



November 27, 2024

For Immediate Release

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**Notice of Agreement in Principle on Settlement of Litigation in the United States and Posting of
Extraordinary Loss**

As announced in the “Notice of Litigation Against Okabe and its US Subsidiaries” dated June 22, 2023, the Company's wholly owned* subsidiary Water Gremlin Company (Location: Minnesota, U.S.A.; “WG”), WG's holding company Water Gremlin Holdings, Inc. (Location: Illinois, U.S.A.; a wholly owned subsidiary of the Company; “WGH”) and Okabe Co., Ltd. (“we” or the “Company”; collectively referred to as the “Companies”) have been the subject of a lawsuit filed in the Second Judicial District Court of Minnesota, U.S.A. (the “Lawsuit”) However, as of November 27, 2024, the Company has not been formally served with the complaint. As announced in the “Notice of Filing for Chapter 11 by our US Subsidiaries” dated October 27, 2023, WG and WGH filed a petition with the U.S. Bankruptcy Court for the District of Delaware on October 27, 2023 (local time) for Chapter 11 rehabilitation proceedings (the “Rehabilitation Proceedings”). We are pleased to announce that on November 27, 2024, as part of mediation proceedings during the Rehabilitation Proceedings, we reached an agreement in principle with the counterparties listed in section 2. below on the terms described in section 3. below (the “Settlement”).

* Indirectly owned by the Company

1. Background from the Filing of the Lawsuit to the Settlement

In July 2018, an internal investigation revealed that at the Minnesota, U.S.A. plant (the “Plant”) operated by WG, a manufacturer and distributor of automotive-related products, the hazardous air pollutant (HAP) trichloroethylene (“TCE”) had been released at levels exceeding the standards set by the Minnesota Pollution Control Agency. In January 2023, 95 residents living in the vicinity of the Plant (“the Plaintiffs”) filed a complaint against the Companies, alleging that they had suffered damages due to TCE being released at the Plant in amounts exceeding such standards. However, as of November 27, 2024, the Company has not been formally served with the complaint.

During the course of the Rehabilitation Proceedings filed by WG and WGH, mediation proceedings were held, and the Company participated in the mediation as a third party. For its part, the Company has comprehensively taken into consideration, among other things, the increase in litigation and other related costs and the impact on its management of prolonged litigation, and as a result of negotiations with the Official Committee of Unsecured Creditors in these mediation proceedings, has reached a basic agreement on the Settlement with the counterparties as described in section 2. below.

2. Counterparties to the Settlement

The Official Committee of Unsecured Creditors (*), WG and WGH

* The Official Committee of Unsecured Creditors is a creditors' committee consisting of unsecured creditors of WG and WGH, including the Plaintiffs of the Lawsuit, and is empowered under the U.S. Bankruptcy Code to consult with the debtors and others regarding the conduct of the Rehabilitation Proceedings.

3. Details of the Settlement

(1) Summary of the Settlement

In exchange for the release of all rights against the Company by the unsecured creditors, including the Plaintiffs, the amount listed in section (2) below is to be contributed to WG's bankruptcy estate.

(2) Amount of contribution by the Company

14.4 million USD (approx. 2.2 billion JPY)

(3) Other

The Settlement will be finalized upon the execution of the settlement agreement with the Official Committee of Unsecured Creditors, which will be formally confirmed by the U.S. Bankruptcy Court for the District of Delaware in the Rehabilitation Proceedings, and is expected to be implemented after completing the necessary procedures, including the approval of the rehabilitation plan as part of the Rehabilitation Proceedings.

4. Posting of Extraordinary Loss

(1) Recording of the Settlement amount

As a result of the Settlement, we expect to record a Settlement amount of 2.2 billion JPY as an extraordinary loss in our financial results for the fiscal year ending December 31, 2024.

(2) Posting of loss on valuation of investment securities

In conjunction with the recording of the Settlement amount described in section (1) above, we recognize that the net assets of WG and WGH will be negatively affected and the real value of WGH shares held by us will fall significantly, and we expect to record a loss on valuation of investment securities of 3.3 billion JPY as an extraordinary loss in our financial statements for the fiscal year ending December 31, 2024.

For details, please refer to “Notice of Revisions to Consolidated Financial Results Forecast for the Fiscal Year Ended December 31, 2024” announced today.

<References to Past Related Releases>

- Release on January 25, 2024: “Notice of Change in Consolidated Subsidiaries in Association with the Chapter 11 Filing by Certain Subsidiaries (Business Transfer and Share Transfer) and Resulting Posting of Extraordinary Loss (Impairment Loss of Non-Current Assets)”
<https://ssl4.eir-parts.net/doc/5959/tdnet/2383490/00.pdf>
- Release on October 27, 2023: “Notice of Filing for Chapter 11 by our US Subsidiaries”
<https://ssl4.eir-parts.net/doc/5959/tdnet/2349422/00.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/tdnet/2316265/00.pdf>
- Release on June 22, 2023: “Notice of Litigation Against Okabe and its US Subsidiaries”
<https://ssl4.eir-parts.net/doc/5959/tdnet/2301513/00.pdf>