

January 14, 2025

MERF Inc.

Notice Regarding Business Acquisition by Our U.S. Subsidiary

We hereby announce that, at the board meeting held today, our company resolved that CMX Metals, a subsidiary of our U.S. subsidiary Kurotani North America, Inc. (hereinafter referred to as "KNA"), will acquire the business of California Metal-X (hereinafter referred to as "CMX"), which primarily manufactures copper ingots in California, USA, through CMX (assignment for the benefit of creditors), LLC (hereinafter referred to as "the Acquisition"). Details are as follows.

Record

1. Reason for the Business Acquisition

CMX is a manufacturer of copper alloy ingots, operating in California for approximately 40 years, equipped with electric arc furnaces, gas rotary furnaces, and copper-aluminum separation equipment. At the time of its founding, there were about 80 similar companies in the U.S., but due to the relocation of production facilities to countries like China, this number has now decreased to three, including CMX.

Meanwhile, the U.S. is moving towards trade block formation, and an expansion of domestic manufacturing and material procurement is anticipated. As part of our mid-term business plan, we have established a global strategy as a key focus, aiming to enhance recognition both domestically and internationally, and to expand our business globally.

Through this acquisition, we will take over CMX's operations, initiating the manufacturing and sales of copper alloy ingots in the U.S., as well as processing operations for copper and aluminum recycling materials. This will also complement our overseas sales of copper alloy ingots and promote collaboration in the development of new products.

Currently, our group's overseas sales are primarily focused on Southeast Asia; however, we view the expansion of our business base in North America as a critical pillar of our growth strategy. This acquisition will accelerate our business development in North America.

The acquisition procedure is based on the Assignment for the Benefit of Creditors (ABC procedure) under California state law. We will acquire CMX's business through a special purpose company, CMX (assignment for the benefit of creditors), LLC, which has been established to manage and safeguard the assets.

(Note): The Assignment for the Benefit of Creditors (ABC procedure) is a process in which a financially distressed company voluntarily transfers its assets to a third party established for the purpose of managing and safeguarding those assets, in order to distribute the proceeds generated from asset liquidation to creditors as an alternative to formal bankruptcy proceedings.

2. Overview of Business Assets

(1) Description of the Acquired Business

The business operated by CMX, which includes the manufacturing and sales of copper alloy ingots and the processing of copper- and aluminum-based recycled materials.

(2) Performance of the Acquired Business

Fiscal period	Year Ending December 2023
Sales revenue	42.9 million US dollars
Operating income	▲0.2 million US dollars

(3) Items and Amounts of Assets and Liabilities of the Acquired Business

The assets subject to acquisition primarily include accounts receivable, inventory, transportation vehicles, machinery and equipment, and ancillary facilities, as well as lease liabilities related to leased assets. However, the amounts are not yet confirmed at this time. Should any matters requiring disclosure arise in the future, we will promptly inform you.

(4) Overview of the Counterparty for the Business Acquisition

(1) Name	CMX (assignment for the benefit of creditors), LLC
(2) Address	3945 Freedom Circle, Suite 560 Santa Clara CA 95054
(3) Title and name of representative	Michael A. Maidy, Manager

(4) Business activities	Special purpose company for custody and management of assets	
(5) Date of establishment	September 16, 2024	
(6) Net assets	0 US Dollars	
(7) Total assets	0 US Dollars	
(8) Major shareholders and shareholding ratio	Sherwood Management, LLC 100%.	
(9) Relationship between the listed company and the relevant company	Capital relationship	Not applicable
	Personal Relationships	Not applicable
	Business relationship	Not applicable
	Relevant Party Status	Not applicable

3. Acquisition Price and Payment Method

The acquisition price and other details are yet to be determined as discussions with the counterparty toward a final agreement are ongoing.

4. Overview of Our Subsidiary

(1) Name	CMX Metals
(2) Address	1050 SW 6th Avenue, Suite 1100, #2 Portland OR 97204
(3) Title and name of representative	CEO: Sumihisa Kurotani
(4) Business activities	Manufacturing and sales of non-ferrous ingots.
(5) Capital	5,000 US Dollars
(6) Date of incorporation	September 11, 2024
(7) Major shareholders and shareholding ratios	Kurotani North America, Inc. 100%.

5. Schedule

(1) Date of resolution by the Board of Directors	January 14, 2025
(2) Date of contract execution	January 15, 2025 (scheduled)
(3) Date of business transfer	January 15, 2025 (scheduled)

6.Future Outlook

The impact on the consolidated financial results for the current period (ending August 2025) is currently under review. Should any matters requiring disclosure arise in the future, we will promptly provide updates.

(Reference) Consolidated Financial Forecast for the Current Period (Announced on October 11, 2024) and Previous Period Results

(% represent changes from the same period of the previous year and from the same quarter of the previous year)

	Sales revenue		Operating income		Recurring profit		Net income attributable to shareholders of the parent company		Earnings Per Share (EPS)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen sen
Second Quarter (Cumulative)	38,300	8.1	167	△61.4	18	△87.0	10	△23.0	0.71
Full Year	77,201	△5.9	739	△49.0	439	△57.6	294	△44.7	20.82