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December 8, 2021

Consolidated Financial Results for the Three Months of the Fiscal Year Ending July 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 6535
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 Scheduled date to file quarterly securities report: December 9, 2021
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and security analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended October 31, 2021 (from August 1, 2021 to October 31, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
October 31, 2021	2,533	54.7	870	50.2	931	61.1	626	60.1
October 31, 2020	1,637	35.1	579	72.0	578	82.5	391	87.6

Note: Comprehensive income For the three months ended October 31, 2021: 629 million yen [60.9%]
 For the three months ended October 31, 2020: 391 million yen [89.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
October 31, 2021	29.15	29.04
October 31, 2020	17.98	17.78

Note: The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first three months of the current fiscal year. Figures for the first three months of the fiscal year ended July 31, 2021 are the figures after retrospective application of the accounting standard, etc.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
October 31, 2021	16,824	13,215	78.4
July 31, 2021	18,992	14,720	77.4

Reference: Equity
 As of October 31, 2021: 13,186 million yen
 As of July 31, 2021: 14,704 million yen

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 July 31, 2021	—	0.00	—	100.00	100.00
Fiscal year ending July 31, 2022	—				
Fiscal year ending July 31, 2022 (Forecast)		0.00	—	35.00	35.00

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

3. Consolidated earnings forecast for the fiscal year ending July 31, 2022 (from August 1, 2021 to July 31, 2022)

(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
July 31, 2022	14,270	23.1	3,750	10.9	3,715	10.4	2,504	8.9	116.49

Note: Revisions to the earnings forecasts most recently announced: None

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first three months of the current fiscal year. Year-on-year changes show comparisons with the figures after retrospective application of the accounting standard, etc.

*** Notes**

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

Newly included: 0 companies

Excluded: 0 companies

(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 restatement

(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) Restatement: None

(4) Number of shares issued (common shares)

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

As of October 31, 2021	21,848,196 shares
As of July 31, 2021	21,848,196 shares

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

As of October 31, 2021	341,150 shares
As of July 31, 2021	345,050 shares

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

Three months ended October 31, 2021	21,504,290 shares
Three months ended October 31, 2020	21,768,570 shares

* 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

The forward-looking statements, including business results forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. Actual business results may differ considerably due to a variety of factors. See 1. Qualitative Information on Quarterly Financial Results, (3) Explanation of Forward-looking Information, including Consolidated Earnings Forecasts on page 4 of the Quarterly Financial Results (Appendix).

Change in unit for presentation of amounts

The amounts for accounts and other items on the Company's quarterly consolidated financial statements were previously stated in thousands of yen. However, from the first three months of the current fiscal year, the amounts are stated in millions of yen. For ease of comparison, the units of the amounts for the previous fiscal year and the first three months of the previous fiscal year have also been changed to millions of yen.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first three months of the current fiscal year, the Japanese economy showed positive signs amid the prolonged impact of the COVID-19 pandemic, including the gradual resumption of economic activities and the effect of various measures implemented by the Japanese government as well as a decrease in case numbers due to progress in the vaccine rollout and other measures. However, the economic outlook remained uncertain due to concerns about a renewed spread of infections.

Amid this social environment, there was no major impact on the consolidated business performance of the i-mobile Group due to COVID-19 during the first three months of the current fiscal year. However, if the economic impact becomes more prolonged and serious in the future, the Group's business performance could be adversely affected by such factors as a contraction in the Japanese advertising market due to a decrease in the number of advertisers, a shrinkage in the hometown tax donation market because of a decline in individual residence and income tax, and further restrictions on business activities.

The i-mobile Group is composed of two business segments — Consumer Service and Online Advertising — operating under the corporate vision “Creating a Business for the Future”. In the market for the Hometown Tax Donation business, which is the mainstay of the Consumer Service segment, the hometown tax donation amount in fiscal 2020 increased by approximately 1.4 times year on year to 672.5 billion yen while the number of hometown tax donations also increased by approximately 1.5 times to 34.89 million^{*1}. In addition, the number of people eligible for the hometown tax donation credit (the number of people who actually made a hometown tax donation and were eligible for a residence tax credit) also increased year on year by approximately 1.3 times^{*1} to 5.524 million people, as it becomes more widely accepted as a stable system in line with its initial purpose of realizing regional revitalization^{*2}.

Moreover, in the domestic online advertising market, which is a core business domain in the Online Advertising segment, online advertising expenditure in 2020 increased by 5.9% year on year to 2,229.0 billion yen, and despite being impacted by COVID-19, growth remained steady with the acceleration in the digitization of society serving as a tailwind. In particular, in the area of online advertising media expenditures, programmatic advertising expenditures amounted to 1,455.8 billion yen, up 9.7% year on year, and demand for programmatic advertising increased, mainly from major platformers, with increased opportunities for exposure to social media, e-commerce, and video ad streaming services due to lifestyle behavioral changes resulting from voluntary restraint on leaving home^{*3}. Further, overall online advertising media expenditure in 2021 is forecast to increase by 7.7% year on year to 1,891.2 billion yen^{*4}. In the future, the domestic online advertising market is forecast to expand to approximately 3,300 billion yen by fiscal 2024 due to growth in programmatic advertising, which includes social media advertising and video ads.

In this business climate, the i-mobile Group has worked to further enhance corporate value, leveraging the technology and marketing expertise cultivated in the core Online Advertising (Ad Network) business to transform its business portfolio into one that is highly profitable by developing new markets, and investing in growth business sectors. With Furunavi, the Hometown Tax Donation business which has functions for solving social issues, such as the revitalization of local communities, we identified a market which has entered a growth phase and increased the number of local governments we do business with, as well as working with local governments to promote peripheral businesses such as planning experience-based gifts in return such as dining and lodging gift certificates. We have also worked for the penetration of the hometown tax donation system and to increase our customer base by building recognition of the Furunavi brand through ongoing television commercials and other means and running aggressive promotional campaigns. In the Online Advertising segment, we worked to increase existing business for the Media Solution business and the App Operation business, which are both the focus areas. We also worked to further grow media-related business, making Simple App Studio Inc., a company that plans and operates health tech apps, into a new subsidiary. Moreover, in the Ad Network business, which is facing a challenging market environment due to the growing market dominance of large-scale platformers and intensifying competition, we also focused on gaining new customers and overseas customers as well as striving to improve the earnings structure and ensure stable profits.

As a result of these efforts, for the first three months of the current fiscal year, the Group recorded net sales of 2,533 million yen, up 54.7% year on year, operating profit of 870 million yen, up 50.2% year on year, ordinary profit

of 931 million yen, up 61.1% year on year, and profit attributable to owners of the parent of 626 million yen, up 60.1% year on year. From the beginning of the first three months of the current fiscal year, the Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, the “Revenue Recognition Accounting Standard”), etc. Figures related to the first three months of the current fiscal year are the figures after the application of the accounting standards. Since the new accounting policy has been applied retrospectively to all prior periods in accordance with the principle-based treatment set out in Paragraph 84 of the Accounting Standard for Revenue Recognition, comparisons and analysis with the same period of the previous fiscal year and the entire previous fiscal year have been made using figures after retrospective application of the accounting standard, etc.

- *1 Source: Results of Survey on Current Status of Hometown Tax Donations, Municipal Tax Planning Division, Local Tax Bureau, Ministry of Internal Affairs and Communications, July 30, 2021
- *2 The results including the hometown tax donation amount were calculated based on the municipal fiscal year (from April 1 to March 31 of the following year), which differs from the calculation of residence tax. We believe that a decline in the actual figures from fiscal 2018 to 2019 does not indicate a contraction of the market itself, as it is reasonable to consider that the market was impacted by a rush demand of hometown tax donations from the end of 2018 up until March 2019, before revisions to the hometown tax donation system went into effect on June 1, 2019.
- *3 Source: *2020 Advertising Expenditures in Japan*, Dentsu Inc., February 25, 2021
- *4 Source: *2020 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media*, Cyber Communications Inc., D2C Inc., Dentsu Inc., Dentsu Digital Inc., March 10, 2021
- *5 Source: *Online Advertisement Market 2021*, Yano Research Institute Ltd., October 28, 2021

Business performance by segment was as follows.

Net sales for each segment include intersegment sales and transfers. In addition, as described in “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Segment Information and Other Data”, the Company revised the method for allocation of corporate expenses at the beginning of the first three months of the current fiscal year. The following comparisons with the same period of the previous fiscal year are based on the figures for the same period of the previous fiscal year, which have been reclassified to reflect the new allocation method.

The details are described in “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Segment Information and Other Data”.

Consumer Service Segment

In the Consumer Service segment, the Company operates the Hometown Tax Donation business “Furunavi”, as well as the Furunavi Travel business, Restaurant PR business, and Loyalty Points Service business as peripheral businesses. In the mainstay Furunavi Hometown Tax Donation business, the number of members and the number of donations both increased and the amount of donations significantly exceeded the same quarter in the previous fiscal year thanks to the increase in contracted municipalities and gifts in return, as well as the success of measures to attract new members such as television commercials and reminders for repeat users, in addition to the rising Furunavi brand profile. Moreover, in the Furunavi Travel business and the Restaurant PR business, the Company also steadily increased the number of agreements with municipalities for experience-based gifts in return, including dining and lodging gift certificates. In August 2021, we also released Furunavi Coin, which can be exchanged for various point-based services that can be used for cashless payment, such as PayPay, to further improve convenience for customers.

As a result, net sales in the Consumer Service segment for the first three months of the current fiscal year were 1,458 million yen, up 69.6% year on year, and segment profit was 444 million yen, up 37.1% year on year, recording large growth in both sales and profit.

Online Advertising Segment

In the Online Advertising segment, the Company operates the Ad Network business, the Affiliate business (payment-

by-result ads), the Media Solution business, the Ad Agency business (Cyber Consultant, Inc.), and the App Operation business (Ohte, Inc.). In the online advertising market, the decrease in the number of advertisers due to COVID-19 had a temporary impact on earnings by causing a decline in the cost-per-mille (CPM) of advertisements, but the number has recovered to a level close to that before the COVID-19 pandemic. In the Media Solution business, which is a focus area, we continued to grow by steadily maintaining the number of partners. In the App Operation business, business performance remained strong due to aggressive advertising and promotion to gain new clients. In the Ad Network business, although the impact of COVID-19 continued to make it difficult to gain new clients, the shift to an organization and product structure that can provide total solutions to clients was successful, and sales increased as we received orders for live-streaming applications from existing clients. Meanwhile, IDFA acquisition restrictions were implemented due to growing concerns over the protection of personal information. Although there was some impact on the i-mobile Group's performance, the Group treats it as a business opportunity to expand its business utilizing its own know-how, including the launch of new support services to counter declines in advertising revenue.

As a result, net sales in the Online Advertising segment for the first three months of the current fiscal year were 1,076 million yen, up 30.5% year on year, and segment profit was 447 million yen, up 70.3% year on year, recording a large increase in profit due to the contributions of businesses with high operating profit margin.

(2) Explanation of Financial Position

Assets

Total assets were 16,824 million yen, a decrease of 2,168 million yen from the end of the previous fiscal year. This decrease was mainly due to a decline of 1,942 million yen in cash and deposits.

Liabilities

Liabilities were 3,608 million yen, a decrease of 663 million yen from the end of the previous fiscal year. This decrease was mainly due to a decline of 839 million yen in income taxes payable.

Net Assets

Net assets were 13,215 million yen, a decrease of 1,504 million yen from the end of the previous fiscal year. This decrease was mainly attributed to a decline of 2,150 million yen in retained earnings due to dividends paid, despite a profit attributable to owners of the parent of 626 million yen.

(3) Explanation of Forward-looking Information, Including Consolidated Earnings Forecasts

There are no changes in the earnings forecasts for the fiscal year ending July 31, 2022 from those announced in the Consolidated Financial Results for the Fiscal Year Ended July 31, 2021 (under Japanese GAAP) released on September 8, 2021.

These earnings forecasts are provided based on factual information currently available, including the economic impact of the COVID-19 as of the date of publication of these materials, considering the direct impact on our business performance, which is currently known. If the current forecasts are revised according to future circumstances, we will promptly announce the details when a reasonable estimate becomes possible upon identifying the scope of the impact on our business performance.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	As of July 31, 2021	As of October 31, 2021
Assets		
Current assets		
Cash and deposits	15,422	13,479
Accounts receivable - trade	1,626	1,827
Other	582	287
Allowance for doubtful accounts	(4)	(4)
Total current assets	17,627	15,589
Non-current assets		
Property, plant and equipment	150	145
Intangible assets		
Goodwill	215	230
Other	155	160
Total intangible assets	370	390
Investments and other assets		
Investments and other assets	904	709
Allowance for doubtful accounts	(60)	(11)
Total investments and other assets	844	697
Total non-current assets	1,365	1,234
Total assets	18,992	16,824
Liabilities		
Current liabilities		
Accounts payable - trade	1,177	1,203
Accounts payable - other	491	830
Income taxes payable	1,000	160
Deposits received	430	726
Provision for bonuses	74	20
Provision for sales promotion expenses	561	354
Provision for point card certificates	1	1
Other	470	245
Total current liabilities	4,208	3,545
Non-current liabilities		
Asset retirement obligations	63	63
Other	—	0
Total non-current liabilities	63	63
Total liabilities	4,272	3,608
Net assets		
Shareholders' equity		
Share capital	152	152
Capital surplus	1,661	1,658
Retained earnings	13,422	11,898
Treasury shares	(523)	(517)
Total shareholders' equity	14,712	13,191
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(4)
Total accumulated other comprehensive income	(7)	(4)
Share acquisition rights	15	28
Total net assets	14,720	13,215
Total liabilities and net assets	18,992	16,824

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

(Three months ended October 31, 2021)

(Unit: Millions of yen)

	Three months ended October 31, 2020	Three months ended October 31, 2021
Net sales	1,637	2,533
Cost of sales	0	1
Gross profit	1,637	2,532
Selling, general and administrative expenses	1,057	1,661
Operating profit	579	870
Non-operating income		
Interest income	0	0
Dividend income	0	35
Gain on valuation of investment securities	1	14
Other	0	13
Total non-operating income	1	63
Non-operating expenses		
Donations	—	1
Foreign exchange losses	2	—
Other	1	1
Total non-operating expenses	3	2
Ordinary profit	578	931
Profit (loss) before income taxes	578	931
Income taxes - current	164	152
Income taxes - deferred	22	152
Total income taxes	186	305
Net income	391	626
Profit attributable to owners of the parent	391	626

Quarterly Consolidated Statement of Comprehensive Income
(Three months ended October 31, 2021)

(Unit: Millions of yen)

	Three months ended October 31, 2020	Three months ended October 31, 2021
Net income	391	626
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	2
Total other comprehensive income	(0)	2
Comprehensive income	391	629
Comprehensive income attributable to		
Owners of the parent	391	629

(3) Notes to the Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable.

Notes on Significant Changes in Shareholders' Equity

Three months of the previous fiscal year ended July 31, 2021 (from August 1, 2020 to October 31, 2020)

Based on the resolution of the meeting of the Board of Directors held on October 21, 2020, the Company acquired 477,600 treasury shares. As a result, treasury shares increased by 761 million yen during the quarter and amounted to 761 million yen at the end of the first three months of the current fiscal year.

Three months of the current fiscal year ending July 31, 2022 (from August 1, 2021 to October 31, 2021)

Based on the resolution of the meeting of the Board of Directors held on September 8, 2021, the Company paid dividends of surplus of 2,150 million yen. As a result, retained earnings amounted to 11,898 million yen at the end of the first three months of the current fiscal year.

Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

The Company applied the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first three months of the current fiscal year. For transactions in which the Company and its consolidated subsidiaries play the role of agents, mainly in the Online Advertising business, the Company and its consolidated subsidiaries previously recognized the total amount of the consideration received from advertisers as net sales, but have changed to a method of recognizing net sales by deducting the amount paid to the media from the consideration received from advertisers.

This change in accounting policy has been applied retrospectively in principle, and the quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year have been adjusted retrospectively.

As a result, net sales, cost of sales, and selling, general and administrative expenses for the first three months of the previous fiscal year decreased by 1,735 million yen, 1,732 million yen, and 3 million yen respectively, compared with before the retrospective application, but there was no impact on operating profit, ordinary profit, or profit attributable to owners of the parent. In addition, there is no impact on the balance of retained earnings at the beginning of the previous fiscal year.

In accordance with the transitional treatment set out in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020, information is not provided on revenue from contracts with customers broken down by category for the first three months of the previous fiscal year.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first three months of the current fiscal year. In accordance with the transitional treatment set out by Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019) the new accounting policy prescribed by the Fair Value Measurement Accounting Standard, etc. will be applied prospectively. There is no impact on the quarterly financial statements.

Segment Information and Other Data

Segment Information

I. Three months of the previous fiscal year ended July 31, 2021 (from August 1, 2020 to October 31, 2020)

1. Information on net sales and amounts of profit or loss by reporting segment

(Unit: Millions of yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 2)
	Consumer Service	Online Advertising	Total		
Net sales					
Net sales to external customers	860	777	1,637	—	1,637
Intersegment sales or transfers	—	47	47	(47)	—
Total	860	825	1,685	(47)	1,637
Segment profit	324	262	587	(7)	579

- Notes: 1. Adjustments to segment profit of (7) million yen are entirely attributable to corporate expenses not allocated to reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
2. Segment profit correspond to the operating profit reported on the Quarterly Consolidated Statement of Income.

II. Three months of the current fiscal year ending July 31, 2022 (from August 1, 2021 to October 31, 2021)

1. Information on net sales, amounts of profit or loss by reporting segment and information on revenue breakdown

(Unit: Millions of yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded on quarterly consolidated financial statements (Note 2)
	Consumer Service	Online Advertising	Total		
Net sales					
Goods to be transferred at a point in time	—	1	1	—	1
Goods to be transferred over a certain period	1,458	1,073	2,531	—	2,531
Net sales to external customers	1,458	1,075	2,533	—	2,533
Intersegment sales or transfers	—	1	1	(1)	—
Total	1,458	1,076	2,535	(1)	2,533
Segment profit	444	447	892	(21)	870

- Notes: 1. Adjustments to segment profit of (21) million yen are entirely attributable to corporate expenses not allocated to reporting segments. Corporate expenses are general and administrative expenses not attributable to reporting segments.
2. Segment profit correspond to the operating profit reported on the Quarterly Consolidated Statement of Income.

2. Matters concerning changes to reporting segments

As stated in “Changes in Accounting Policies,” the Company applied the Revenue Recognition Accounting Standard, etc. from the beginning of the first three months of the current fiscal year and has changed its accounting method for revenue recognition. In addition, from the first three months of the current fiscal year, in order to more appropriately evaluate the performance of each segment, the Company has reviewed the method for allocation of corporate expenses and changed the method for calculating profit or loss for each segment.

The segment information for the first three months of the previous fiscal year has been prepared based on the calculation method for profit or loss after the change.

Significant Subsequent Events

Disposal of treasury shares as restricted share-based compensation

The meeting of the Company's Board of Directors held on October 26, 2021 ("the Board Meeting") passed a resolution approving the disposal of treasury shares as restricted shares (the "Disposal") and implemented the Disposal as outlined below.

1. Outline of the disposal

(1) Outline of disposal to Directors

(1) Allotment date	November 19, 2021
(2) Class and number of shares disposed of	The Company's common stock: 60,000 shares
(3) Allottees	The Company's Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors): two persons; 60,000 shares
(4) Other	The Disposal will be delivered without monetary contribution as remuneration for Directors. However, as a fair valuation (Article 202-2 of the Companies Act), the Company submitted an extraordinary report under the Financial Instruments and Exchange Act setting the amount obtained by multiplying the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board Meeting (October 25, 2021) (1,486 yen) by the number of shares disposed of (60,000 shares) as stated above (89,160,000 yen) as the disposal price.

(2) Outline of disposal to executive officers

(1) Payment date	November 19, 2021
(2) Class and number of shares disposed of	The Company's common stock: 25,000 shares
(3) Disposal price	1,486 yen per share
(4) Total disposal amount	37,150,000 yen
(5) Allottees	Executive officers who do not serve concurrently as Directors of the Company: two persons; 25,000 shares
(6) Other	The Company has submitted an extraordinary report covering the Disposal under the Financial Instruments and Exchange Act.

2. Objectives and reasons for the disposal

As stated in "Notice of Introduction of Restricted Share-based Compensation Plan" dated September 28, 2021, the Board of Directors approved a resolution at its meeting held on September 28, 2021 that the Company introduce a restricted share-based compensation plan ("the Plan") with the objective of enhancing corporate value over the medium to long term by increasing the sense of participation in the management of the Company by the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors, "Eligible Directors") and executive officers who do not concurrently serve as Directors of the Company ("Eligible Executive Officers," referred to collectively as "Eligible Allottees"), aiming for the sustainable enhancement of the Company's corporate value, and further promoting shared values with shareholders through the ownership of the Company's shares.

In addition, the 14th Annual General Meeting of Shareholders held on October 22, 2021 approved a total number of shares of the Company's common stock to be issued or disposed of for the allotment of the restricted shares to the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members and

Outside Directors) under the Plan of 100,000 shares or less without exceeding 300 million yen per year (not including the employee salaries for Directors who serve concurrently as employees), and the transfer restriction period to be until the date of resignation or retirement of the Company's Directors or other positions defined by Board of Directors. The amount of remuneration is, in principle, a lump-sum allotment of the number of shares corresponding to the compensation for duties executed over three fiscal years to the Eligible Directors in the first year of the three fiscal years. The actual remuneration amount will be within 100 million yen consisting of no more than 33,333 shares per year (rounded down to the nearest whole number).

In addition, it was resolved at the Board Meeting that, taking into consideration the objectives of the Plan, the Company's business performance and various other circumstances, the Company will dispose of the common shares of the Company to the two Eligible Directors without requiring any monetary payment or provision of in-kind contribution, and have them hold such shares. Moreover, when granting restricted shares to the two Eligible Executive Officers, unlike the case for the Directors, the Company's Board of Directors will determine the payment of monetary claims for the grant of restricted shares to the Eligible Executive Officers, and the Eligible Executive Officers will pay all such monetary claims as in-kind contribution and receive disposal of the Company's shares. Application for subscription to restricted shares by the Eligible Executive Officers is at their own discretion, and the shares will be allotted only to those Eligible Executive Officers who wish to subscribe. The salaries and allowances of the Eligible Executive Officers will not be reduced as a result of the allotment of restricted shares. Further, in order to realize the objectives for the introduction of the Plan, which are the sustainable enhancement of corporate value and the sharing of value with shareholders over the medium to long term, the transfer restriction period has been set to the date of retirement or resignation.