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August 6, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)



Company name: YAMAE GROUP HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange and Fukuoka Stock Exchange
 Securities code: 7130
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 Representative: Hiroto Omori, President and Representative Director
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Amounts less than a million yen are rounded down to the nearest million yen.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	239,760	58.1	2,366	(27.6)	2,765	(21.4)	958	(55.6)
June 30, 2023	151,650	11.2	3,268	52.5	3,516	54.3	2,159	9.0

Note: Comprehensive income For the three months ended June 30, 2024: ¥175 million [(94.6)%]
 For the three months ended June 30, 2023: ¥3,263 million [62.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	34.61	—
June 30, 2023	91.16	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	406,421	92,620	21.8
March 31, 2024	407,641	94,289	22.2

Reference: Equity
 As of June 30, 2024: ¥88,700 million
 As of March 31, 2024: ¥90,459 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	—	—	60.00	60.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		—	—	60.00	60.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial result forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	414,000	33.9	7,880	19.4	8,280	19.0	4,100	3.9	148.09
Full year	900,000	26.3	17,000	22.1	18,000	22.0	9,000	6.4	325.07

Note: Revisions to the financial result forecast most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: –

Excluded: –

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	27,686,752 shares
As of March 31, 2024	27,686,752 shares

(ii) Number of treasury shares at the end of the period

As of June 30, 2024	326 shares
As of March 31, 2024	326 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	27,686,426 shares
Three months ended June 30, 2023	23,686,613 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Explanation of appropriate use of earnings forecasts, and other special notes

The earnings forecasts and other forward-looking statements contained in this report are based on information currently available to us and assumptions for a certain period of time that we believe to be reasonable. Accordingly, please be advised that we do not guarantee the achievement of the forecasts. Actual results may differ significantly from the forecasts due to a variety of factors.

For the assumptions used in the earnings forecasts and notes on the use of the earnings forecasts, please refer to “1. Overview of Operating Results, etc., (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information” on page 3 of the Attachments of this financial report.

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1. Overview of Operating Results, etc.

The forward-looking statements contained herein are based on judgments made by management of the Company and its subsidiaries and associates (the “Group”) as of the end of the first quarter of the fiscal year under review.

(1) Overview of Operating Results for the Three-month Period under Review

During the three months ended June 30, 2024 (the “three-month period under review”), the Japanese economy was buoyant mainly due to a recovery trend in demand, especially in the restaurant industry, reflecting an increase in domestic and inbound tourists and resumption of sports, music, and other events, and the Bank of Japan’s decision to end the negative interest rate policy. The situation, however, remained uncertain partly owing to the ongoing unstable international landscape as well as to increased consumer defensive spending patterns responding to rising prices against the backdrop of higher raw material and energy prices and the rapid yen depreciation.

Under such an environment, as a “provider of comprehensive distribution support,” the Group united its efforts to contribute to the development of the entire supply chain. At the same time, as a corporate group that produces businesses from upstream to downstream businesses across all sections of the supply chain, we endeavored to build a sales system that leverages our comprehensive strengths. Furthermore, the Group strived to strengthen its business foundation to achieve sustainable growth by steadily implementing four basic strategies set forth in the Medium-Term Business Plan “Progress Go’25,” namely, “Strategy for Strengthening Group Governance,” “Sustainability Strategy,” “M&A Strategy,” and “Area/Logistics Strategy,” as well as planned investments.

As a result, for the three-month period under review, the Group posted net sales of 239,760 million yen (up 58.1% year-on-year), an increase of 88,109 million yen.

In terms of profits, despite continued group-wide efforts to strengthen its management base by working to review its business operations and improve their efficiency, intensified sales competition, escalated utilities and logistics costs due to rises in energy prices, and higher personnel cost put downward pressure on profits. As a result, ordinary profit came to 2,765 million yen (down 21.4% year-on-year), with profit attributable to owners of parent of 958 million yen (down 55.6% year-on-year).

Operating results by business segment are as follows.

Food Business

In the Food Business, Confex Holdings Co., Ltd., which joined the Group during the previous fiscal year, and other subsidiaries contributed to the segment’s performance from the beginning of the period under review. Meanwhile, increased consumer defensive spending patterns resulting from price increases, intensified sales competition with industry peers, escalated utilities and logistics costs due to rises in energy prices, and higher personnel cost pushed down profits.

As a result, the business segment posted net sales of 183,932 million yen (up 75.9% year-on-year), with segment operating profit of 1,844 million yen (down 18.7% year-on-year).

Sugar/Flour, Feed, and Livestock Business

The sugar and flour business enjoyed growth in sales of food ingredients, such as sugar, flour, and cooking oil. This is attributable to robust demand for eating out and souvenirs, backed by a rise in domestic and inbound tourists. Profits also increased in proportion to sales growth.

In the feed and livestock business, Topran Co., Ltd., which came under the Group’s umbrella during the previous fiscal year, contributed to the segment’s performance from the beginning of the period under review. However, owing to stagnant chicken egg prices, the chicken egg business saw a decrease in both sales and profits.

As a result, the business segment posted net sales of 28,162 million yen (up 13.6% year-on-year), with segment operating profit of 587 million yen (down 18.8% year-on-year).

Housing and Real Estate Business

In the Housing and Real Estate Business, LUMBER ONE Co., Ltd., which joined the Group during the previous fiscal year, and other subsidiaries contributed to the segment's performance from the beginning of the period under review. However, higher materials and logistics costs were reflected in housing prices, resulting in a decline in appetite for new homes among prospective homeowners. Consequently, housing starts for May 2024 decreased year-on-year in all of the owned, rented, and built-for-sale categories, and especially those for owned houses have declined for 30 consecutive months. Under this circumstance, price competition in the industry became increasingly fierce, making it continuously difficult to secure reasonable profits.

As a result, the business segment posted net sales of 22,132 million yen (up 32.1% year-on-year), with segment operating profit of 157 million yen (down 74.3% year-on-year).

Other Group Businesses

The rental car business saw increased demand for rental cars as a means of transportation to tourist destinations, driven by a growing number of inbound tourists.

In the meantime, the transport business is facing an increasingly challenging business environment, such as addressing the so-called "2024 Problem," various challenges facing the logistics industry coming from work style reform laws in Japan, and higher fuel prices. Nevertheless, the Group made efforts to improve the business' performance by working proactively to improve the quality of logistics services and increase operational efficiency.

As a result, the business segment posted net sales of 5,532 million yen (up 0.4% year-on-year), with segment operating profit of 112 million yen (down 39.4% year-on-year).

(2) Overview of Financial Position for the Three-month Period under Review

As of the end of the first quarter of the fiscal year under review, total assets amounted to 406,421 million yen, a decrease of 1,220 million yen from the end of the previous fiscal year. This is primarily attributable to decreases in cash and deposits of 2,362 million yen and notes and accounts receivable - trade, and contract assets of 3,308 million yen, an increase in buildings and structures, net of 12,484 million yen, and a decrease in other property, plant and equipment, net of 8,392 million yen.

Liabilities totaled 313,800 million yen, an increase of 448 million yen from the end of the previous fiscal year. This is primarily attributable to increases in notes and accounts payable - trade of 2,160 million yen and short-term borrowings of 5,093 million yen, and decreases in income taxes payable of 2,991 million yen and long-term borrowings of 3,106 million yen.

Total net assets amounted to 92,620 million yen, a decrease of 1,669 million yen from the end of the previous fiscal year. This is primarily attributable to decreases in retained earnings of 702 million yen and valuation difference on available-for-sale securities of 1,025 million yen, and an increase in non-controlling interests of 90 million yen.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information

There are no changes to the consolidated financial results forecasts for the fiscal year ending March 31, 2025 that was announced on May 10, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	47,001	44,638
Notes and accounts receivable - trade, and contract assets	118,041	114,732
Electronically recorded monetary claims - operating	2,047	2,019
Merchandise and finished goods	23,394	24,407
Work in process	877	997
Costs on uncompleted construction contracts	99	128
Raw materials and supplies	2,959	3,072
Real estate for sale	4,444	3,733
Real estate for sale in process	6,196	6,058
Other	21,059	21,483
Allowance for doubtful accounts	(1,254)	(1,304)
Total current assets	224,866	219,967
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,976	44,460
Land	42,254	45,125
Other, net	24,262	15,870
Total property, plant and equipment	98,493	105,455
Intangible assets		
Software	1,447	1,448
Goodwill	41,557	40,338
Other	2,363	2,539
Total intangible assets	45,368	44,326
Investments and other assets		
Investment securities	24,448	22,919
Retirement benefit asset	1,745	1,768
Other	13,290	12,548
Allowance for doubtful accounts	(571)	(565)
Total investments and other assets	38,913	36,670
Total non-current assets	182,774	186,453
Total assets	407,641	406,421

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	134,864	137,024
Electronically recorded obligations - operating	9,017	8,838
Short-term borrowings	20,474	25,567
Current portion of bonds payable	300	272
Current portion of long-term borrowings	14,314	13,947
Income taxes payable	5,159	2,168
Contract liabilities	748	757
Provision for bonuses	2,904	1,478
Other	32,380	34,210
Total current liabilities	220,164	224,265
Non-current liabilities		
Bonds payable	403	378
Long-term borrowings	71,194	68,088
Provision for retirement benefits for directors (and other officers)	910	684
Retirement benefit liability	1,608	1,628
Asset retirement obligations	1,053	1,103
Other	18,017	17,651
Total non-current liabilities	93,187	89,534
Total liabilities	313,351	313,800
Net assets		
Shareholders' equity		
Share capital	9,175	9,175
Capital surplus	7,144	7,144
Retained earnings	64,378	63,676
Treasury shares	(0)	(0)
Total shareholders' equity	80,698	79,995
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,437	8,411
Foreign currency translation adjustment	(170)	(175)
Remeasurements of defined benefit plans	494	467
Total accumulated other comprehensive income	9,761	8,704
Non-controlling interests	3,829	3,920
Total net assets	94,289	92,620
Total liabilities and net assets	407,641	406,421

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	151,650	239,760
Cost of sales	132,825	211,368
Gross profit	18,825	28,392
Selling, general and administrative expenses	15,557	26,025
Operating profit	3,268	2,366
Non-operating income		
Interest and dividend income	76	103
Purchase discounts	22	20
Foreign exchange gains	17	201
Share of profit of entities accounted for using equity method	17	–
Other	215	425
Total non-operating income	349	751
Non-operating expenses		
Interest expenses	62	193
Share of loss of entities accounted for using equity method	–	57
Provision of allowance for doubtful accounts	18	24
Other	19	77
Total non-operating expenses	100	352
Ordinary profit	3,516	2,765
Extraordinary income		
Gain on sale of non-current assets	9	3
Gain on sale of investment securities	105	–
Subsidy income	118	–
Total extraordinary income	233	3
Extraordinary losses		
Loss on sale and retirement of non-current assets	34	7
Impairment losses	3	7
Total extraordinary losses	38	14
Profit before income taxes	3,712	2,754
Income taxes - current	1,627	2,074
Income taxes - deferred	(199)	(530)
Total income taxes	1,427	1,543
Profit	2,284	1,210
Profit attributable to non-controlling interests	124	252
Profit attributable to owners of parent	2,159	958

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	2,284	1,210
Other comprehensive income		
Valuation difference on available-for-sale securities	987	(1,025)
Foreign currency translation adjustment	(19)	10
Remeasurements of defined benefit plans, net of tax	2	(26)
Share of other comprehensive income of entities accounted for using equity method	8	5
Total other comprehensive income	979	(1,035)
Comprehensive income	3,263	175
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,129	(98)
Comprehensive income attributable to non-controlling interests	133	273

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on changes in accounting policies)

(Application of the Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”) and other standards from the beginning of the first quarter of the fiscal year under review.

Regarding the amendment related to the classification of current income taxes (taxation on other comprehensive income), the Company follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso to Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Guidance 2022”). These changes in accounting policies have no impact on the quarterly consolidated financial statements.

In addition, for the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries, etc., resulting from transactions between consolidated companies were deferred for tax purposes, the Company has applied the Revised Guidance 2022 from the beginning of the first quarter of the fiscal year under review. This change in accounting policies has been applied retroactively, and the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

(Changes in presentation method)

(Quarterly Consolidated Statements of Income)

“Foreign exchange gains,” which was included in “other” under “non-operating income” for the three months ended June 30, 2023, has been separately presented from the three months ended June 30, 2024 due to its increased monetary materiality. To reflect this change in presentation method, the consolidated financial statements for the three months ended June 30, 2023 have been reclassified.

As a result, 232 million yen presented as “other” under “non-operating income” in the Quarterly Consolidated Statements of Income for the three months ended June 30, 2023 has been reclassified as “foreign exchange gains” of 17 million yen and “other” of 215 million yen.

(Notes on segment information, etc.)

[Segment information]

I. For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments				Other Group Businesses (Note 1)	Total	Adjustments (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Food Business	Sugar/Flour, Feed, and Livestock Business	Housing and Real Estate Business	Subtotal				
Net sales								
Sales to external customers	104,587	24,793	16,758	146,139	5,511	151,650	–	151,650
Intersegment sales or transfers	56	274	119	451	1,789	2,240	(2,240)	–
Total	104,644	25,068	16,878	146,590	7,300	153,891	(2,240)	151,650
Segment profit	2,269	723	612	3,605	185	3,790	(522)	3,268

- Notes:
1. The “Other Group Businesses” category is a business segment not included in the reportable segments and includes Transport Business, Fuel Business, Rental Car Business, and Information Processing Service Business.
 2. Adjustment of segment profit of negative 522 million yen includes the elimination of intersegment transactions of 567 million yen and corporate expenses of negative 1,089 million yen that are not allocated to any reportable segments. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.
 3. Segment profit is adjusted with operating profit in the Quarterly Consolidated Statements of Income.

II. For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segments				Other Group Businesses (Note 1)	Total	Adjustments (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Food Business	Sugar/Flour, Feed, and Livestock Business	Housing and Real Estate Business	Subtotal				
Net sales								
Sales to external customers	183,932	28,162	22,132	234,227	5,532	239,760	–	239,760
Intersegment sales or transfers	7	227	142	377	1,863	2,240	(2,240)	–
Total	183,940	28,389	22,274	234,605	7,396	242,001	(2,240)	239,760
Segment profit	1,844	587	157	2,589	112	2,702	(335)	2,366

- Notes:
1. The “Other Group Businesses” category is a business segment not included in the reportable segments and includes Transport Business, Fuel Business, Rental Car Business, and Information Processing Service Business.
 2. Adjustment of segment profit of negative 335 million yen includes the elimination of intersegment transactions of 768 million yen and corporate expenses of negative 1,103 million yen that are not allocated to any reportable segments. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.
 3. Segment profit is adjusted with operating profit in the Quarterly Consolidated Statements of Income.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the three months ended June 30, 2023 and 2024 are as follows.

	(Millions of yen)	
	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	1,248	1,700
Amortization of goodwill	753	1,218

(Significant subsequent events)

(Acquisition of treasury shares by a consolidated subsidiary)

Confex Holdings Co., Ltd., a consolidated subsidiary of the Company, acquired its treasury shares as of July 31, 2024.

1. Outline of the transaction

(1) Name and business of the company involved in the business combination

Name of the company: Confex Holdings Co., Ltd.

Description of business: A pure holding company

(2) Date of the business combination

July 31, 2024

(3) Legal form of the business combination

Acquisition of treasury shares by a consolidated subsidiary from non-controlling interests

(4) Name of the company after the combination

No change

(5) Other matters concerning the outline of the transaction

The consolidated subsidiary acquired its treasury shares held by non-controlling interests for the purpose of strengthening the Group management system. As a result of this acquisition of treasury shares, the Company now holds 92.8% of voting rights.

2. Outline of the accounting treatment applied

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the transaction was accounted for as a transaction with non-controlling interests among transactions under common control, etc.

3. Matters regarding the acquisition of treasury shares by the consolidated subsidiary

Acquisition cost and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	7,048 million yen
Acquisition cost		7,048 million yen

(Issuance of new shares as restricted stock compensation)

The Company resolved on the issuance of new shares as restricted stock compensation (hereinafter referred to as the “Issuance of Shares”) at the Board of Directors meeting held on July 16, 2024.

1. Overview of the issuance of new shares

(1) Pay-in date	August 6, 2024
(2) Type and total number of shares to be issued	Common shares of the Company 40,100 shares
(3) Issue price	2,436 yen per share
(4) Total issue price	97,683,600 yen
(5) Allottees	4 Directors of the Company (*) 31,500 shares 7 full-time Executive Officers of the Company 8,600 shares *Excluding Directors serving as Audit and Supervisory Committee Members, Outside Directors, and part-time Directors.

2. Purpose of and reasons for the issuance

At the Company’s 3rd Annual General Meeting of Shareholders held on June 21, 2024, it was approved that a stock compensation plan that delivers restricted shares (hereinafter referred to as the “Plan”) be introduced for the Company’s Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors; hereinafter referred to as “Eligible Directors”) to provide an incentive to continuously improve the Company’s corporate value and encourage additional value sharing with the Company’s shareholders. It was also approved among other matters that, based on the Plan, the total amount of monetary remuneration receivables to be paid as remuneration relating to restricted shares for Eligible Directors be set as not more than 95 million yen per annum, the upper limit of the number of restricted shares allotted each fiscal year to Eligible Directors be 100,000, and the transfer restriction period of restricted shares be the period from the day when restricted shares are delivered until the day of retirement of office as both the Company’s Director and Executive Officer.

At the Company’s Board of Directors meeting held on July 16, 2024, it was resolved that 40,100 common shares of the Company be allotted as specified restricted shares to the Company’s four Directors (excluding Directors serving as Audit and Supervisory Committee Members and Outside Directors) and seven full-time Executive Officers, who are prospective allottees (hereinafter referred to as the “Eligible Allottees”). The resolution also sets out that the allotment shall be made by providing monetary remuneration receivables worth a total of 97,683,600 yen to the Eligible Allottees as restricted stock compensation for the period from the Company’s 3rd Annual General Meeting of Shareholders until the 4th Annual General Meeting of Shareholders slated to be held in June 2025, all of which shall be contributed in kind by the Eligible Allottees.

The amount of monetary remuneration receivables for each Eligible Allottee has been decided after taking comprehensive account of various matters such as the level of contribution to the Company by each Eligible Allottee. In addition, the conditions for the provision of the monetary remuneration receivables include the execution of a restricted share allotment agreement (hereinafter referred to as the “Allotment Agreement”) between each Eligible Allottee and the Company. Below is an overview of the details that shall be included in the Allotment Agreement.

3. Overview of the Allotment Agreement

(1) Period subject to transfer restrictions

Period from August 6, 2024 until the day of retirement of office as both the Company’s Director and Executive Officer (July 1, 2025 if the day of retirement is June 30, 2025 or earlier).

During the period subject to transfer restrictions as set above (hereinafter referred to as the “Transfer Restriction Period”), Eligible Allottees may not, in relation to the restricted shares allotted to them (hereinafter referred to as the “Allotted Shares”), transfer, establish a pledge of rights, establish a security interest, gift while alive, bequest, or undertake any other form of disposal to a third party (hereinafter referred to as the “Transfer Restrictions”).

(2) Acquisition of restricted shares without contribution

If an Eligible Allottee who has received an allotment of restricted shares retires from office as both the Company's Director and Executive Officer by the day preceding the day on which the Company's Annual General Meeting of Shareholders is held for the first time after the commencement day of the Transfer Restriction Period, the Company shall naturally acquire the Allotted Shares without contribution as of the time of retirement, except when the Company's Board of Directors acknowledges a justifiable reason.

In addition, at the expiration of the Transfer Restriction Period (hereinafter referred to as the "Expiration Point"), the Company shall naturally acquire without contribution, as of the time immediately after the Expiration Point, any Allotted Shares for which the Transfer Restrictions have not been removed in accordance with the provisions of the removal of Transfer Restrictions in (3) below.

(3) Removal of Transfer Restrictions

The Company shall remove the Transfer Restrictions as of the Expiration Point on all Allotted Shares held by Eligible Allottees at the Expiration Point, on the condition that the Eligible Allottees continued to hold the office of either the Company's Director or Executive Officer until the day on which the Company's Annual General Meeting of Shareholders was held for the first time after the commencement day of the Transfer Restriction Period. However, if an Eligible Allottee retires from office, for a reason acknowledged to be justifiable by the Company's Board of Directors, as both the Company's Director and Executive Officer by the day preceding the day on which the Company's Annual General Meeting of Shareholders is held for the first time after the commencement day of the Transfer Restriction Period, Transfer Restrictions shall be removed, as of the time immediately after the retirement, for the number of Allotted Shares calculated by multiplying the number of Allotted Shares held by the Eligible Allottee at the time by the number determined by dividing the number of months from July 2024 to the month that includes the date of the Eligible Allottee's retirement from office as both the Company's Director and Executive Officer by 12. (Fractions below one share as a result of the calculation shall be rounded down.)

(4) Provisions on the management of shares

Eligible Allottees shall, in a method designated by the Company, complete the opening of an account with SMBC Nikko Securities Inc. to enter or record information on the Allotted Shares. They shall store and keep the Allotted Shares in the account until the Transfer Restrictions are removed.

(5) Treatment during reorganization, etc.

If, during the Transfer Restriction Period, a proposal relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or some other reorganization, etc. is approved at the Company's General Meeting of Shareholders (or, in the case where the approval at the Company's General Meeting of Shareholders is not required in relation to such reorganization, etc., a meeting of the Company's Board of Directors), Transfer Restrictions shall be removed, as of the time immediately before the business day preceding the day on which the reorganization, etc. takes effect, for the number of Allotted Shares calculated by multiplying the number of Allotted Shares held by Eligible Allottees on the day of the approval by the number determined by dividing the number of months from July 2024 to the month that includes the date of the approval by 12 (1 if the number exceeds 1). (Fractions below one share as a result of the calculation shall be rounded down.)

In this case, the Company shall, as of the business day preceding the day on which the reorganization, etc. takes effect, naturally acquire without contribution any Allotted Shares for which Transfer Restrictions have not been removed pursuant to the above provision as of the said day.

4. Basis for calculation and specific details of the payment amount

To eliminate arbitrariness, the issue price for the Issuance of Shares has been set at 2,436 yen, which is the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding the date of the resolution of the Company's Board of Directors (July 12, 2024). This is the share price on the market immediately before the date of the resolution of the Company's Board of Directors, and the Company believes that the price is reasonable and is not particularly favorable.