquisition rights, bonds with share acquisition rights, or other dilutive shares of the Company (collectively, the "Shares, Etc."), the Company shall not issue, dispose, or grant (the "Issuance, Etc.") the Shares, Etc. (excluding, however, any issuance of restricted share remuneration or stock options where the allottee is the officers and employees of the Company or its subsidiaries) without obtaining the prior consent of the Scheduled Allottee in writing or by electronic or magnetic means, and that for the period from the due date of payment to the earlier of either i) November 9, 2028 or ii) the day on which the Scheduled Allottee ceases to hold any Shares, Etc. of the Company, if the Company intends to make any Issuance, Etc. of the Shares, Etc. to a third party (excluding, however, any issuance of restricted share remuneration or stock options where the allottee is the officers and employees of the Company or its subsidiaries), the Company shall notify the Scheduled Allottee of the details of the Shares, Etc. and the conditions of the Issuance, Etc. and confirm whether the Scheduled Allottee intends to subscribe for all or part of the Shares, Etc. under those conditions prior to the agreement with the third party for the Issuance, Etc. of the Shares, Etc., and if the Scheduled Allottee wishes to subscribe for the Shares, Etc., the Company shall perform the Issuance, Etc. of the Shares, Etc. to the Scheduled Allottee, on the same conditions, on behalf of, or in addition to, the third party.

(6) Put options regarding the Share Acquisition Rights

In the event that (A) a public tender offer is made for the shares issued by the Company pursuant to the Financial Instruments and Exchange Act (the "FIEA"), and the Company expresses its consent to the said offer and as a result of the offer the Company or the party that has made the tender offer announces or agrees that the shares of the Company may be delisted from all financial instrument exchanges in Japan on which the shares of the Company are listed (excluding, however, cases where the Company or the party making the tender offer has publicly announced that it will make efforts to retain listed the shares of the Company after the said public tender offer), and the party making the tender offer acquires the shares of the Company through a public tender offer, (B) a Delisting Event (defined below) occurs, or is reasonably expected to occur, with respect to the shares issued by the Company, (C) a Corporate Restructuring Activity (defined below) with respect to the shares issued by the Company is approved by the board of directors of the Company, (D) a Control Change Event (defined below) occurs, or is reasonably expected to occur, with respect to the shares issued by the Company, (E) a Squeeze-Out Event (defined below) occurs, or is reasonably expected to occur, with respect to the shares issued by the Company, or (F) the shares issued by the Company are designated, or are reasonably expected to be designated, as Securities Under Supervision by the TSE, the Scheduled

Allottee may, at its own discretion, request the Company to acquire all or part of the Share Acquisition Rights by giving written notice to the Company. The Company will acquire the Share Acquisition Rights pertaining to that acquisition request at a price equivalent to the amount to be paid in per Share Acquisition Right on the earlier of either i) the fifth business day from the business day immediately following the day on which the written notice pertaining to the acquisition request reaches the Company, or ii) the delisting date.

"Delisting Event" refers to any event where a matter prescribed in Article 601, Paragraph 1 of the Securities Listing Regulations of TSE arises with respect to the Company or its corporate group or an event where, on or after the allotment date of the Share Acquisition Rights, the Company records an excess of debt in its financial statements or consolidated financial statements as of the last day of a fiscal year, and when the Company is not able to clear that excess of debt during the six-month period from the day immediately following the last day of that fiscal year.

"Corporate Restructuring Activity" refers to the execution of a merger agreement in which the Company is the disappearing entity, the execution of an absorption-type company split agreement or the preparation of an incorporation-type company split plan in which the Company is the split-off entity, the execution of a share exchange agreement or preparation of a share transfer plan in which the Company becomes a wholly owned subsidiary of another company, or the preparation of a share delivery plan in which the share delivery parent company will acquire all of the issued shares of the Company, or another corporate restructuring procedure under Japanese law pursuant to which the Company's obligations under the Share Acquisition Rights are assumed by another company.

"Control Change Event" refers to any event where the ownership ratio of share certificates, etc. (meaning "ownership ratio of share certificates, etc." as defined in Article 27-23, Paragraph 4 of the FIEA) of a specified shareholder group (meaning holders, including "holders" as defined in Article 27-23, Paragraph 3 of the FIEA, and joint holders (meaning "joint holders" as defined in Article 27-23, Paragraph 5 of the FIEA, as well as those deemed to be joint holders pursuant to Paragraph 6 of the same Article) of the share certificates, etc. (meaning "share certificates, etc.", as defined in Article 27-23, Paragraph 1 of the FIEA) of the Company) exceeds 50%.

"Squeeze-Out Event" refers to any event where (i) a resolution is passed at the Company's shareholder meeting to acquire all of the common shares of the Company for consideration after amending the Articles of Association to make the common shares of the Company into shares subject to class-wide call, (ii) a resolution is passed by the Company's Board of Directors to approve a request by a special controlling shareholder (defined in Article 179, Paragraph 1 of the Companies Act) of the Company to sell Shares, Etc. to other Company shareholders, or (iii) a resolution is passed at the Company's shareholder meeting to approve a consolidation of the common shares of the Company that results in delisting.

After the issuance of the Share Acquisition Rights, in the event that (A) the closing price of the common shares of the Company in regular trading on the TSE at less than 60% of the exercise price of the Share Acquisition Rights (however, if the exercise price has been revised or adjusted, that amount shall be the exercise price after the revision or adjustment; rounded down to the nearest yen) over three consecutive trading days, (B) the average trading volume per trading day of the common shares of the Company in regular trading on the TSE over any ten consecutive trading days is less than 20% of the average trading volume per trading day of the common shares of the Company in regular trading on the TSE over the ten consecutive trading days prior to the due date of payment (however, if the number of allotted shares has been adjusted, that amount shall be adjusted in accordance with the adjustment of the number of allotted shares), (C) the Scheduled Allottee holds any Share Acquisition Rights that have not been exercised after five years from the due date of payment, (D) the business alliance agreement dated October 18, 2023 between the Company and Advantage Advisors is terminated, or (E) trading of the common shares of the Company on the TSE has been suspended for a period of five trading days or more, the Scheduled Allottee may, at its own discretion, request the Company to acquire all or part of the Share Acquisition Rights by giving written notice to the Company. The Company will acquire the Share Acquisition Rights pertaining to that acquisition request at a price equivalent to the amount to be paid in per Share Acquisition Right on the fifth business day from the business day immediately following the day on which the written notice pertaining to the acquisition request reaches the Company.

7. Major Shareholders and Ownership Ratio After the Offering

Before offering (As of June 30, 2023)		After offering	
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	12.76%	AAGS S6, L.P.	32.10%
Custody Bank of Japan, Ltd. (Accounted in trust)	4.48%	The Master Trust Bank of Japan, Ltd. (Accounted in trust)	8.66%
NORTHERN TRUST CO.(AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	4.07%	Custody Bank of Japan, Ltd. (Accounted in trust)	3.04%
THE BANK OF NEW YORK 133652 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	2.56%	NORTHERN TRUST CO.(AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	2.76%
Tatsuya Aoki	1.49%	THE BANK OF NEW YORK 133652 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	1.74%
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	1.40%	Tatsuya Aoki	1.01%
JAPAN SECURITIES FINANCE CO., LTD.	1.13%	THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing)	0.95%
CEPLUX-THE JUPITER GLOBAL FUND SICAV (Standing proxy: Citibank, NA Tokyo Branch)	0.89%	JAPAN SECURITIES FINANCE CO., LTD.	0.77%

STATE STREET BANK AND TRUST COMPANY 505019 (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	0.69%	CEPLUX-THE JUPITER GLOBAL FUND SICAV (Standing proxy: Citibank, NA Tokyo Branch)	0.61%
Tsubaki Nakashima employee shareholding association	0.68%	STATE STREET BANK AND TRUST COMPANY 505019 (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	0.47%

Note:
1. The major shareholders and shareholding ratios before the offering are calculated by dividing the number of shares held as of June 30, 2023 by the total number of issued shares (excluding treasury shares; same applies in Note 2. below) as of that date.
2. The major shareholders and shareholding ratios after the offering are calculated by adding the number of common shares of the Company (18,844,200 shares) to be delivered upon the exercise of all of the Share Acquisition Rights at the exercise price (796 yen) and the conversion of all of the Bonds with Share Acquisition Rights at the conversion price (796 yen) to the total number of issued shares as of June 30, 2023.
3. The shareholding ratio is rounded off to the second dismal place.
4. Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder, Nikko Asset Management Co., Ltd., state in their large shareholding report (change report) disclosed publically on August 4, 2023 that they hold the shares indicated below as of July 31, 2023. However, these shareholdings were not included in the above list of major shareholders because the Company could not confirm the number of beneficial shares held as of the end of the second quarter of this fiscal year. The details of the large shareholding report (change report) is as prescribed below.

Name	Address	Number of share certificates, etc. held (shares)	Holding ratio of share certificates, etc. (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	1,347,100	3.24
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	576,200	1.39
Total	-	1,923,300	4.62

8. Future Outlook

Although this issue of the Share Acquisition Rights and the Bonds with Share Acquisition Rights through third-party allotment is expected to have a minimal impact on the operating results of the corporate group for this fiscal year, the Company believes that it will be able to proceed with management reform despite a harsh economic environment through the advice which it will receive from Advantage Advisors on matters such as management, finances, marketing, and human resources while enhancing the Company’s equity capital and strengthening and reinforcing its financial foundation by this issue of the Share Acquisition Rights and the Bonds with Share Acquisition Rights through third-party allotment.

9. Matters Concerning the Procedures Required by the Corporate Code of Conduct

The issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights (the "Third-Party Allotment") constitute a large scale third-party allotment. Therefore, in order to hear the opinion of a party independent from the management of the Company on the large scale third-party allotment, the Company consulted the Third Party Committee with regards to the necessity and appropriateness of the Third- Party Allotment.

The outline of the opinion obtained by the Company from the Third Party Committee with regards to the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights dated October 18, 2023 is as follows.

(Opinion)

The Third-Party Allotment can be recognized as necessary and reasonable.

(Reasons)

(1) Necessity

According to the Company, the funds procured through the Third-Party Allotment are scheduled to be allocated mainly to (A) capital expenditure to increase production of ceramic balls, steel balls, and medical parts (7.3 billion yen) (4.9 billion yen for Bonds with Share Acquisition Rights / 2.4 billion yen for Share Acquisition Rights, Scheduled timing of expenditure: January 2024 to October 2028), (B) capital expenditure to supply high quality products (3.2 billion yen) 2.0 billion yen for Bonds with Share Acquisition Rights / 1.2 billion yen for Share Acquisition Rights, Scheduled timing of expenditure: January 2024 to October 2028), (C) capital expenditure to improve profitability in the U.S. Business by changing work schedules, streamlining logistics, and incorporating high value-added products (1 billion yen) (1 billion yen for Bonds with Share Acquisition Rights, Scheduled timing of expenditure: November 2023 to October 2028), and (D) capital expenditure to improve thermal efficiency, switch from fossil fuels to electric energy, and expand solar installation (3.534 billion yen) (2.110 billion yen for Bonds with Share Acquisition Rights / 1.424 billion yen for Share Acquisition Rights, Scheduled timing of expenditure: January 2024 to October 2028), and the Company believes that these investments will contribute to enhancing the corporate value of the Group.
With respect to (A), it is necessary to further supplement the firm demand for ceramic balls, to meet the growing demand for steel balls in Indonesia and ASEAN countries, to expand sales of medical parts in Europe, and to build a system to increase production to enable global expansion. With respect to (B), the Company recognizes that one of its challenges is to provide high-quality products while reducing costs in order to become a "Best in Class" manufacturer, and this is the Company's response to this challenge. With respect to (C), the Group recorded an impairment loss in its U.S. Business in the most recent fiscal year, and the investment is necessary to rebuild the U.S. Business, where improving profitability is an urgent task. With respect to (D), it is necessary to contribute to the creation of a zero-carbon society, which is a demand both from society and from business, and to mitigate the impacts of high energy prices and the weak yen.
The amount of each funds for each purpose was calculated based on accumulated estimates from engineers and others.

There are no particularly unreasonable points in the Company's explanation above, and the Committee recognizes the need for financing through the Third-Party Allotment.

(2) Appropriateness

(a) Comparison with other financing methods

The Company determined that the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights is the most appropriate method of financing for the Company because: (A) the issuance of new shares through a public offering or third-party allotment would cause immediate dilution and could have a significant impact on the share price, whereas the issuance of share acquisition rights and bonds with share acquisition rights will not cause immediate dilution and is expected to have a relatively small impact on the share price; (B) the issuance of only bonds with share acquisition rights would increase the liabilities that the Company may be obligated to redeem but its debt ratio has been increasing, so it was decided to also issue share acquisition rights, which are equity, as the Company needs to raise funds while keeping the debt ratio under control as much as possible; (C) the issuance of only share acquisition rights does not guarantee financing at the time and amount initially envisioned, so these were combined with bonds with share acquisition rights, which allow a substantial amount of funds to be secured on the due date of payment, with funds required in the short term to be raised through bonds with stock acquisition rights, and funds required in the mid- to long-term to be raised through stock acquisition rights; and (D) bank borrowing requires repayment of the principal at maturity, but convertible bonds generally enable the procurement of large amounts of interest-free financing, and it can be expected that if the stock price rises in the future and the bonds are converted into shares, there will be no need to repay the face value of the bonds, allowing the Company to increase its equity capital and strengthen its financial base.

There are no particularly unreasonable points in this explanation, and the Committee recognizes that the Third-Party Allotment is reasonable compared to other financing methods.

(b) Scheduled Allottee

Just at the time that the Company had concluded that an alliance with an outside party would be effective for securing financing and various measures, Advantage Advisors made a proposal to the Group offering a range of business support and financing, and the Company determined that Advantage Advisors, with its extensive consulting experience, would be able to provide high-level management support for the resolution of management issues of which the Company is aware and the execution of the medium-term management strategy, and that the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights as proposed by Advantage Advisors would be the most suitable financing method for the Company. The Company then entered into a business alliance with Advantage Advisors and selected the a fund serviced by Advantage Advisors as the Scheduled Allottee for the Third-Party Allotment.

In addition, the Company has obtained from Securities & Research, a third-party research organization, a report on the associated persons of the Scheduled Allottee to the effect that no membership of antisocial forces, facts confirming a close relationship with antisocial forces, or matters to be noted regarding antisocial activities, etc. were identified.

Furthermore, with regards to the existence of the assets required for the Scheduled Allottee to pay the issue price of the Share Acquisition Rights and the Bonds with Share Acquisition Rights, the Company has confirmed that there is a accont balance of 7,567 million yen by means of a copy of the account balance and that the Bank of Fukuoka, Ltd. has indicating that the bank is prepared to make a loan of 3.0 billion yen in total as underwriting funds for the Bonds with Stock Acquisition Rights with a scheduled drawdown date of early November 2023, and that there are no material conditions that would hinder the drawdown of the loan. Although the Company has not been able to confirm the full amount necessary for the exercise of the Share Acquisition Rights, it has been confirmed through interviews that in cases where funds serviced by Advantage Advisors have adopted a scheme similar to the Third-Party Allotment, the funds necessary for the exercise of the share acquisition rights have been raised through the sale of shares acquired through the exercise of share acquisition rights or the conversion of bonds with share acquisition rights..

Based on the above, the Committee recognizes that the Scheduled Allottee is reasonable.

(c) Terms of issue, etc.

In order to ensure fairness when determining the terms of issue of the Share Acquisition Rights and the Bonds with Share Acquisition Rights, the Company obtained the Valuation Report from Akasaka International, a third-party appraiser independent of the Company and the Scheduled Allottee.

The valuation method used by Akasaka International was Monte Carlo simulation, a valuation model commonly used for stock options, based on the option-like characteristics of the Share Acquisition Rights and the Bonds with Share Acquisition Rights and comparison of the calculation results with and examining the results of a Black-Scholes model, binomial model, and other price calculation models. There are no unreasonable points in this respect. Akasaka International applied the Company’s share price (759 yen) on the valuation reference date (October17, 2023), volatility (47.7%), projected dividend amount (30 yen per share), risk-free interest rate (0.5%), and the like, as the parameters and set certain premises on the Scheduled Allottee’s act of exercising its rights, and there are no unreasonable points in Akasaka International’s explanation of the above-mentioned parameters and presumptions, nor in the content of the valuation.

Given that the issue price of the Share Acquisition Rights was set at the same amount as the valuation by Akasaka International (466 yen), and the issue price of the Bonds with Share Acquisition Rights (100.2 yen per 100 yen of each bond) was set higher than the valuation by Akasaka International (97.1 to 100.1 yen per 100 yen of each bond), and given that there are no unreasonable points in the method or content of Akasaka International's valuation as described above, we consider the issue price of the Share Acquisition Rights and the Bonds with Share Acquisition Rights to be reasonable.

The exercise price of the Stock Acquisition Rights and the conversion price of the Bonds with Share Acquisition Rights will be adjusted to the average closing price of the Company's common shares in regular trading on the TSEover the 20 consecutive trading days ending on the date of each adjustment. The initial exercise/conversion price is equivalent to the average closing price of the Company's common shares in regular trading on the TSEover the three months ending on October 17, 2023, and the Floor Exercise Price/Floor Conversion Price is the price 15.08% lower than the initial exercise price. This is considered to be reasonable given that it is not excessively low compared to the Company's share price as of the last trading day before the resolution to issue the Share Acquisition Rights and Bonds with Share Acquisition Rights. The terms of issue of the Share Acquisition Rights and the Bonds with Share Acquisition Rights contain no other conditions that are particularly unreasonable and we consider these to be reasonable.

The Subscription Agreement stipulates that in principle, the Share Acquisition Rights shall not be exercised during the period from November 10, 2023 to May 9, 2024, but this is intended to delay the time at which dilution of the share value will occur, which is not unreasonable. We do not consider any of the other provisions to be unreasonable.

In addition, the business alliance agreement to be concluded in connection with the Third-Party Allotment provides for support for recruiting, strengthening business management systems, and promoting M&A, which the Company recognizes as management issues, and is therefore not unreasonable.

Based on the above, the Committee believes that the conditions of the issuance through the Third-Party Allotment are reasonable.

(d) Dilution

Although the Third-Party allotment will cause dilution, it will be conducted under reasonable conditions, and the use of the funds procured through the Third-Party Allotment will contribute to the enhancement of the corporate value of the Group. Therefore, the Company believes that the dilution will not harm the interests of the Company's shareholders.

The Committee also believes that the explanation by the Company is reasonable because, as described in (c) above, the conditions of the issuance through the third-party allotment are reasonable and, as described in (1) above, the Committee recognizes the need for financing through the Third-Party Allotment.

10. Operating Results and Status of Equity Finance Executed for the Last Three Years

(1) Operating results for the last three years

(Denominated in millions of yen)

	FY ended December 2020	FY ended December 2021	FY ended December 2022
Consolidated sales revenue	52,024	67,926	79,036
Consolidated operating profit or operating loss	3,611	5,816	(9,065)
Consolidated pre-tax profit or pre-tax loss	2,572	5,008	(9,648)
Profit for the year or loss for the year attributable to owners of the parent	1,877	3,554	(9,089)
Basic profit for the year or loss for the year per share (Yen)	46.64	88.04	(225.35)
Dividend per share (yen)	24.00	44.00	30.00

Equity per share attributable to owners of the parent (yen)	1,115.22	1,315.19	1,260.95

(2) Current number of issued shares and dilutive shares (as of September 30, 2023)

Type	Number of shares	Ratio to the number of issued shares
Number of issued shares	41,599,600 shares	100.00%
Number of dilutive shares at current conversion price (exercise price)	266,800 shares	0.64 %
Number of dilutive shares at the minimum conversion price (exercise price)	-	-
Number of dilutive shares at the maximum conversion price (exercise price)	-	-

Note: All of the number of dilutive shares described above are based on the stock options.

(3) Status of recent share prices

(A) Status for the last three years

	FY ended December 2020	FY ended December 2021	FY ended December 2022
Opening price	1,570 yen	1,120 yen	1,486 yen
Highest price	1,570 yen	1,908 yen	1,623 yen
Lowest price	518 yen	1,100 yen	810 yen
Closing price	1,122 yen	1,499 yen	1,020 yen

(B) Status for the last six months

	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023
Opening price	955yen	831 yen	808 yen	819 yen	820 yen	789yen
Highest price	1,007 yen	899 yen	822 yen	833 yen	846yen	799yen
Lowest price	837 yen	793 yen	795 yen	765 yen	780 yen	711yen
Closing price	842 yen	804 yen	821 yen	821 yen	781yen	759 yen

Note: The share price for October 2023 is as of October 17, 2023.

(C) Share prices on the day immediately preceding the date of resolution for issuance.

	As of October 17, 2023
Opening price	756 yen
Highest price	768 yen
Lowest price	754 yen
Closing price	749 yen

(4) Status of equity finance executed for the last three years

Not applicable.

End