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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

Company name: MITSUBA Corporation

Listing: Tokyo

Securities code: 7280

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Scheduled date to file semi-annual securities report: November 13, 2024

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	170,730	2.8	10,265	47.1	8,784	2.9	6,780	50.3
September 30, 2023	166,020	8.5	6,979	-	8,536	331.6	4,511	-

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ (36) million [-%]
Six months ended September 30, 2023: ¥ 21,356 million [46.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	146.97	138.61
September 30, 2023	94.10	53.25

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	332,993	110,353	27.1
March 31, 2024	357,492	122,581	28.4

(Reference) Equity: As of September 30, 2024: ¥ 90,294 million
As of March 31, 2024: ¥ 101,638 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	6.00	6.00
Fiscal year ending March 31, 2025	-	0.00			
Fiscal year ending March 31, 2025 (Forecast)			-	10.00	10.00

(Note) Revision to the forecast for dividends announced most recently: None

* “Dividends” above presents the status of dividends related to common stocks. Please refer to “Cash dividends of class stock,” mentioned later, for the status of dividends related to class stocks (unlisted) that have different rights from common stocks that the Company issues.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	338,000	(1.8)	18,500	(12.5)	16,500	(26.2)	11,000	(19.9)	232.55

(Note) Revision to the financial results forecast announced most recently: Yes

* For details, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information in 1. Overview of Operating Results” on page 3 of the Attachments.

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: - (Company name:)

Excluded: 1 (Company name: MITSUBA LOGISTICS CO., LTD.)

(Note) For details, please refer to “(4) Notes to Semi-annual Consolidated Financial Statements in 2. Semi-annual Consolidated Financial Statements and Key Notes” on page 9 of the Attachments.

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

(Note) For details, please refer to “(4) Notes to Semi-annual Consolidated Financial Statements in 2. Semi-annual Consolidated Financial Statements and Key Notes” on page 9 of the Attachments.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2024: 45,581,809 shares

March 31, 2024: 45,581,809 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 826,171 shares

March 31, 2024: 826,041 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 44,755,731 shares

Six months ended September 30, 2023: 44,755,913 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

Earnings forecasts and other forward-looking statements in this report are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Therefore, actual results may differ materially due to a variety of factors.

Please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information in 1. Overview of Operating Results” on page 3 of the Attachments for cautionary notes regarding underlying assumptions for and the use of earnings forecasts.

(How to access the supplementary materials on financial results)

The Company plans to hold an online financial results briefing for institutional investors and analysts on November 22, 2024. The materials on financial results to be used at this briefing are scheduled to be posted on the Company’s website.

Cash dividends of class stock

The following is the breakdown of dividends per share related to class stocks that have different rights from common stocks.

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Class A stock	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	60,000.00	60,000.00
Fiscal year ending March 31, 2025	-	-	-	-	-
Fiscal year ending March 31, 2025 (Forecast)	-	-	-	-	-

(Note) The number of issued Class A stocks above is 10,000 shares. All shares were repurchased and cancelled on June 28, 2024.

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Class D stock	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	-	-	-	-
Fiscal year ending March 31, 2025	-	0.00			
Fiscal year ending March 31, 2025 (Forecast)			-	2,959,726.03	2,959,726.03

(Note) The number of issued Class D stocks above is 200 shares. The Class D stocks were issued on June 28, 2024.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Semi-Annual Period

In the consolidated cumulative second quarter of the fiscal year under review, the global economy generally maintained mild growth with the recovery of trade. However, regional disparities emerged due to factors such as steady growth in the U.S. economy and a slowdown in economic growth in emerging countries. Although price escalation seems to be slowing down, uncertainty still remains due to factors such as geopolitical risks.

In the automotive industry, where the Group operates, production showed a recovery trend as the semiconductor supply shortage was gradually eliminated and supply chain disruptions were gradually resolved. On the other hand, not only the shift towards electrification but also the integration of AI accelerated, driving a transformation in the automotive industry structure.

Under these circumstances, the Group has entered the second year of its Medium-Term Management Plan (FY2023 - FY2027) and has been promoting various measures to achieve the Plan, focusing on "Responding to the evolution of mobility", "Strengthening of our management foundations", and "Making our financial structure sounder".

The consolidated financial results for the consolidated cumulative second quarter of the fiscal year under review are as follows: Consolidated net sales amounted to 170,730 million yen (up 2.8% year on year) with consolidated operating profit of 10,265 million yen (up 47.1% year on year), due to progress in sales price improvement, strong motorcycle business sales in Asia and the impact of foreign exchange fluctuations favoring a weak yen. In addition, the consolidated ordinary profit amounted to 8,784 million yen (up 2.9% year on year), and the semi-annual net profit attributable to owners of parent amounted to 6,780 million yen (up 50.3% year on year) due to an extraordinary income of 527 million yen, which includes gains on sales of subsidiary shares.

Operating results by business segment are presented as follows.

In the Transportation Equipment-related operations, the net sales amounted to 160,342 million yen (up 2.5% year on year), as mentioned above, with a segment profit of 9,193 million yen (up 54.6% year on year).

In the Information Services operations, the net sales amounted to 8,479 million yen (up 1.2% year on year) due to strong trends in in-vehicle embedded software development support business, sales of IT engineering services such as AMO service for manufacturing, and system sales for the police. However, the segment profit amounted to 640 million yen (down 22.5% year on year) due to an increase in material and labor costs as well as an increase in depreciation cost resulting from the establishment of a data center.

In other operations, the overall segment sales amounted to 3,671 million yen (up 36.7% year on year), with a segment profit of 422 million yen (up 111.8% year on year) mainly due to increased sales in the supplies business.

(2) Overview of Financial Position for the Semi-Annual Period

1. Assets, Liabilities, and Net Assets

At the end of the consolidated cumulative second quarter of the fiscal year under review, the total assets amounted to 332,993 million yen, down 24,499 million yen from 357,492 million yen at the end of the previous fiscal year. The current assets amounted to 206,965 million yen with a decrease of 14,016 million yen, and the non-current assets amounted to 126,027 million yen with a decrease of 10,483 million yen.

The decrease in current assets was mainly due to a decrease of 10,339 million yen in cash and deposits, resulting from activities such as the retirement by purchase of Class-A and Class-C shares and the repayment of short-term borrowings to financial institutions. The decrease in fixed assets was mainly due to a decrease of 4,325 million yen in machinery, equipment and vehicles, and 4,764 million yen in construction in progress.

At the end of the consolidated cumulative second quarter of the fiscal year under review, the total liabilities amounted to 222,639 million yen, down 12,271 million yen from 234,911 million yen at the end of the previous fiscal year. The current liabilities amounted to 150,118 million yen with a decrease of 18,466 million yen, and non-current liabilities amounted to 72,520 million yen with an increase of 6,184 million yen.

The decrease in current liabilities was mainly due to a decrease of 16,662 million yen in short-term borrowings. The increase in non-current liabilities was mainly due to an increase of 6,647 million yen in long-term borrowings. These changes were mainly attributed to the repayment of short-term borrowings to financial institutions and the refinancing of short-term borrowings with long-term borrowings through the arrangement of syndicated loans.

At the end of the consolidated cumulative second quarter of the fiscal year under review, the total net assets amounted to 110,353 million yen, down 12,228 million yen from 122,581 million yen at the end of the previous fiscal year. This was mainly due to an increase of 5,912 million yen in retained earnings, and a decrease of 10,096 million yen in capital surplus resulting from the retirement by purchase of Class-A and Class-C shares, and a decrease of 5,742 million yen in foreign currency translation adjustment.

2. Status of Cash Flows

At the end of the consolidated cumulative second quarter of the fiscal year under review, the cash and cash equivalents (hereinafter referred to as "the cash") amounted to 91,463 million yen with a decrease of 10,026 million yen compared to the end of the previous fiscal year. The status of each cash flow is as follows.

(Cash flows from operating activities)

The cash provided by operating activities amounted to 15,809 million yen (14,000 million yen for the same period of the previous fiscal year). The main reasons were profit before income taxes of 9,054 million yen and an increase of 2,480 million yen in trade payables.

(Cash flows from investing activities)

The cash used by investing activities amounted to 1,040 million yen (5,971 million yen for the same period of the previous year). The main reason was the proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation, which amounted to 1,168 million yen, while there was also a payment of 2,897 million yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

The cash used by financing activities amounted to 22,458 million yen (4,305 million yen for the same period of the previous year). The main reasons were the purchase of treasury shares amounting to 20,096 million yen and dividends paid amounting to 2,093 million yen (including dividends to non-controlling interests).

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Sales for the fiscal year ending March 2025 are expected to decrease compared to the previously released full-year forecast due to production and sales trends of major customers from the third quarter onwards.

Based on these results, the consolidated earnings forecast for the fiscal year ending March 2025, released on August 7, 2024, has been revised.

Earnings forecast is based on information available at this moment, and the actual numbers may be different from the forecast ones in the future depending on various factors.

2. Semi-annual Consolidated Financial Statements and Key Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	102,245	91,905
Notes and accounts receivable - trade, and contract assets	51,146	49,728
Merchandise and finished goods	10,842	10,612
Work in process	6,117	7,206
Raw materials and supplies	38,355	36,367
Other	12,309	11,177
Allowance for doubtful accounts	(34)	(32)
Total current assets	220,982	206,965
Non-current assets		
Property, plant and equipment		
Buildings and structures	86,893	86,559
Accumulated depreciation	(55,207)	(53,901)
Buildings and structures, net	31,685	32,658
Machinery, equipment and vehicles	187,275	180,509
Accumulated depreciation	(150,087)	(147,647)
Machinery, equipment and vehicles, net	37,187	32,862
Tools, furniture and fixtures	56,561	55,359
Accumulated depreciation	(51,525)	(50,509)
Tools, furniture and fixtures, net	5,035	4,850
Land	8,141	7,405
Leased assets	9,088	8,883
Accumulated depreciation	(4,981)	(4,373)
Leased assets, net	4,107	4,510
Construction in progress	8,137	3,372
Total property, plant and equipment	94,294	85,659
Intangible assets		
Software	749	751
Software in progress	35	51
Other	2,625	2,672
Total intangible assets	3,410	3,475
Investments and other assets		
Investment securities	18,298	16,367
Long-term loans receivable	2,647	2,511
Deferred tax assets	1,467	1,409
Long-term prepaid expenses	1,582	1,354
Retirement benefit asset	14,000	14,461
Other	808	788
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	38,805	36,892
Total non-current assets	136,510	126,027
Total assets	357,492	332,993

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,609	22,287
Short-term borrowings	114,184	97,521
Current portion of bonds payable	15	-
Accounts payable - other, and accrued expenses	15,103	15,015
Income taxes payable	3,665	2,261
Provision for bonuses	4,311	3,976
Provision for bonuses for directors (and other officers)	31	31
Provision for product warranties	986	923
Provision for loss on litigation	566	578
Provision for settlement package	300	300
Provision for business restructuring	990	809
Other provisions	190	90
Other	6,620	6,322
Total current liabilities	168,575	150,118
Non-current liabilities		
Bonds payable	1,000	1,000
Long-term borrowings	48,866	55,514
Long-term accounts payable - other	1	1
Deferred tax liabilities	7,802	6,832
Retirement benefit liability	3,447	3,527
Other	5,218	5,644
Total non-current liabilities	66,335	72,520
Total liabilities	234,911	222,639
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	25,770	15,674
Retained earnings	45,241	51,153
Treasury shares	(603)	(603)
Total shareholders' equity	75,407	71,223
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,296	2,739
Foreign currency translation adjustment	23,157	17,414
Remeasurements of defined benefit plans	(1,223)	(1,082)
Total accumulated other comprehensive income	26,230	19,071
Non-controlling interests	20,943	20,058
Total net assets	122,581	110,353
Total liabilities and net assets	357,492	332,993

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	166,020	170,730
Cost of sales	143,885	144,106
Gross profit	22,135	26,623
Selling, general and administrative expenses	15,155	16,358
Operating profit	6,979	10,265
Non-operating income		
Interest income	827	986
Dividend income	273	309
Share of profit of entities accounted for using equity method	242	214
Foreign exchange gains	1,306	-
Other	605	892
Total non-operating income	3,256	2,403
Non-operating expenses		
Interest expenses	1,155	1,186
Share issuance costs	-	215
Foreign exchange losses	-	1,401
Commission expenses	38	569
Other	504	511
Total non-operating expenses	1,699	3,884
Ordinary profit	8,536	8,784
Extraordinary income		
Gain on sale of non-current assets	13	96
Reversal of provision for product warranties	70	-
Gain on sale of shares of subsidiaries	-	419
Other	8	12
Total extraordinary income	91	527
Extraordinary losses		
Loss on retirement of non-current assets	99	108
Business restructuring expenses	121	89
Provision for business restructuring	100	-
Other	63	60
Total extraordinary losses	385	258
Profit before income taxes	8,243	9,054
Income taxes	2,741	1,636
Profit	5,501	7,417
Profit attributable to non-controlling interests	989	637
Profit attributable to owners of parent	4,511	6,780

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	5,501	7,417
Other comprehensive income		
Valuation difference on available-for-sale securities	3,272	(1,563)
Foreign currency translation adjustment	12,189	(6,289)
Remeasurements of defined benefit plans, net of tax	208	138
Share of other comprehensive income of entities accounted for using equity method	185	260
Total other comprehensive income	15,855	(7,454)
Comprehensive income	21,356	(36)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,273	(378)
Comprehensive income attributable to non-controlling interests	2,083	341

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	8,243	9,054
Depreciation	8,110	7,951
Interest and dividend income	(1,101)	(1,296)
Interest expenses	1,155	1,186
Share of loss (profit) of entities accounted for using equity method	(242)	(214)
Loss (gain) on sale of property, plant and equipment	(9)	(89)
Decrease (increase) in trade receivables	(2,527)	(935)
Decrease (increase) in inventories	5,879	(1,104)
Increase (decrease) in trade payables	(1,688)	2,480
Other, net	(1,789)	1,942
Subtotal	16,029	18,975
Interest and dividends received	1,132	1,291
Interest paid	(1,174)	(1,205)
Income taxes paid	(1,986)	(3,251)
Net cash provided by (used in) operating activities	14,000	15,809
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,749)	(2,897)
Proceeds from sale of property, plant and equipment	78	354
Purchase of investment securities	(21)	(11)
Proceeds from sale of investment securities	596	3
Loan advances	(732)	(724)
Proceeds from collection of loans receivable	627	814
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	1,168
Other, net	(1,768)	250
Net cash provided by (used in) investing activities	(5,971)	(1,040)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,289	(19,914)
Proceeds from long-term borrowings	635	32,102
Repayments of long-term borrowings	(7,533)	(22,150)
Redemption of bonds	(15)	(15)
Proceeds from issuance of shares	-	9,784
Purchase of treasury shares	(0)	(20,096)
Dividends paid	(734)	(868)
Dividends paid to non-controlling interests	(698)	(1,224)
Proceeds from sale and leaseback transactions	32	1,173
Other, net	(1,280)	(1,250)
Net cash provided by (used in) financing activities	(4,305)	(22,458)
Effect of exchange rate change on cash and cash equivalents	3,984	(2,337)
Net increase (decrease) in cash and cash equivalents	7,707	(10,026)
Cash and cash equivalents at beginning of period	74,301	101,490
Cash and cash equivalents at end of period	82,009	91,463

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes to assumptions for going concerns)

There are no applicable matters.

(Notes to significant changes in shareholders' equity)

On June 28, 2024, the Company acquired and cancelled 10,000 Class A shares and 5,000 Class C shares held by Japan Industrial Solutions Fund II, resulting in a decrease of 20,096 million yen in capital surplus. In addition, on the same date, the Company issued Class D shares through a third-party allotment to The Development Bank of Japan, Inc. and The Bank of Yokohama, Ltd., which resulted in an increase of 5 billion yen in share capital and 5 billion yen of capital reserve. However, on the same date, pursuant to the provisions of Article 447, paragraphs 1 through 3 and Article 448, paragraphs 1 through 3 of the Companies Act, the Company also reduced its share capital of 5 billion yen and capital reserve of 5 billion yen and transferred the entire amount of each to other capital surplus, resulting in an increase of 10 billion yen in other capital surplus. As a result, the capital surplus amounted to 15,674 million yen at the end of this interim consolidated fiscal period.

(Significant changes in the scope of consolidation during the period)

On April 1, 2024, the Company transferred all shares of its consolidated subsidiary, MITSUBA LOGISTICS CO., LTD., to NIKKON Holdings Co., Ltd. and therefore has excluded the former subsidiary from the scope of consolidation from the beginning of this interim consolidated fiscal period.

(Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements)

(Calculation of income tax expenses)

The Company calculates income tax expenses by reasonably estimating the effective tax rate expected to be imposed on pretax profit for the consolidated fiscal year that includes the this interim consolidated fiscal period (after tax effect accounting) and then multiplying profit before income taxes by the effective tax rate thus estimated.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 1)	Amount reported on semi-annual consolidated statements of Income (Note 2)
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations			
Net sales						
Sales to outside customers	156,182	7,593	2,245	166,020	—	166,020
Inter-segment sales or transfers	279	789	440	1,510	(1,510)	—
Total	156,462	8,383	2,686	167,531	(1,510)	166,020
Segment profit	5,946	826	199	6,972	7	6,979

Notes:

1. The 7 million yen adjustment in segment profit is an amount in elimination of inter-segment transactions.
2. Segment profit is adjusted to be consistent with operating profit in the semi-annual consolidated statements of Income.

II. For the six months ended September 30, 2024 (April 1, 2024 - September 30, 2024)

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment			Total	Adjustments (Note 1)	Amount reported on semi-annual consolidated statements of Income (Note 2)
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations			
Net sales						
Sales to outside customers	160,083	7,606	3,039	170,730	—	170,730
Inter-segment sales or transfers	258	872	631	1,763	(1,763)	—
Total	160,342	8,479	3,671	172,493	(1,763)	170,730
Segment profit	9,193	640	422	10,255	9	10,265

Notes:

1. The 9 million yen adjustment in segment profit is an amount in elimination of inter-segment transactions.
2. Segment profit is adjusted to be consistent with operating profit in the semi-annual consolidated statements of Income.

(Matters related to revenue recognition)

Information on disaggregation of revenue from contracts with customers

For the six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

(Millions of yen)

	Reportable segment			Total
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations	
Japan	41,626	7,593	2,245	51,464
The Americas	42,222	—	—	42,222
Europe	12,621	—	—	12,621
Asia	37,084	—	—	37,084
China	22,627	—	—	22,627
Revenue from contracts with customers	156,182	7,593	2,245	166,020
Other revenue	—	—	—	—
Sales to outside customers	156,182	7,593	2,245	166,020

For the six months ended September 30, 2024 (April 1, 2024 - September 30, 2024)

(Millions of yen)

	Reportable segment			Total
	Transportation Equipment-Related Operations	Information Service Operations	Other Operations	
Japan	41,301	7,606	3,039	51,948
The Americas	45,491	—	—	45,491
Europe	12,226	—	—	12,226
Asia	43,659	—	—	43,659
China	17,404	—	—	17,404
Revenue from contracts with customers	160,083	7,606	3,039	170,730
Other revenue	—	—	—	—
Sales to outside customers	160,083	7,606	3,039	170,730

(Important Subsequent Events)

(Execution of a Share Exchange Agreement)

MITSUBA Corporation (“MITSUBA”) and Tatsumi Corporation (“Tatsumi”; MITSUBA and Tatsumi are hereinafter collectively referred to as the “Companies”) hereby announce that the Companies decided today under resolutions of their respective Boards of Directors to implement a share exchange through which the following will occur (the “Share Exchange”) and have executed a share exchange agreement dated November 13, 2024: (a) MITSUBA will become a wholly owning parent company resulting from a share exchange; and (b) Tatsumi will become a wholly owned subsidiary resulting from a share exchange.

It is planned that the Share Exchange will be implemented, in the case of MITSUBA, by way of a simplified share exchange that does not require approval by a resolution of a general meeting of shareholders as prescribed in Article 796, Paragraph (2) of the Companies Act (Act No. 86 of 2005, as amended; the same applies hereinafter), and in the case of Tatsumi, with the Share Exchange Agreement being approved by a resolution of an extraordinary general meeting of shareholders to be held on January 30, 2025. The effective date of the Share Exchange is scheduled to be April 1, 2025.

Prior to the effective date of the Share Exchange (April 1, 2025 (scheduled)), shares of common stock of Tatsumi will be delisted from the Standard Market of the Tokyo Stock Exchange, Inc. on March 28, 2025 (with a final trading date of March 27, 2025).

Therefore, the “Plan to Meet the Continued Listing Criteria for New Market Segment,” which was announced by Tatsumi on November 9, 2021 with the purpose of satisfying the tradable share market capitalization, will be withdrawn on the condition that the Share Exchange takes effect.

For details, please refer to the “Notice Regarding Execution of Share Exchange Agreement (Simplified Share Exchange) Concerning MITSUBA Corporation Making Tatsumi Corporation a Wholly Owned Subsidiary” released today (November 13, 2024).