

CONSOLIDATED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021 (J-GAAP)

August 12, 2021

Name of listed company: MABUCHI MOTOR CO., LTD.

Stock exchange listing: Tokyo

Securities code: 6592 (URL: <https://www.mabuchi-motor.com/>)

Representative: Hiroo Okoshi (Representative Director and President, CEO)

Contact: Takumi Tomita (Executive Officer in charge of Accounting and Finance)

Scheduled date of the filing of quarterly report: August 12, 2021

Scheduled date of start of dividends payments: September 13, 2021

Preparation of 2Q results presentation materials (Yes/No): **Yes**

Holding of 2Q results briefing meeting (Yes/No): **Yes**

(Amounts less than one million yen have been omitted.)

1. Consolidated Results for the Six Months Ended June 30, 2021

(From January 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended June 30, 2021	69,296	41.9	8,648	146.4	11,762	292.8	8,501	887.5
June 30, 2020	48,840	(26.0)	3,509	(57.8)	2,994	(69.0)	860	(86.8)

Note: Comprehensive income

Six months ended June 30, 2021: ¥20,157 million [—%]

Six months ended June 30, 2020: ¥(5,593) million [—%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
For the six months ended June 30, 2021	129.10	129.06
June 30, 2020	12.96	12.96

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	279,308	254,148	91.0
December 31, 2020	262,559	239,103	91.0

Reference: Shareholders' equity

As of June 30, 2021: ¥254,056 million

As of December 31, 2020: ¥239,011 million

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	67.00	—	68.00	135.00
Fiscal 2021	—	57.00			
Fiscal 2021 (forecast)			—	58.00	115.00

Note: Amendments to dividend forecast that have been disclosed recently: Yes

For the revision of dividend forecasts, please refer to the "Notice Regarding Revision of the Consolidated Results Forecasts and Dividend Forecasts" announced today.

Note: Breakdown of 2nd quarter-end dividend for fiscal 2020: Special dividend: ¥52.00

Breakdown of year-end dividend for fiscal 2020: Special dividend: ¥53.00

Breakdown of 2nd quarter-end dividend for fiscal 2021: Special dividend: ¥42.00

Breakdown of year-end dividend for fiscal 2021 (forecast): Special dividend: ¥43.00

3. Consolidated Results Forecasts for the Fiscal Year (From January 1 to December 31, 2021)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	140,000	20.2	16,100	24.8	19,700	55.4	14,200	58.0	215.64

Note: Amendments to results forecasts that have been disclosed recently: Yes

For the revision of results forecasts, please refer to the "Notice Regarding Revision of the Consolidated Results Forecasts and Dividend Forecasts" announced today.

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that accompanied changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, restatements:
 - 1) Changes in accounting policies resulting from revision of accounting standards, etc.: None
 - 2) Changes in accounting policies due to reasons other than those stated in 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Number of shares issued (common stock)

(Unit: share)

1) Number of shares issued at the end of the period (including treasury stock)	Jun. 30, 2021	68,562,462	Dec. 31, 2020	68,562,462
2) Number of shares of treasury stock at the end of the period	Jun. 30, 2021	2,716,610	Dec. 31, 2020	2,603,384
3) Average number of shares during the period	Jan.–Jun. 2021	65,854,150	Jan.–Jun. 2020	66,405,895

* The quarterly review procedure by a Certified Public Accountant or an auditing firm does not apply these Consolidated Financial Results.

* Explanation related to appropriate use of results forecasts and other items warranting special mention

The above forecasts are based on the information available as of the date of the release of this document. As a result, a variety of factors in the future may cause actual results to differ from these forecasts.

1. Qualitative Information

(1) Operating Results

During the six months ended June 30, 2021 (January 1 – June 30, 2021), the global economy remained solid overall, with sentiment improving in developed market economies against a backdrop of new coronavirus vaccine rollouts and despite stagnant economic activity due to new waves of new coronavirus infections in mainly emerging market economies, combined with steep rises in resource prices and logistics costs.

The U.S. economy was solid, with economic activity returning to normal as a result of fiscal stimulus measures and progress with vaccinations, leading to increased retail consumption and capital investment. In Europe, economies returned to normal as lockdowns in major urban areas were eased, and the economy showed a trend of recovery. The pace of recovery in the Japanese economy slowed, with the recovery in exports continuing but also stagnant economic activity from a renewed spread of infections. Economic activity was stagnant in India and other emerging markets from renewed spreads of infections, but China continued to record growth, maintaining a recovery trend for emerging market economies overall.

With regard to markets related to the Mabuchi Group's products, both the automotive products market and the consumer and industrial products market saw large growth overall, as markets in all regions continued to recover.

Against this backdrop, Mabuchi's motor sales for the first half rose 36.4% year on year in terms of volume, with a 41.8% year-on-year increase in value. As a result, consolidated net sales for the first half were 69,296 million yen (a 41.9% increase year on year), and motor sales, which account for the majority of net sales, were 69,272 million yen (a 41.8% increase year on year).

Operating income was depressed by an increase in material costs from higher prices for commodities including copper and steel materials, but with growth in sales volume and improvements in sales prices and the product mix, operating income rose to 8,648 million yen (a 146.4% increase year on year). With this growth in operating income as well as an improvement in foreign exchange gains or losses, ordinary income was 11,762 million yen (a 292.8% increase year on year). Profit before income taxes was 11,922 million yen (a 280.1% increase year on year), and profit attributable to owners of parent was 8,501 million yen (an 887.5% increase year on year).

The next session describes market trends and sales conditions categorized into separate markets for motors.

1) Automotive Products Market

Net sales rose to 51,407 million yen (a 47.0% increase year on year). In medium-sized automotive motors, sales of motors for power window lifters grew on steady progress in increasing sales of high-torque standard products to North American automakers. Motors for power seats saw sales increase from the restart of a new program that had been halted by the spread of new coronavirus infections. Sales of motors for electric parking brakes rose on an increase in the number of models equipped with our products. Sales of small automotive motors including door lock actuators, motors for door mirrors, and air conditioning damper actuators grew on a recovery in automotive demand.

2) Consumer and Industrial Products Market

Net sales rose to 17,865 million yen (a 28.8% increase year on year). Motors for health and medical devices saw solid sales in the midrange and high-end toothbrush segments. Sales of motors for home appliances, power tools and housing equipment, and office equipment increased against a backdrop of demand related to working from home and people staying at home instead of going out.

(2) Financial Position

Total assets as of June 30, 2021, were 279,308 million yen, a 16,749 million yen increase from the end of the previous fiscal year. Major changes from the end of the previous fiscal year included increases of 9,469 million yen in inventories, 5,353 million yen in property, plant and equipment, 1,340 million yen in cash and bank deposits, and 562 million yen in investment securities.

Total liabilities increased 1,704 million yen from the end of the previous fiscal year, to 25,160 million yen. Major changes from the end of the previous fiscal year included a 949 million yen increase in other long-term liabilities-non-current, an 809 million yen increase in accrued income taxes, and a 740 million yen increase in trade notes and accounts payable.

Total net assets increased 15,045 million yen from the end of the previous fiscal year, to 254,148 million yen. This included an 11,052 million yen increase in foreign currency translation adjustments, a 3,997 million yen increase in retained earnings, a 542 million yen increase in net unrealized holding gains or losses on securities, and a 612 million yen increase in treasury stock, which is deducted from net assets.

(3) Forward-Looking Statements Including Consolidated Results Forecast

The global economic recovery is expected to continue as a result of major fiscal stimulus measures by various countries and the rollout of new coronavirus vaccines, but with a slower pace of vaccinations and a spread of infections of new coronavirus variants in certain countries and regions, combined with shortages in semiconductor supplies and soaring resource prices and logistics costs, the outlook going forward remains uncertain. A significant recovery is forecast for the U.S. economy as economic activity rebounds on an improved new coronavirus situation from progress in vaccination rollouts, and large-scale fiscal stimulus measures. In Europe, the easing of lockdowns in major urban areas is leading to economic normalization, and the pace of recovery is seen accelerating. A slower pace of recovery is expected for Japan from stagnant economic activity associated with another wave of infections and delays in vaccinations. A gradual pace of recovery is seen continuing in emerging markets overall, led by China's continuing growth.

With regard to markets related to the Mabuchi Group's products, we are forecasting solid results for the automotive products market on a recovery in global automotive production volumes, despite concerns of production adjustments due to the global shortage of semiconductor supply. In the consumer and industrial products market, we are forecasting increased demand in all markets and an overall recovery.

Against this backdrop, we are forecasting consolidated net sales for the full year of 140.0 billion yen (a 20.2% increase from the previous year). Although we expect earnings to continue to be pressured by higher material costs from rising market prices for commodities including copper and steel materials, we also see benefits from increased sales volumes, improvements in sales prices and the product mix, and foreign exchange rate trends at the weak yen level. Given this situation, we are forecasting operating income of 16.1 billion yen (a 24.8% increase year on year), ordinary income of 19.7 billion yen (a 55.4% increase year on year), and profit attributable to owners of parent of 14.2 billion yen (a 58.0% increase year on year).

With regard to the dividend for the current fiscal year, as announced in February 2021, given the anticipated recovery in earnings over the medium term, we are discontinuing our extraordinary measure of maintaining the same full-year dividend amount of 135 yen per share (an ordinary dividend of 30 yen and a special dividend of 105 yen), as announced in August 2018, and introducing a transitional measure toward the return to our basic policy of continuously paying an ordinary dividend of 30 yen per share as a stable, long-term dividend, together with a performance-related special dividend calculated as 30% of consolidated profit on a per-share basis. Specifically, based on our current-year forecasts, the dividend for the current fiscal year would be 94 yen per share under the basic policy, but we intend to add 21 yen to this, corresponding to half of the difference from the fiscal 2020 full-year dividend (135 yen (fiscal 2020) – 94 yen (fiscal 2021) ÷ 2), for a full-year dividend forecast of 115 yen per share (an ordinary dividend of 30 yen and a special dividend of 85 yen). Accordingly, our forecasts are for an interim dividend of 57 yen per share (an ordinary dividend of 15 yen and a special dividend of 42 yen), and a year-end dividend of 58 yen per share (an ordinary dividend of 15 yen and a special dividend of 43 yen).

In addition, the actual exchange rate for the first half was ¥107.69 to the US dollar, and our forecasts for the second half are based on a foreign exchange rate assumption of ¥108 to the US dollar.

Note: The above forecasts were made based on information that is available at the present moment. Actual results may differ from expectations owing to various future factors, the main ones of which are as follows:

- Fluctuations in foreign exchange rates
- Changes in economic conditions and demand trends in our business areas
- Rapid technological innovations, such as new technologies or new products
- Fluctuations in market prices of copper, steel, rare earths, and other raw materials

Note, however, that the factors that could affect our results are not limited to the above.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of December 31, 2020	As of June 30, 2021
Assets		
Current assets		
Cash and bank deposits	110,018	111,359
Trade notes and accounts receivable	24,729	24,473
Short-term investments	1,500	1,500
Merchandise and finished goods	22,249	28,669
Work in process	989	1,419
Raw materials and supplies	9,280	11,900
Other current assets	4,789	4,748
Allowance for doubtful accounts	(163)	(170)
Total current assets	173,394	183,899
Fixed assets		
Property, plant and equipment		
Buildings and structures	50,328	53,843
Accumulated depreciation	(29,467)	(31,222)
Buildings and structures, net	20,860	22,621
Machinery, equipment and vehicles	68,430	74,981
Accumulated depreciation	(36,914)	(42,175)
Machinery, equipment and vehicles, net	31,515	32,806
Tools, furniture and fixture	19,976	21,304
Accumulated depreciation	(15,944)	(17,388)
Tools, furniture and fixture, net	4,031	3,916
Land	6,589	6,628
Construction in progress	14,016	16,394
Total property, plant and equipment	77,014	82,367
Intangible assets	1,065	1,191
Investments and other assets		
Investment securities	9,254	9,817
Deferred tax assets-non-current	578	782
Other investments and other assets	1,658	1,283
Allowance for doubtful accounts	(405)	(33)
Total investments and other assets	11,085	11,849
Total fixed assets	89,164	95,408
Total assets	262,559	279,308

(Millions of yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,486	7,226
Accrued income taxes	1,934	2,744
Accrued bonuses due to employees	233	211
Accrued bonuses due to directors	176	91
Other current liabilities	9,361	9,171
Total current liabilities	18,193	19,446
Long-term liabilities		
Long-term loans payable	380	251
Accrued benefits for stock payment	241	44
Liability for retirement benefits	2,051	2,118
Asset retirement obligations	27	27
Deferred tax liabilities-non-current	2,203	1,964
Other long-term liabilities-non-current	357	1,307
Total long-term liabilities	5,262	5,713
Total liabilities	23,456	25,160
Net assets		
Shareholders' equity		
Common stock	20,704	20,704
Additional paid-in capital	20,419	20,424
Retained earnings	216,929	220,927
Treasury stock	(11,555)	(12,167)
Total shareholders' equity	246,499	249,888
Accumulated other comprehensive income		
Net unrealized holding gains or losses on securities	1,985	2,528
Foreign currency translation adjustments	(8,928)	2,124
Retirement benefits liability adjustments	(545)	(484)
Total accumulated other comprehensive income	(7,487)	4,168
Subscription rights to shares	91	91
Total net assets	239,103	254,148
Total liabilities and net assets	262,559	279,308

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
For the Six Months Ended June 30, 2020 and 2021

	(Millions of yen)	
	Six Months Ended June 30, 2020 (January 1, 2020 to June 30, 2020)	Six Months Ended June 30, 2021 (January 1, 2021 to June 30, 2021)
Net sales	48,840	69,296
Cost of sales	34,078	49,857
Gross profit	14,762	19,438
Selling, general and administrative expenses	11,252	10,790
Operating income	3,509	8,648
Non-operating income		
Interest income	459	248
Dividend income	165	170
Foreign exchange gains	—	1,745
Gain on sales of raw material scrap	532	1,004
Other	216	299
Total non-operating income	1,374	3,468
Non-operating expenses		
Stock-related expenses	51	94
Foreign exchange losses	1,514	—
Depreciation	81	103
Other	242	156
Total non-operating expenses	1,889	354
Ordinary income	2,994	11,762
Extraordinary income		
Gain on disposal of fixed assets	5	1
Gain on sales of investment securities	845	—
Gain on reversal of share acquisition rights	3	—
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	—	246
Total extraordinary income	854	248
Extraordinary loss		
Loss on disposal of fixed assets	26	87
Extraordinary retirement expenses	69	—
Loss from closure of a manufacturing subsidiary	361	—
Loss related to infectious disease	254	—
Loss on sales of golf memberships	—	1
Total extraordinary loss	711	88
Profit before income taxes	3,136	11,922
Income taxes	2,275	3,420
Profit	860	8,501
Profit attributable to owners of parent	860	8,501

(Consolidated Statements of Comprehensive Income)
For the Six Months Ended June 30, 2020 and 2021

(Millions of yen)

	Six Months Ended June 30, 2020 (January 1, 2020 to June 30, 2020)	Six Months Ended June 30, 2021 (January 1, 2021 to June 30, 2021)
Profit	860	8,501
Other comprehensive income		
Net unrealized holding gains or losses on securities	(2,045)	542
Deferred gains or losses on hedges	2	—
Foreign currency translation adjustments	(4,476)	11,052
Retirement benefits liability adjustments	65	60
Total other comprehensive income	(6,454)	11,655
Comprehensive income	(5,593)	20,157
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,593)	20,157
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended June 30, 2020 (January 1, 2020 to June 30, 2020)	Six Months Ended June 30, 2021 (January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Profit before income taxes	3,136	11,922
Depreciation and amortization	4,440	4,741
Increase (Decrease) in liability for retirement benefits	65	72
Interest and dividends income	(624)	(419)
Foreign exchange losses (gains)	2,114	(3,609)
Loss (Gain) on sales of investment securities	(845)	—
Loss (Gain) on disposal of fixed assets	21	85
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	—	(246)
Decrease (Increase) in trade notes and accounts receivable	6,516	1,596
Decrease (Increase) in inventories	(4,254)	(6,863)
Increase (Decrease) in trade notes and accounts payable	(2,904)	595
Gain on reversal of share acquisition rights	(3)	—
Loss (Gain) on sales of golf memberships	—	1
Other, net	(195)	(498)
Sub total	7,465	7,378
Interest and dividends received	642	382
Income taxes paid	(2,980)	(3,185)
Net cash provided by operating activities	5,127	4,575
Cash flows from investing activities		
Increase of time deposits	—	(2)
Proceeds from sales of short-term investments	—	168
Purchase of fixed assets	(5,348)	(4,486)
Proceeds from sales of fixed assets	39	8
Purchase of investment securities	—	(2)
Proceeds from sales of investment securities	1,132	—
Other, net	11	92
Net cash used in investing activities	(4,164)	(4,222)
Cash flows from financing activities		
Repayment of long-term loans payable	(92)	(128)
Cash dividends paid	(4,539)	(4,504)
Purchase of treasury stock	(0)	(1,000)
Proceeds from sales of treasury stock	87	124
Net cash used in financing activities	(4,545)	(5,509)
Effect of exchange rate changes on cash and cash equivalents	(1,305)	6,089
Net increase (decrease) in cash and cash equivalents	(4,888)	933
Cash and cash equivalents at beginning of period	110,863	110,190
Cash and cash equivalents at end of period	105,974	111,124

(4) Notes to Consolidated Financial Statements
(Notes Regarding Going-Concern Assumptions)

None

(Notes on Significant Changes in Shareholders' Equity)

The Company purchased 199,200 shares of treasury stock (total amount of purchase cost: 999 million yen) pursuant to a resolution at a meeting of the Board of Directors held on February 12, 2021. As a result, treasury stock at the end of the second quarter of the fiscal year ending December 31, 2021 was 12,167 million yen.

(Changes in Significant Subsidiaries during the Quarter)

None

(Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expense)

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to profit before income taxes for the fiscal year that includes the second quarter under review and multiplying quarterly profit before income taxes by estimated effective tax rate.

(Additional Information)

(Accounting estimates associated with the effect from spread of COVID-19)

There are no significant changes to the assumptions regarding the future spread of coronavirus infections and the timing of the pandemic being brought under control, etc., included under (Additional information: Accounting estimates associated with the effect from spread of COVID-19) in the securities report filed for the previous fiscal year.

As a result of the spread of infections of COVID-19, the Mabuchi Group is experiencing lower demand caused by economic stagnation associated with measures implemented to stop the spread of infections by the governments of various countries. Although the Mabuchi Group experienced a temporary decline in demand during the previous fiscal year, we expect a gradual recovery in demand to pre-pandemic levels from the current fiscal year as the spread of infections is brought under control and economic activity restarts in various regions, and this assumption is reflected in the accounting estimates (as "possibility of recovery of deferred tax assets, determination of recognition of impairment loss on fixed assets").

The time of convergence of COVID-19 and its future impact remain uncertain, and the results based on actual results in the future may differ from these estimates and assumptions.

(Segment Information)**Six Months Ended June 30, 2020 (From January 1, 2020 to June 30, 2020)****1. Information concerning net sales and income by reporting segment**

(Millions of yen)

	Reporting Segment					Adjustment (Note 1)	Total reported in consolidated statements of income (Note 2)
	Japan	Asia	North and Latin America	Europe	Total		
Net sales							
Sales to external customers	5,132	24,699	7,849	11,159	48,840	—	48,840
Intersegment sales and transfers	31,810	29,297	620	39	61,768	(61,768)	—
Total	36,943	53,996	8,469	11,199	110,608	(61,768)	48,840
Segment income (loss)	1,031	2,486	37	(398)	3,157	352	3,509

Notes: 1. The segment income (loss) adjustment refers to intersegment transaction eliminations.

2. Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

2. Information concerning impairment loss on fixed assets and goodwill by reporting segment

Not applicable

Six Months Ended June 30, 2021 (From January 1, 2021 to June 30, 2021)**1. Information concerning net sales and income by reporting segment**

(Millions of yen)

	Reporting Segment					Adjustment (Note 1)	Total reported in consolidated statements of income (Note 2)
	Japan	Asia	North and Latin America	Europe	Total		
Net sales							
Sales to external customers	6,486	34,421	12,482	15,905	69,296	—	69,296
Intersegment sales and transfers	45,180	39,520	1,724	42	86,469	(86,469)	—
Total	51,667	73,942	14,207	15,948	155,765	(86,469)	69,296
Segment income (loss)	4,075	5,405	675	(228)	9,928	(1,279)	8,648

Notes: 1. The segment income (loss) adjustment refers to intersegment transaction eliminations.

2. Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

2. Information concerning impairment loss on fixed assets and goodwill by reporting segment

Not applicable

(Significant Subsequent Events)

(Corporate merger via acquisition)

The Company's Board of Directors' Meeting, held on June 22, 2021, resolved to acquire the shares of Electromag SA ("Electromag"), a manufacturer of motors for medical equipment based in Switzerland, making Electromag a subsidiary of the Company. A share purchase agreement was concluded on the same day, and on July 6, 2021, the Company acquired all shares of Electromag, making it a subsidiary.

1. Overview of the corporate merger

(1) Name and business of acquired company

Company name: Electromag SA

Business: Manufacturing of motors for medical equipment

(2) Primary reasons for the merger

The Company has the Management Principle of Contributing to international society and continuously increasing our contribution. To realize this principle, the Company has developed the Long-Term Management Policy and the Mid-Term Management Plan (2021-2023). This plan is aiming to accelerate the Company's growth, by providing solutions for the issues which society and customers are facing. Expanding the business for wellness and healthcare applications and developing new brushless motor products are parts of the Company's priority efforts to achieve such a plan.

Electromag is a brushless motor manufacturer based in Switzerland that specializes in key applications such as ventilators for hospital care, home care, including CPAP*, and handpieces for dental care. Electromag's cutting-edge solutions and technology enable it to develop brushless motors with unique characteristics such as ultra-quiet, low vibration, high speed, perfectly suited for medical device application. Electromag is a world-leading manufacturer of motors for healthcare applications with an outstanding market share in hospital care ventilation motors.

By leveraging Electromag's technologies and expertise in healthcare applications, the Company will accelerate its priority initiatives and furthermore realize the vision and the Management Principle.

* Stands for Continuous Positive Airway Pressure: A device that prevents sleep apnea by pumping pressurized air through the nasal cavity to expand the respiratory tract

(3) Date of merger

July 6, 2021

(4) Legal form of merger

Acquisition of shares

(5) Company name after merger

Unchanged

(6) Percentage of voting rights acquired

100%

(7) Primary basis for decision to acquire company

The Company acquired the shares in exchange for cash.

2. Details of acquisition cost and types of compensation of the acquired company

We have entered into a confidentiality agreement and are not disclosing the details, but the decision was made based on an estimated value of the shares calculated by a third party, and recognized as representing fair value.