

MITSUBA Corporation
Supplementary Information on
Capital Policy
(Securities Code: 7280)

Friday, May 10, 2024

1 Acquisition and Cancellation of the Existing Class Stocks*1

- Achieve management improvement and strengthen the earnings and financial structure through the allocation of class stocks to JIS*2 and the formulation and steady implementation of the current Medium-Term Management Plan that takes into account the subsequent major changes in the business environment
- Implement management independently by using internal reserves for Acquisition and Cancellation of the Existing Class Stocks for the purpose of reducing the risk of potential equity dilution

2 Issuance of new class stocks

- Newly issue class stocks to be allocated to the Development Bank of Japan and Bank of Yokohama, which are our trading financial institutions, in order to promptly stabilize the financial position and raise funds for investment in growth areas toward achieving the MITSUBA Vision 2030
- New class stocks are designed to reduce the risk of potential equity dilution and to have no redemption factor compared to the Existing Class Stocks

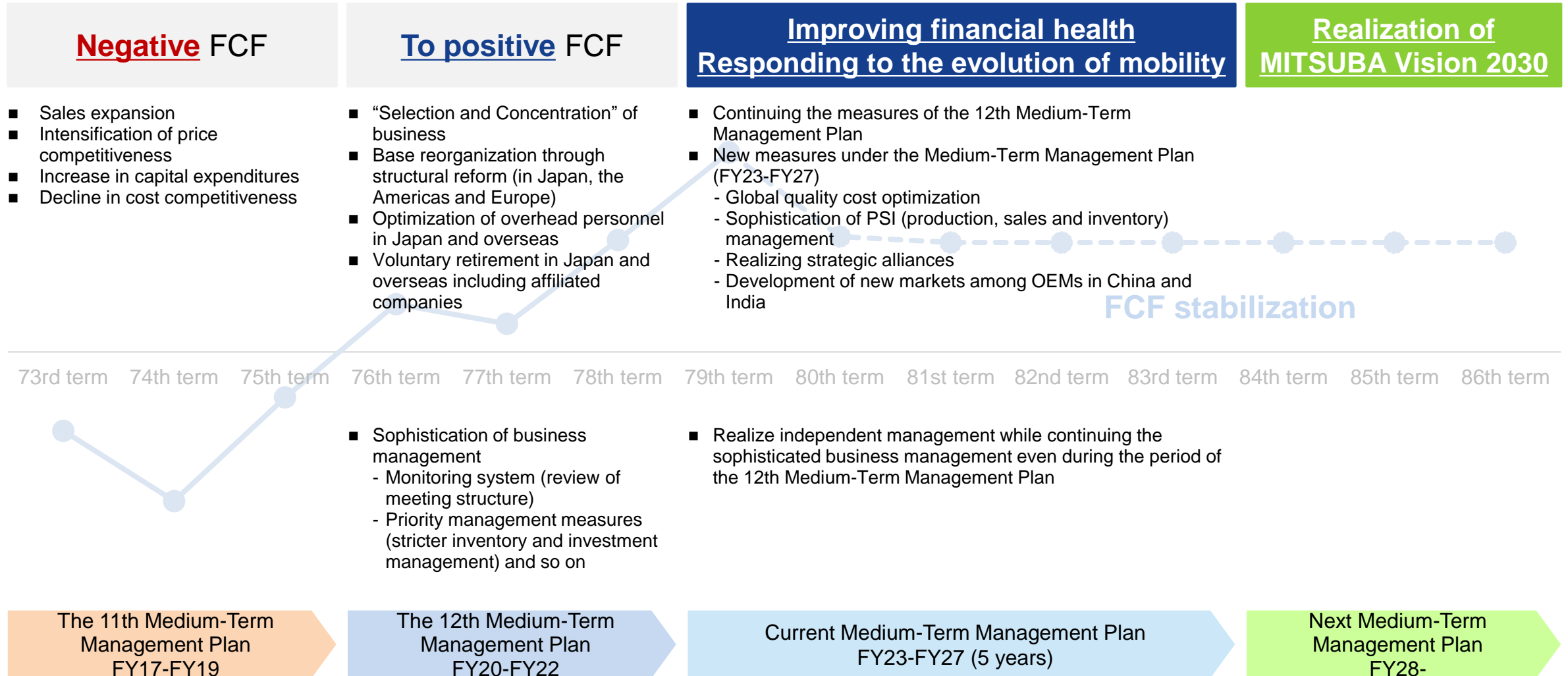
*1 Of the Class A stock (total amount: 15 billion yen) issued on September 30, 2020, the outstanding balance (10 billion yen) and Class C stock (total amount: 5 billion yen)

*2 Abbreviation for Japan Industrial Solutions No. II (and its general partner, Japan Industrial Solutions Co., Ltd.) to which the Existing Class Stocks are allotted

Background of Capital Policy

- Strengthening Earnings and Financial Structure -

Realize FCF to be positive through the allocation of class stocks to JIS and the formulation and steady implementation of the current Medium-Term Management Plan that takes into account the subsequent major changes in the business environment



Negative FCF

- Sales expansion
- Intensification of price competitiveness
- Increase in capital expenditures
- Decline in cost competitiveness

To positive FCF

- "Selection and Concentration" of business
- Base reorganization through structural reform (in Japan, the Americas and Europe)
- Optimization of overhead personnel in Japan and overseas
- Voluntary retirement in Japan and overseas including affiliated companies

Improving financial health Responding to the evolution of mobility

- Continuing the measures of the 12th Medium-Term Management Plan
- New measures under the Medium-Term Management Plan (FY23-FY27)
 - Global quality cost optimization
 - Sophistication of PSI (production, sales and inventory) management
 - Realizing strategic alliances
 - Development of new markets among OEMs in China and India

Realization of MITSUBA Vision 2030

FCF stabilization

The 11th Medium-Term Management Plan
FY17-FY19

The 12th Medium-Term Management Plan
FY20-FY22

Current Medium-Term Management Plan
FY23-FY27 (5 years)

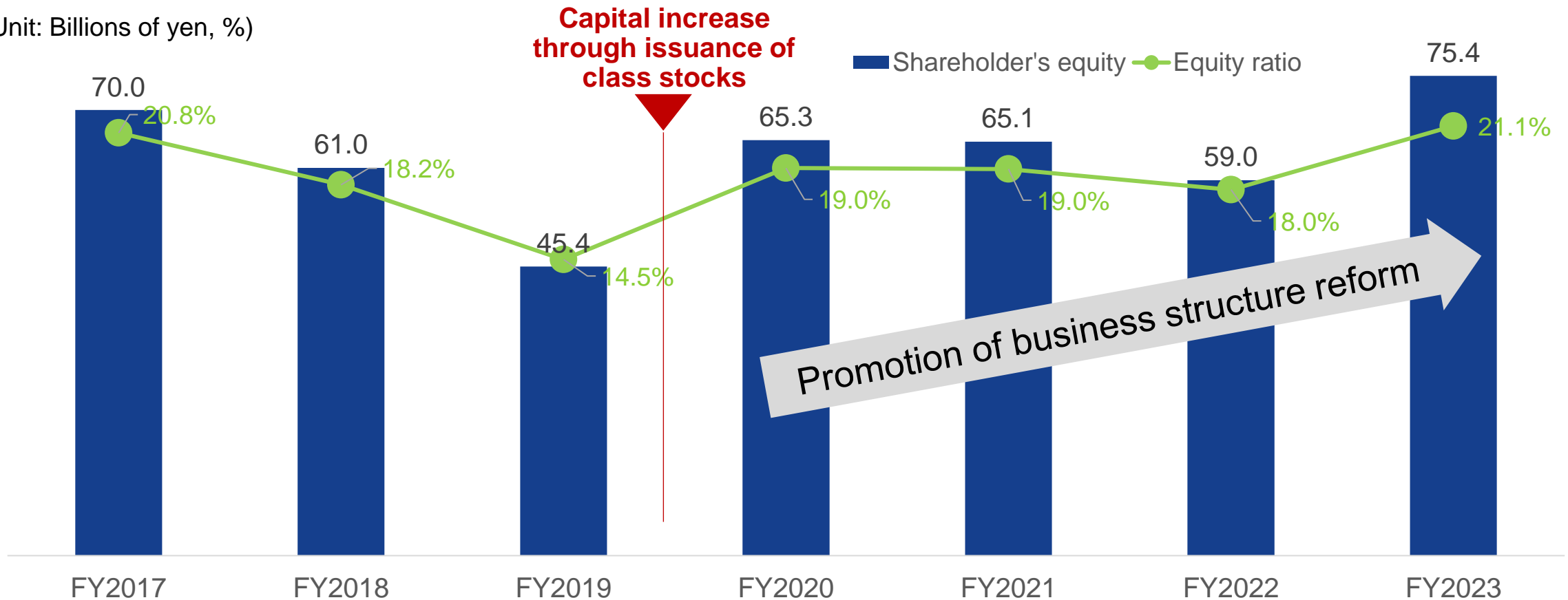
Next Medium-Term Management Plan
FY28-

Background of Capital Policy - Strengthening Earnings and Financial Structure -

With the business structure reforms being promoted, current shareholders' equity has improved to 75.4 billion yen and the equity ratio has improved to 21.2%, showing certain results in improving financial soundness

Changes in Shareholders' Equity and Equity Ratio

(Unit: Billions of yen, %)



Background of Capital Policy

- Changes in the Status of Existing Class Stocks -

JIS transfer restrictions have already been lifted for the Existing Class Stocks, and the put option using the common stock as consideration can be exercised, so they were acquired and retired using internal reserves as the source

Expressions **in red** indicate changes since the issuance

		Class A stock	Class C stock	(Reference) Class B stock
Issue amount		15 billion yen ➔ 10 billion yen due to partial redemption	5 billion yen	(Unissued)
Transfer restrictions		None*1 ➔ Release of transfer restrictions effective from May 10, 2023		None
Acquisition clause (MITSUBA's right)		Class stocks can be redeemed at any time from the issue date		
Put option (Rights of JIS)	Consideration	<ul style="list-style-type: none"> • Common stock • Money + Class B stock 	<ul style="list-style-type: none"> • Common stock 	<ul style="list-style-type: none"> • Common stock
	Conversion to common stock	Limiting the period during which shareholders can exercise their put option against MITSUBA*2 ➔ From May 10, 2023, put option may be exercised		No conversion limit
Maximum dilution rate		Approximately 85.96%*3 ➔ 57.31% due to partial redemption	Approximately 28.65%*3	Approximately 13.75%*3

*1 Under the underwriting agreement, approval by the Board of Directors is required for the transfer to a third party by June 30, 2024. Transfer restrictions are lifted in certain cases

*2 Exercisable if grounds for lifting conversion restriction occur

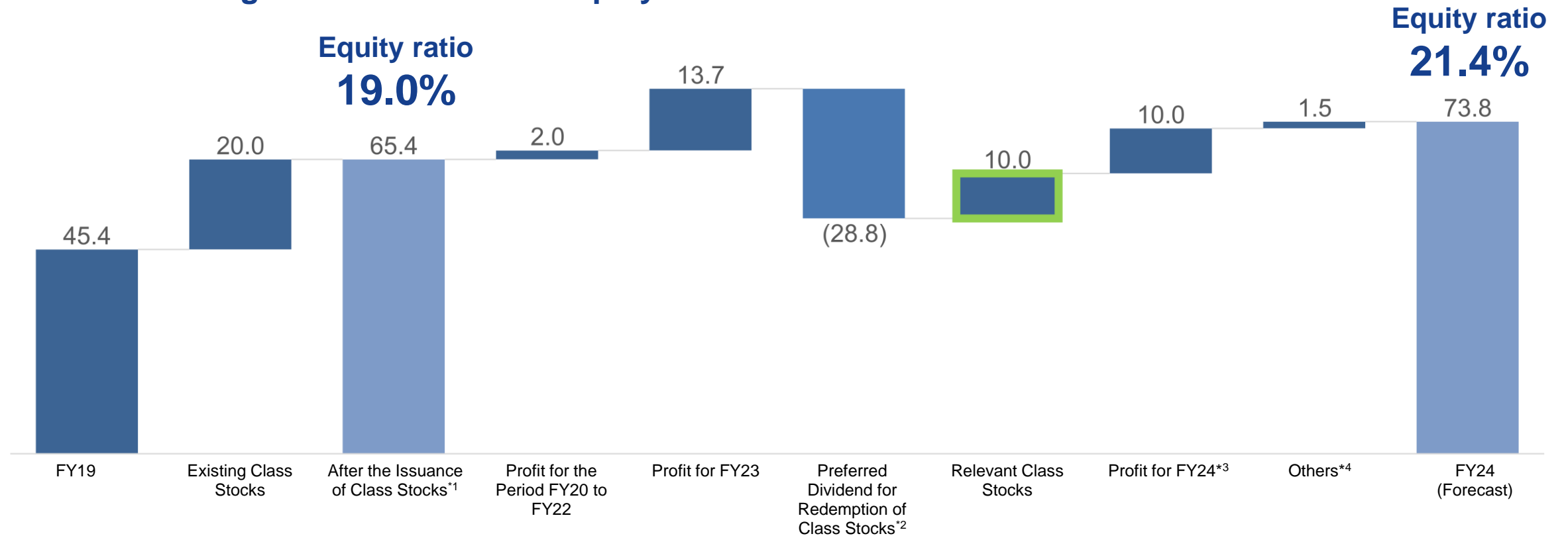
*3 The dilution rate is based on the assumption that neither the amount equivalent to cumulative unpaid dividends nor the daily unpaid preferred dividend amount exists

Background of Capital Policy

- Need for Capital Funds -

Recognize the need to raise capital funds of 10 billion yen worth in order to continue to realize a stable capital structure for achieving the MITSUBA Vision 2030, although the Existing Class Stocks is to be redeemed

Details of Changes in Shareholders' Equity



*1 Figures before reflecting financial results for the fiscal year ended March 31, 2021

*2 The amount of redemption of and preferred dividend of the class stocks is the total value of the redemption amount after taking into account the cumulative dividend and redemption factor

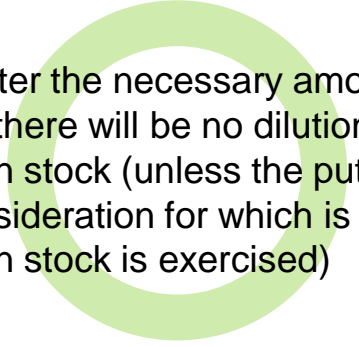
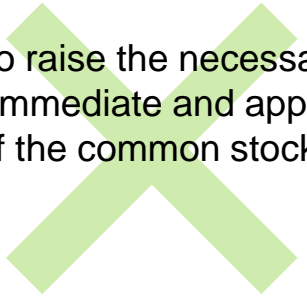
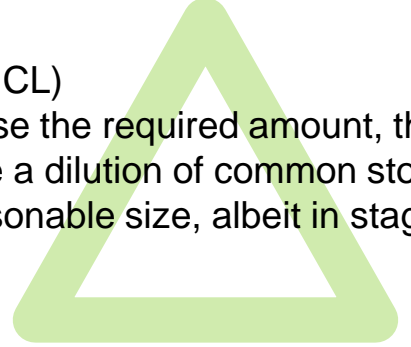
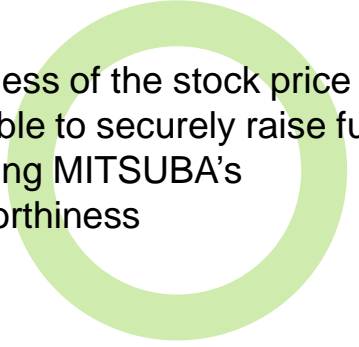
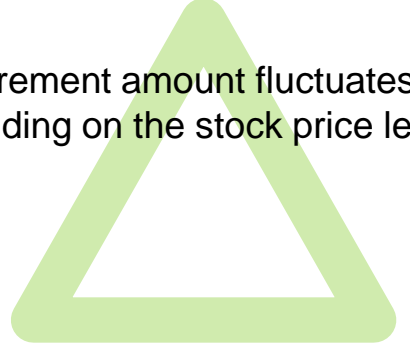
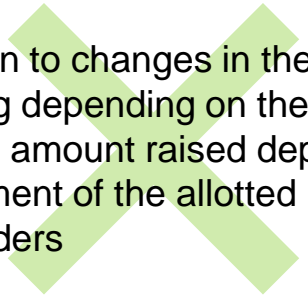
*3 Profit for FY24 is based on the forecast for fiscal year 2024

*4 In addition to general dividends and dividends to non-controlling shareholders, the impact of changes in stockholders' equity due to the application of Turkish inflation accounting, etc.

Background of Capital Policy

- Consideration of Procurement Method -

Select third-party allotment of class stocks based on whether the stocks will be diluted and the certainty of the procurement amount

		Third Party Allotment of Class Stocks	Public Offering and Third-Party Allotment of Common Stock	Gratis Allotment of Stock Acquisition Rights, Shareholder Allotment, and Equity Commitment Line (ECL)
Considerations	Dilution or non-dilution	<p>Even after the necessary amount is raised, there will be no dilution of the common stock (unless the put option the consideration for which is the common stock is exercised)</p> 	<p>In order to raise the necessary amount, immediate and appropriate dilution of the common stock will occur</p> 	<p>(For ECL) To raise the required amount, there will be a dilution of common stock of a reasonable size, albeit in stages</p> 
	Certainty of procurement amount	<p>Regardless of the stock price level, it is possible to securely raise funds by leveraging MITSUBA's creditworthiness</p> 	<p>Procurement amount fluctuates depending on the stock price level</p> 	<p>In addition to changes in the amount of funding depending on the stock price, the amount raised depends on the judgment of the allotted shareholders</p> 

Reduce the risk of potential equity dilution by limiting conversion to the common stock unless it conflicts with financial covenants

		Class D stock
Purpose		Stabilizing financial structure and capital expenditures in growth areas
Assignee		Development Bank of Japan and Bank of Yokohama
Issue amount		10 billion yen
Voting rights		None
Transfer restrictions		Yes
Preferred dividend rate		7.8% (cumulative and non-participatory)
Acquisition clause (MITSUBA's right)		Redeemable at any time after one year from the date of issue (Reduction of dilution by conversion to common stock)
Put option (Rights of shareholders)	Consideration	Money and common stock
	Conversion to common stock	Six months after the put option the consideration for which is a cash payment due to a conflict of financial covenants has become exercisable (Reduce early dilution)
Conversion price		Initially 1,344 yen, revise every six months thereafter (market value x 95%)
Minimum conversion value and maximum dilution rate		708 yen (Closing price on May 9, 2024 × 50%) • 31.59% ^{*1} (Further, the dilution rate is reduced because the conversion price increases during the period of stock price appreciation)

*1 Calculated based on the initial conversion price. The dilution rate is based on the assumption that neither the amount equivalent to cumulative unpaid dividends nor the daily unpaid preferred dividend amount exists

	Descriptions
Reasons for exercising the put option with cash consideration	<ul style="list-style-type: none"> • If June 27, 2029 (5 years from the payment date) has passed • If the distributable amount of surplus on the non-consolidated balance sheet as of the last day of March 2025 and the last day of each business year thereafter is less than or equal to the total of the compulsory redemption value^{*1} under the assumption that all of the Preferred Stocks at that time have been subject to compulsory redemption with the last day of the relevant business year as the compulsory redemption date • If the amount of shareholders' equity^{*2} in the consolidated balance sheet as of the last day of March 2025 and the last day of each business year thereafter is less than 75% of the amount of shareholders' equity in the consolidated balance sheet as of the last day of the business year that ended immediately before or the last day of March 2024, whichever is larger • If the profit (loss) in the consolidated statement of income as of the end of March 2025 and the end of each business year thereafter is in the red for two consecutive business years • If it is discovered that the preconditions for payment have not been fulfilled on the payment date (unless, however, the underwriter waives in writing all preconditions that are not fulfilled.) • If the issuing company violates the stock investment contract and the violation is not cured for 30 days from the receipt of the notice from the underwriter indicating the fact^{*3}

*1 "Compulsory Redemption Value" means the amount used as the basis for calculating the consideration or distribution amount in each phase of put option, acquisition claims, acquisition clauses and distribution of residual assets, which is calculated based on the following concepts: The total amount of consideration (including preferred dividends) to be paid to preferred shareholders is intended to substantially be an amount calculated by compounding the paid-in amount with the preferred dividend rate. That is, the amount obtained by deducting "the amount equivalent to paid preferred dividends (amount adjusted by applying the preferred dividend rate and calculating compound interest for the period from the payment date to the acquisition date)" from "the amount calculated by applying the preferred dividend rate and calculating compound interest for the period from the payment date to the acquisition date for the payment amount."

*2 Calculated as the amount obtained by subtracting the amount of "Non-controlling interests" from the amount of "Total net assets" in the net assets section

*3 However, in the case of a violation pertaining to a clause involved in the elimination of anti-social forces, or in the case where it is objectively impossible or extremely difficult to cure the violation, the lapse of such a cure period shall not be required

	Descriptions
Reasons for exercising the put option with common stock	<ul style="list-style-type: none">• Elapse of six months from the date on which the put option the consideration for which is a cash payment arises (including the same day)• If December 27, 2029 (5.5 years from the payment date) has passed• If dividends of surplus pertaining to the Preferred Stock with the last day of each business year as the record date have never been paid during two business years• If it is discovered that the preconditions for payment have not been fulfilled on the closing date (unless, however, the underwriter waives in writing all preconditions that are not fulfilled.)• If the issuing company violates the stock investment contract and the violation is not cured for 30 days from the receipt of the notice from the underwriter indicating the fact^{*1}

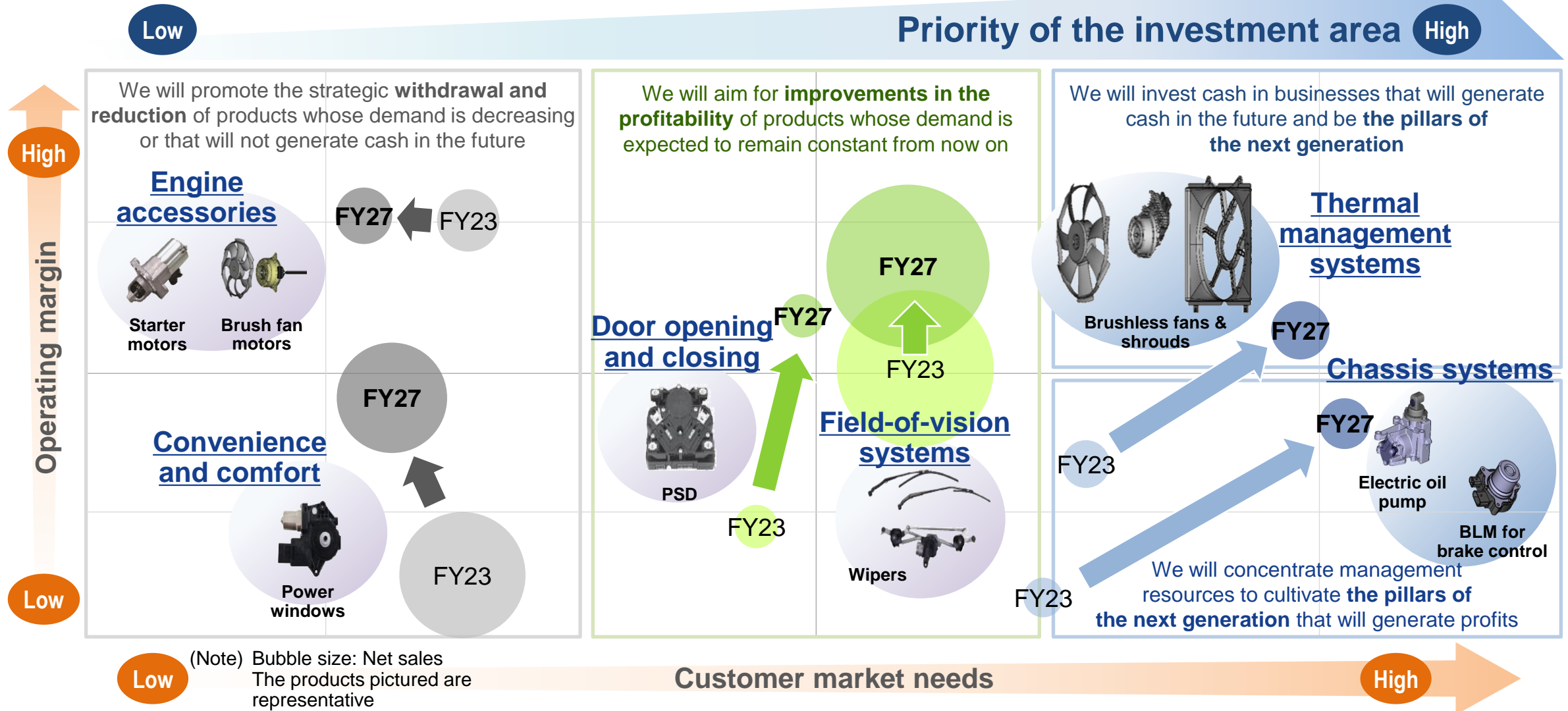
*1 However, in the case of a violation pertaining to a clause involved in the elimination of anti-social forces, or in the case where it is objectively impossible or extremely difficult to cure the violation, the lapse of such a cure period shall not be required

In order to provide high-value-added products that respond to the evolution of mobility, we will devote funds to next-generation products that will generate future profits, such as thermal management systems and chassis systems in the automotive business area, and EV drive systems and life support systems in the motorcycle business area, and promote resource shifts to our growth portfolio.

Specific use	Amount	Scheduled spending period
Launch of new products for the automotive market, launch of products for new customers, and introduction of new machinery and molds and capacity reinforcement to expand sales to existing customers	7,600 million yen	July 2024 - March 2028
Launch of new products for the motorcycle market, introduction of new machinery and molds to launch products for new customers, etc.	2,060 million yen	July 2024 - March 2028

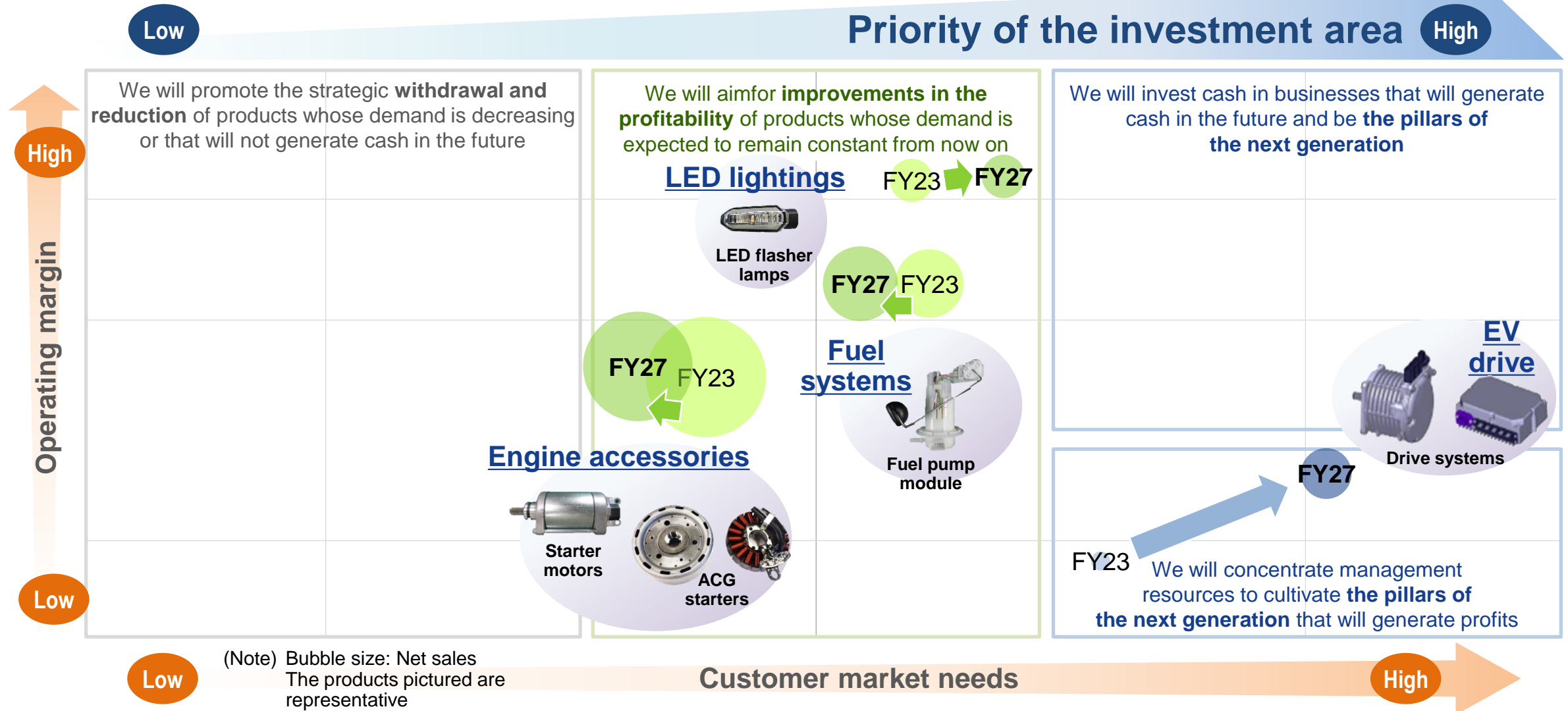
Automotive Market

Policies for managing the business portfolio



Motorcycle market

Policies for managing the business portfolio



Reference) Comparison of Economic Conditions between the Existing Class Stocks and the Relevant Class Stocks

Realize a design that reduces the risk of potential stock dilution and has no redemption factor

		Class A stock	Class C stock	(Reference) Class B stock	Class D stock
Issue amount		10 billion yen (After considering partial redemption)	5 billion yen	(Unissued)	10 billion yen
Transfer restrictions		<u>Release of transfer restrictions effective from May 10, 2023^{*1}</u>		None	<u>Yes</u>
Acquisition clause (MITSUBA's right)		Class stocks can be redeemed at any time from the issue date			Redeemable after one year of issuance
Put option (Rights of Allottees)	Consideration	<ul style="list-style-type: none"> • Common stock • Money + Class B stock 	<ul style="list-style-type: none"> • Common stock 	<ul style="list-style-type: none"> • Common stock 	<ul style="list-style-type: none"> • Money • Common stock
	Conversion to common stock	<u>Since May 10, 2023, it has been possible to exercise the put option due to the occurrence of grounds for conversion restriction cancellation</u>		No conversion limit	<u>After six months from the occurrence of the put option with cash consideration^{*2}</u>
Maximum dilution rate		<u>Approximately 57.31%^{*3}</u> (After considering partial redemption)	<u>Approximately 28.65%^{*3}</u>	Approximately 13.75% ^{*3}	<u>Approximately 31.59%^{*3}</u>
Redemption factor		<u>1.24^{*4}</u>	<u>1.51^{*4}</u>	1.05	<u>No setting</u>
Preferred dividend rate		6.0%	0.0%	8.0%	7.8%

*1 According to the stock investment contract, approval by the Board of Directors is required for transfer to a third party by June 30, 2024. Transfer restrictions are lifted in certain cases.

*2 Exercisable in case of non-payment of preferred dividend for two consecutive years, non-fulfillment of payment prerequisite, or violation of stock investment contract

*3 Class D stock Maximum dilution rate is calculated based on the initial conversion price. The dilution rate is based on the assumption that neither the amount equivalent to cumulative unpaid dividends nor the daily unpaid preferred dividend amount exists.

*4 Factor for redemption between July 1, 2023 and June 30, 2024



~ End of Presentation ~