

For Immediate Release

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Notice of Change in Consolidated Subsidiaries in Association with the Chapter 11 Filing by Certain Subsidiaries and Resulting Posting of Extraordinary Loss (Impairment Loss of Non-Current Assets)

Okabe Co., Ltd. (“we” or the “Company”) announces that we are expected to post an extraordinary loss in our consolidated financial results for the fiscal year ended December 31, 2023 following progress in the Chapter 11 bankruptcy filed by Water Gremlin Company (“WG” hereinafter) and its holding company Water Gremlin Holdings, Inc. (“Holdings” hereinafter) on October 27, 2023 (local time) with the United States Bankruptcy Court for the District of Delaware, as announced in the release on October 27, 2023 entitled “Notice of Filing for Chapter 11 by our US Subsidiaries.” The progress specifically refers to WG’s transfer of its businesses to third parties and Holdings’ transfer of shares of a subsidiary, Water Gremlin Aquila Company S.p.A. (“WGA” hereinafter), to a third party in accordance with permission granted by the court.

These transactions are as detailed below.

1. Posting of Extraordinary Loss for Fiscal Year Ended December 31, 2023

Given that the purchase price in the business transfer from WG in the Chapter 11 bankruptcy process is now estimated at around 0.15 billion yen, the Company is set to post an extraordinary loss for the fiscal year ended December 31, 2023 of approximately 6.0 billion yen, which reflects the difference between the book value of the assets subject to WG’s business transfer of about 6.2 billion yen and the purchase price. We are currently examining the details of the transfer, including accounting methods, and will disclose them in a progress report or the summary of consolidated financial results as soon as the examination are finalized.

2. Effect on Business Results

In view of the expected posting of the extraordinary loss mentioned above, we revised the financial results forecast for the fiscal year ended December 31, 2023. For details, please refer to “Notice of Revisions to Consolidated Financial Results Forecast for the Fiscal Year Ended December 31, 2023” announced today.

3. Business Transfer and Share Transfer

As mentioned above, WG is to transfer its businesses to third parties and Holdings will transfer WGA shares to a third party as part of the Chapter 11 bankruptcy process. WG is awaiting permission from the court for its business transfer whereas the court already granted its permission for WGA’s share transfer. The summary of these transfers is as follows.

1) Summary of WG’s business transfer

Reason for the transfer: Bankruptcy under Chapter 11 of the United States Bankruptcy Code
 Transferee: WBL Hold and another company*
 Asset to be transferred: Inventories, machinery, equipment and other assets
 Value of transfer: Approx. 0.15 billion yen
 Method of determination of the transfer amount: Bidding in the Chapter 11 bankruptcy process
 Dates of conclusion of transfer agreements: December 13, 2023 and December 19, 2023

2) Summary of WGA’s share transfer

Reason for the transfer: Bankruptcy under Chapter 11 of the United States Bankruptcy Code
 Transferee: Accuma*
 Value of transfer: Approx. 3.36 billion yen
 Method of determination of the transfer amount: Bidding in the Chapter 11 bankruptcy process
 Date of conclusion of transfer agreement: December 20, 2023

* No more information has been received.

4. Changes in Consolidated Subsidiaries

In light of the progress in the Chapter 11 bankruptcy, the Company has decided to exclude Holdings, WG and WGA from its consolidated accounting. In the Company’s consolidated financial results for the fiscal year ended December 31, 2023, these three subsidiaries’ statements of income alone will be consolidated whereas their balance sheets will not.

5. Summary of Consolidated Subsidiaries Subject to Change (as of October 27, 2023, when the Chapter 11 bankruptcy was filed)

1) WG

1) Company Name	Water Gremlin Company	
2) Headquarters	White Bear Township, Minnesota, United States	
3) Name of Representative	Bradley Hartsell (President and Director)	
4) Business Outline	Manufacture and Sales of Automobile Battery Terminals	
5) Stated Capital	18,796,000 USD	
6) Date of Establishment	November 10, 1949	
7) Relationship with the Company	Capital Relationship	Wholly owned by Holdings, which is wholly owned by the Company
	Personnel Relationship	One of the Company’s directors concurrently serves as a chairman and director of WG and one of the Company’s executive officers also concurrently serves as a director of WG. Further, one of the Company’s employees is seconded to WG and serves as a director of WG.
	Business Relationship	Not applicable
	Debt and Liabilities	The Company holds receivables of approximately 3 billion yen from WG.
	Affiliated Party Status	WG is an affiliated party since WG is a consolidated subsidiary of the Company.

2) Holdings

1) Company Name	Water Gremlin Holdings, Inc.	
2) Headquarters	Grayslake, Illinois, United States	
3) Name of Representative	Yasushi Hosomichi (President and Director)	
4) Business Outline	Holding Company of WG	
5) Stated Capital	51,200,000 USD	
6) Date of Establishment	May 20, 2004	
7) Relationship with the Company	Capital Relationship	Wholly owned by the Company
	Personnel Relationship	One of the Company's directors concurrently serves as a president and director of Holdings and two of the Company's executive officers also concurrently serve as directors of Holdings. Further, one of the Company's employees is seconded to Holdings and serves as a director of Holdings.
	Business Relationship	Not applicable
	Debt and Liabilities	Not applicable
	Affiliated Party Status	Holdings is an affiliated party since Holdings is a consolidated subsidiary of the Company.

3) WGA

1) Company Name	Water Gremlin Aquila Company S.p.A.	
2) Headquarters	Cellatica, Lombardia, Italy	
3) Name of Representative	Bradley Hartsell (President and Director)	
4) Business Outline	Manufacture and Sales of Automobile Battery Terminals	
5) Stated Capital	491,000 EUR	
6) Date of Establishment	May 13, 1965	
7) Relationship with the Company	Capital Relationship	Wholly owned by Holdings, which is wholly owned by the Company
	Personnel Relationship	One of the Company's directors concurrently serves as a chairman and director of WGA and one of the Company's executive officers also concurrently serves as a director of WGA.
	Business Relationship	Not applicable
	Debt and Liabilities	Not applicable
	Affiliated Party Status	WGA is an affiliated party since WGA is a consolidated subsidiary of the Company.

4) Operating performance and financial condition of WG, Holdings and WGA over the past three years

1) WG (unit: thousands USD)

	FY2020	FY2021	FY2022
Net Assets	47,563	44,535	32,584
Total Assets	85,063	76,317	66,912
Net Sales	43,427	50,858	46,801
Operating Loss (△)	△12,321	△3,474	△5,771
Net Loss (△)	△7,485	△3,027	△11,951

2) Holdings (unit: thousands USD)

	FY2020	FY2021	FY2022
Net Assets	65,961	79,231	64,564
Total Assets	65,996	79,231	64,564
Net Sales	—	—	—
Operating Loss (△)	△36	△1	△106
Net Loss (△)	△35	△714	△10,843

3) WGA (unit: thousands USD)

	FY2020	FY2021	FY2022
Net Assets	21,598	23,593	21,586
Total Assets	24,683	26,696	24,633
Net Sales	19,322	21,600	18,460
Operating Profit	1,738	3,062	2,373
Net Profit	1,355	2,315	1,817

<References to Past Related Releases>

- Release on October 27, 2023: “Notice of Filing for Chapter 11 by our US Subsidiaries”
https://ssl4.eir-parts.net/doc/5959/ir_material1/216813/00.pdf
- Release on July 28, 2023: “Notice of Recording of Extraordinary Losses, Difference between Consolidated Financial Results Forecast and Results for the First Six Months of Fiscal Year Ending December 31, 2023 and Revision of Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023”
https://ssl4.eir-parts.net/doc/5959/ir_material1/211894/00.pdf
- Release on June 22, 2023: “Notice of Litigation Against Okabe and its US Subsidiaries in the United States”
https://ssl4.eir-parts.net/doc/5959/ir_material1/209567/00.pdf