

English Translation

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.



Consolidated Financial Results
for the Three Months Ended August 31, 2021
[Japanese GAAP]

September 30, 2021

Company name: Feedforce Group Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 7068
 URL: <https://feedforcegroup.jp>
 Representative: Representative Director and President Koji Tsukada
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Scheduled date to file quarterly securities report: October 15, 2021
 Scheduled date to commence dividend payment: —
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the first three months of the fiscal year ending May 31, 2021 (from June 1, 2021 to August 31, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 31, 2021	672	—	293	72.7	250	95.7	251	108.9	154	454.1
August 31, 2020	551	—	169	—	128	—	120	—	27	—

Note: Comprehensive income Three months ended August 31, 2021: ¥153 million [164.2%]
 Three months ended August 31, 2020: ¥ 58 million [—%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
August 31, 2021	5.95	5.79
August 31, 2020	1.23	1.17

- Note: 1. As the Company has not prepared consolidated financial statements for the three months ended August 31, 2019, the percentage indicating year-on-year changes is not shown for the three months ended August 31, 2020.
 2. As the "Accounting Standard for Revenue Recognition" will be applied from the fiscal year ending May 31, 2022, the percentage change from the previous fiscal year is not shown for net sales.
 3. EBITDA is a sum of operating profit, depreciation, and amortization of goodwill.
 4. The Company conducted a 4-for-1 stock split of common stocks as of December 1, 2020. The "Earnings per share" and "Diluted earnings per share" is calculated assuming that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	Millions of yen
August 31, 2021	6,203	2,568	40.7
May 31, 2021	6,467	2,401	36.6

Reference: Equity
 As of August 31, 2021: ¥2,523 million
 As of May 31, 2021: ¥2,366 million

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2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 30, 2021	—	0.00	—	0.00	0.00
Fiscal year ended May 30, 2022	—				
Fiscal year ended May 30, 2021(Forecast)		0.00	—	0.00	0.00

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

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2022 (from June 1, 2021 to May 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		EBITDA		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	%	Millions of yen	%	Yen
Six months ending November 30, 2021	1,415	—	565	41.7	478	51.7	474	55.1	295	113.0	11.39
Fiscal year ending May 31, 2022	3,047	—	1,266	19.7	1,092	22.8	1,083	23.9	675	42.8	25.98

Note: 1. Revisions to the earnings forecasts most recently announced: No

2. Effective from the fiscal year ending May 31, 2022, the "Accounting Standard for Revenue Recognition" will be applied, and the above forecasts are based on figures after the application of the standard. Due to the adoption of this standard, the percentage of net sales increase/decrease from the previous year is not shown.

3. EBITDA is a sum of operating profit, depreciation, and amortization of goodwill.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

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

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (Common shares)

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

As of August 31, 2021	25,947,200 shares	May 31, 2021	25,910,400 shares
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b. Number of treasury shares at the end of the period

As of August 31, 2021	42 shares	May 31, 2021	42 shares
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c. Average number of outstanding shares during the period

As of August 31, 2021	25,937,897 shares	As of August 31, 2020	22,710,217 shares
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Note: The Company conducted a 4-for-1 stock split of common stocks as of December 1, 2020. The "Average number of outstanding shares" is calculated assuming that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the consolidated forecasts due to various factors.

The Company changed its corporate name from FeedForce, Inc. to FeedForce Group, Inc. as of September 1, 2021, following the transition to a holding company structure.

Attached Material

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1. Qualitative information regarding results for the period

(1) Explanation of operating results

During the first three months of the consolidated fiscal year, The Japanese economy remained in a severe situation due to the effects of COVID-19. There are signs of a recovery, but the outlook remains uncertain. On the other hand, the market size of the Internet advertising market, which is our main business domain, increased by 5.9% year-on-year to 2.229 trillion yen in 2020. Although total ad spending is down 11.2% year over year, the Internet advertising market continues to grow, partly due to the acceleration of digital transformation. (Source : DENTSU INC. "Advertising Expenditures in Japan in 2020".)

Under these economic conditions, our company has been providing information distribution optimization and effective advertising management services under the mission of "Our mission is to "Enrich your work. ~Continue to create innovation in the B2B domain~". By making full use of the vast amount of product and project data we have accumulated to date for building data feeds, as well as our conversion and updating know-how, we have been able to process the information held by companies into an optimal form and provide the right information to the right target users at the right time. In addition, we have established good relationships with each digital platformer. By leveraging this relationship and linking our multiple services, we have strived to provide comprehensive support that not only helps companies develop new customers, but also contributes to strengthening ongoing relationships with users.

Feedforce Split Preparation Inc. (The company name was changed to "FeedForce, Inc." on September 1, 2021.) and Social PLUS Inc. were established on June 1, 2021 as wholly owned subsidiaries of the Company in order to shift to a holding company structure as of September 1, 2021.

Consequently, results for the first three months of the consolidated fiscal year under review, we recorded net sales of ¥672,558 thousand, EBITDA of ¥293,021 thousand (up 72.7% year on year), operating profit of ¥250,629 thousand (up 95.7% year on year), Ordinary profit of ¥251,125 thousand (up 108.9% year on year) and profit attributable to owners of parent amounting to ¥154,454 thousand (up 454.1% year on year).

Results by segment are as follows.

(Professional Services)

For customers, mainly enterprises, we provide "Anagrams," an Internet advertising management business and marketing support, including listing advertising; "Feedmatic," an advertising management service for platforms, etc.; "DF PLUS," a data feed construction service tailored to individual needs; and "Contents Feeder," an SEO support service that generates and automatically operates satellite sites.

During the first quarter of the current fiscal year, unit net sales of existing customers increased for Feedmatic, despite a decrease in the amount of advertising placed for large-scale projects.

As a result, net sales totaled ¥503,382 thousand, segment profit totaled ¥227,640 thousand (up 111.3% year on year).

(SaaS)

We also offer "EC Booster," an ad serving service that can automatically place optimized ads based on product information on EC sites, "dfplus.io," an integrated data feed management service that allows ad staff to create, manage, and optimize data feeds, and "Social PLUS," a service that supports customer reach through web membership registration, login, and direct messaging using SNS information.

During the first quarter of the current fiscal year, net sales steadily increased mainly due to the acquisition of new projects and an increase in unit sales prices in "dfplus.io" and "Social PLUS".

As a result, net sales totaled ¥166,750 thousand, segment profit totaled ¥62,291 thousand (up 144.2% year on year).

(DX)

In the DX business, we are developing new services to support corporate DX through "The creation of a foundation for the use of digital assets using technology".

During the first quarter of the current fiscal year, we developed and invested in new businesses, such as building Shopify-based sites and developing applications for Shopify.

As a result, net sales totaled ¥2,425 thousand, segment loss totaled ¥39,302 thousand (compared to ¥5,187 thousand in the previous fiscal year).

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(2) Explanation of financial position

As of August 31, 2021, assets amounted to ¥6,203,227 thousand, down ¥264,280 thousand from their level on May 31, 2021.

(Current assets)

As of August 31, 2021, current assets amounted to ¥4,597,194 thousand, down ¥318,218 thousand from their level on May 31, 2021. This was primarily due to a decrease of ¥121,927 thousand in cash and deposits, ¥168,151 thousand in accounts receivable - trade, and ¥29,837 thousand in advance payments - trade.

(Non-current assets)

As of August 31, 2021, non-current assets amounted to ¥1,606,033 thousand, up ¥53,938 thousand from their level on May 31, 2021. This was primarily due to a decrease of ¥11,783 thousand in goodwill and ¥27,350 thousand in customer relationship, while investments and other assets increased by ¥93,337 thousand.

(Current liabilities)

As of August 31, 2021, current liabilities amounted to ¥1,902,816 thousand, down ¥352,193 thousand from their level on May 31, 2021. This was primarily due to a decrease of ¥94,946 thousand in accounts payable - trade and ¥31,569 thousand in provision for bonuses.

(Non-current liabilities)

As of August 31, 2021, non-current liabilities amounted to ¥1,731,540 thousand, down ¥79,414 thousand from their level on May 31, 2021. This was primarily due to an increase of ¥5,585 thousand in deferred tax liabilities while long-term borrowings decreased by ¥85,000 thousand.

(Net assets)

As of August 31, 2021, net assets amounted to ¥2,568,870 thousand, up ¥167,328 thousand from their level on May 31, 2021. This was primarily due to an increase of ¥154,454 thousand in retained earnings and ¥11,599 thousand in share acquisition rights.

(3) Explanation of consolidated financial results forecasts and other forward-looking statements

The Company has made no changes to the forecast for the fiscal year ending May 31, 2022 that it announced on June 30, 2021.

The Group's current consolidated business forecasts are based on information available at the time of this announcement and incorporate as much information as possible. Although the outlook for the impact of the spread of the COVID-19 remains uncertain, the Group's business activities have largely returned to normal, and at this point we believe that there will be no significant impact. In the event that the forecast changes in response to future market trends, it will be disclosed in a timely manner.

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2. Consolidated financial statements and significant notes thereto**(1) Consolidated balance sheets**

(Thousands of yen)

	As of May 31, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposit	3,193,056	3,071,128
Trade accounts receivable	1,312,721	1,144,570
Advance payments - trade	375,146	345,308
Other current assets	43,814	45,809
Allowance for doubtful receivables	△9,325	△9,622
Total current assets	4,915,413	4,597,194
Non-current assets		
Property, plant and equipment		
Buildings, net	29,029	28,090
Other, net	14,558	15,233
Total property, plant and equipment	43,588	43,323
Intangible assets		
Goodwill	404,577	392,793
Customer relationship	939,016	911,666
Total intangible assets	1,343,594	1,304,460
Investments and other assets		
Investment securities	14,073	110,240
Deferred tax assets	72,778	70,171
Other	78,060	77,837
Total investments and other assets	164,912	258,249
Total non-current assets	1,552,094	1,606,033
Total assets	6,467,507	6,203,227
Liabilities		
Current liabilities		
Accounts payable - trade	1,532,942	1,437,995
Current portion of long-term borrowings	170,000	170,000
Provision for bonuses	59,884	28,314
Other current liabilities	492,184	266,506
Total current liabilities	2,255,010	1,902,816
Non-current liabilities		
Long-term borrowings	1,510,000	1,425,000
Deferred tax liabilities	300,955	306,540
Total non-current liabilities	1,810,955	1,731,540
Total liabilities	4,065,965	3,634,357
Net assets		
Shareholders' equity		
Share capital	465,203	466,270
Capital surplus	1,357,656	1,358,723
Retained earnings	543,918	698,373
Treasury shares	△48	△48
Total shareholders' equity	2,366,729	2,523,319
Stock acquisition rights	32,569	44,168
Non-controlling interests	2,243	1,382
Total net assets	2,401,542	2,568,870
Total liabilities and net assets	6,467,507	6,203,227

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**(2) Consolidated statement of income and consolidated statement of comprehensive income
consolidated statement of income**

(Thousands of yen)

	For the three months ended August 31, 2020	For the three months ended August 31, 2021
Net sales	551,148	672,558
Cost of sales	203,847	192,641
Gross profit	347,300	479,916
Selling, general and administrative expenses	219,241	229,286
Operating profit	128,059	250,629
Non-operating income		
Interest income	9	12
Subsidy income	1,140	3,920
Other	964	1
Total non-operating income	2,114	3,934
Non-operating expenses		
Interest expenses	4,146	3,435
Other	5,805	2
Total non-operating expenses	9,952	3,438
Ordinary profit	120,220	251,125
Extraordinary losses		
Loss on valuation of investment securities	-	8,936
Total extraordinary losses	-	8,936
Profit before income taxes	120,220	242,188
Income taxes - current	49,793	80,401
Income taxes - deferred	12,283	8,193
Total income taxes	62,077	88,594
Profit	58,142	153,594
Profit (loss) attributable to non-controlling interests	30,270	△860
Profit attributable to owners of parent	27,872	154,454

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Consolidated statements of comprehensive income

(Thousands of yen)

	For the three months ended August 31, 2020	For the three months ended August 31, 2021
Profit	58,142	153,594
Comprehensive income	58,142	153,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,872	154,454
Comprehensive income attributable to non-controlling interests	30,270	△860

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(3) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in significant subsidiaries during the period under review)

Although this does not constitute a change in specified subsidiaries, during the first quarter of the current fiscal year, as part of preparations for the transition to a holding company structure, the Company established Feedforce Split Preparation Inc. on June 1, 2021 (which changed its name to Feedforce Inc. on September 1, 2021) and Social PLUS Inc..

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(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the first quarter of the current fiscal year, the Company has adopted "Accounting Standard for Revenue Recognition" and other related standards, and recognizes revenue when control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services.

As a result, in the past, the Company recognized revenue based on the total amount of consideration received from customers for some transactions that required outsourcing in the professional services business. However, for transactions in which the Company's role in providing goods or services to customers falls under the category of agent, the Company has changed to a method of recognizing revenue based on the net amount received from customers less the amount paid for outsourcing and other expenses. However, as a result of judging the role (principal or agent) in the provision of goods or services to customers, revenue has been recognized on a net basis since the beginning of the first quarter of the current fiscal year.

The Company has applied the new accounting standard for revenue recognition in accordance with the transitional measures prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, etc. The cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the current first quarter was added to or deducted from retained earnings at the beginning of the current first quarter, and the new accounting policy was applied from the relevant beginning balance.

As a result, compared with the previous accounting method, net sales and cost of sales for the first quarter of the current fiscal year decreased by ¥28,359 thousand, but operating income, ordinary income, and income before income taxes and minority interests were not affected. There is no effect on the beginning balance of retained earnings.

(Application of Accounting Standards for Calculation of Fair Value, etc.)

The "Accounting Standard for Measurement of Fair Value" and other related accounting standards were applied from the beginning of the first quarter of the current fiscal year, and the new accounting policies set forth by the "Accounting Standard for Measurement of Fair Value" and other related standards will be applied prospectively in accordance with the transitional treatments set forth in Paragraph 19 of the "Accounting Standard for Measurement of Fair Value" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact from this change.

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(Segment Information)

I. Cumulative First Quarter of the Fiscal Year Ended August 2020 (June 1, 2020 to August 31, 2020)

1. Sales and Income (Loss) by Reportable Segment

(Thousands of yen)

	Reportable Segment				Adjustments *1	Quarterly Consolidated Statements of Income *2
	Professional Services	SaaS	DX	Total		
Net sales						
Sales to external customers	411,846	139,301	—	551,148	—	551,148
Inter-segment sales or transfers	—	4,660	—	4,660	(4,660)	—
Total	411,846	143,961	—	555,808	(4,660)	551,148
Segment income(loss)	107,743	25,503	(5,187)	128,059	—	128,059

*1. Due to elimination of intersegment transactions.

*2. The total amount of segment income (loss) is the same as the operating income in the quarterly consolidated statements of income.

II. Cumulative First Quarter of the Fiscal Year Ending August 2021 (June 1, 2021 to August 31, 2021)

1. Sales and Income (Loss) by Reportable Segment

(Thousands of yen)

	Reportable Segment				Adjustments *1	Quarterly Consolidated Statements of Income *2
	Professional Services	SaaS	DX	Total		
Net sales						
Sales to external customers	503,382	166,750	2,425	672,558	—	672,558
Inter-segment sales or transfers	—	6,690	—	6,690	(6,690)	—
Total	503,382	173,440	2,425	679,248	(6,690)	672,558
Segment income(loss)	227,640	62,291	(39,302)	250,629	—	250,629

*1. Due to elimination of intersegment transactions.

*2. The total amount of segment income (loss) is the same as the operating income in the quarterly consolidated statements of income.

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(Significant subsequent events)

(Transition to a holding company structure)

Based on the absorption-type demerger agreement between the Company and its two wholly owned subsidiaries approved at the Board of Directors meeting held on June 18, 2021, the Company conducted an absorption-type demerger on September 1, 2021, and shifted to a holding company structure.

On the same day, the Company's trade name was changed to Feedforce Group Inc and the trade name of the Feedforce Split Preparation Inc. was changed to Feedforce Inc. .

I. Purpose of change to holding company structure

Our mission is to "Enrich people's work. ~Our mission is to "Enrich 'Work' - Continue to create innovation in the B2B domain. In order to realize a richer way of working through the creation of services that improve the productivity of companies, we provide services that match the attributes of our customers, with digital marketing support for companies as the core of our business.

In order to promote further mobility and flexibility of group management, development and promotion of new businesses, and capital and business alliances and alliances with partners such as digital platformers, the holding company, which is responsible for group strategy functions, and the operating companies, which implement the strategies, will be separated. The decision to shift to a holding company structure was made based on the judgment that it is necessary for the holding company to plan strategies and allocate management resources from the perspective of optimizing the entire group, and to promote business through rapid decision-making at the operating companies.

The transition to a holding company structure is being made through an absorption-type company split (simplified absorption-type company split), with the Company as the splitting company and the newly established wholly owned subsidiaries, the Successor Preparatory Company and Social PLUS, as the succeeding companies as of June 1, 2021.

II. Outline of the parties to the company split accompanying the transition to a holding company structure

1. Company Split between the Company and the Preparation Company

(1) Parties to the Demerger and Description of Business Subject to the Demerger

(a) Splitting company

Feedforce Inc. (This firm)

(b) Succeeding company

Feedforce Split Preparation Inc.

(c) Description of the project to be covered

Professional Services (Feedmatic、DF PLUS、Contents Feeder)、Part of the SaaS (EC Booster、dfplus.io) and DX.

(2) Effective date of company split

September 1, 2021

(3) Structure

On June 1, 2021, the Company conducted an absorption-type demerger (simple absorption-type demerger) in which the Company was the demerged company and the newly established wholly owned subsidiary, the Demerger Preparation Company, was the successor company.

Since this company split falls under the case stipulated in Article 784, Paragraph 2 of the Companies Act (simplified absorption-type split), it was conducted without obtaining approval of the absorption-type split agreement at a general meeting of shareholders.

(4) Company name after the company split takes effect

Feedforce Inc. (Company name changed from "Feedforce Split Preparation Inc." as of September 1, 2021.)

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2. Company split between the Company and Social PLUS

(1) Parties to the Demerger and Description of Business Subject to the Demerger

(a) Splitting company

Feedforce Inc. (This firm)

(b) Succeeding company

Social PLUS Inc.

(c) Description of the project to be covered

Social PLUS in our SaaS business.

(2) Effective date of company split

September 1, 2021

(3) Structure

As of June 1, 2021, an absorption-type demerger (simple absorption-type demerger) was conducted with the Company as the demerged company and Social PLUS, a newly established wholly owned subsidiary, as the successor company. Since this company split falls under the case stipulated in Article 784, Paragraph 2 of the Companies Act (simplified absorption-type split), it was conducted without obtaining approval of the absorption-type split agreement at a general meeting of shareholders.

(4) Company name after the company split takes effect

There will be no change in the name of the company after the effective date.

III. Summary of Accounting Procedures

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction will be treated as a transaction under common control.

(Decrease in capital stock)

The Ordinary General Shareholders' Meeting held on August 25, 2021 approved the reduction of capital stock with the effective date of September 1, 2021.

1. Purpose of reduction of capital stock

The Company shall ensure the flexibility and mobility of its capital policy as part of its financial strategy.

In addition, the Company is required by Article 447, Paragraph 1 of the Company Law to reduce the amount of capital and replace the amount of other capital surplus with the same amount, and to change the amount of the Company's net assets.

2. Main points in reduction of capital stock

(1) Reduced amount of capital stock

¥456,270,400

(2) Amount of other capital surplus to be increased

¥456,270,400

The total number of shares issued will not be changed, and the entire amount of capital stock to be reduced will be transferred to other capital surplus.