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Consolidated Financial Results for the Three Months Ended March 31, 2023 [Japanese GAAP]

May 15, 2023

Company name: MEDLEY,INC.

Stock exchange listing: Tokyo

Code number: 4480

URL: <https://www.medley.jp>

Representative: Kohei Takiguchi

President and Chief Executive Officer

Contact: Ryo Kawahara

Chief Financial Officer

Phone: +813-6372-1265

Scheduled date of filing quarterly securities report: May 15, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended March 31, 2023 (January 1, 2023 to March 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended										
March 31, 2023	4,437	55.7	545	460.2	380	-	503	-	358	-
March 31, 2022	2,850	-	97	-	(56)	-	(26)	-	(30)	-

(Note) Comprehensive income: Three months ended March 31, 2023: ¥ 382 million [-%]
Three months ended March 31, 2022: ¥ (32) million [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
March 31, 2023		11.15		10.97
March 31, 2022		(0.95)		-

(Note) 1. Starting in FY2022, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), and percentage increases/decreases are not provided above because figures for Q1 FY2022 reflect the application of the relevant accounting standards, etc.

2. EBITDA = Operating profit / loss + depreciation and amortization of goodwill + share-based compensation expenses

3. Regarding diluted earnings per share in consolidated 1Q FY2022, while dilutive shares existed, because a per-share net loss was posted, no data is provided.

(2) Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio
	Million yen		Million yen		%
As of					
March 31, 2023		21,811		15,568	70.9
December 31, 2022		21,810		15,170	69.1

(Reference) Equity: As of March 31, 2023: ¥ 15,464 million
As of December 31, 2022: ¥ 15,081 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2022	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2023	-				
Fiscal year ending December 31, 2023 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023(January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period)

	Net sales		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	19,150	35.0	2,260	17.7	1,630	26.4	1,760	15.3	1,180	15.9	36.76

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the three months ended March 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Exclusion 1 (Company name: Tenxia Co., Ltd.)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to 2. Quarterly Consolidated Financial Statements and Important Notes (3) Important notes regarding quarterly consolidated financial statements (Application of special accounting methods in preparation for quarterly consolidated financial statements) on page 10 of the attached documents.

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

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

March 31, 2023: 32,738,600 shares

December 31, 2022: 32,706,800 shares

2) Total number of treasury shares at the end of the period:

March 31, 2023: 530,103 shares

December 31, 2022: 604,869 shares

3) Average number of shares during the period:

Three months ended March 31, 2023: 32,178,308 shares

Three months ended March 31, 2022: 31,938,325 shares

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

* Cautionary statements with respect to forward-looking statements and other notes

(Cautionary statement regarding forward-looking statements)

This preliminary earnings report contains forward-looking statements such as earnings forecasts which are based on information currently available to the Group and certain assumptions deemed to be reasonable. The Group makes no guarantee regarding the accuracy of the forecasts contained herein. Because of variable factors, actual results may differ from the forecast figures. For information regarding assumptions upon which the Group's results forecasts are based and notes regarding the use of results forecasts, please refer to (3) Explanation regarding consolidated forecasts and forward-looking statements under 1. Qualitative information regarding quarterly results" on page 5.

1. Qualitative information regarding quarterly results

(1) Explanation regarding operating results

During the first quarter of the consolidated fiscal year ending December 31, 2023 (consolidated Q1 FY2023), the Japanese medical and nursing industry continued to face human resource shortages and issues related to national budget shortage, and the ratio of job offers to applicants therefore trended at a level higher than the average for all industries.

Amid this business environment, in consolidated Q1 FY2023, sales in the HR PF Business increased due to a steady increase in the number of customer offices and registered workers for our recruitment system JobMedley, as well as the number of customer offices for online training system JobMedley Academy also grew.

We also achieved sales growth in the Medical PF Business as rollout of our products at customers' facilities went smoothly, resulting in growth in the number of medical institution users. While the Group achieved sales growth, it also made proactive investments towards its medium-to-long term growth including investments in marketing activities and our online training product to scale the HR PF Business, as well as increase the number of employees in the Medical PF Business.

As a result of the above, in consolidated Q1 FY2023, the Group posted net sales of ¥4,437 million (up 55.7% YoY), EBITDA of ¥545 million (up 460.2% YoY), operating profit of ¥380 million (loss of ¥56 million in Q1 FY2022), ordinary profit of ¥503 million (loss of ¥26 million in Q1 FY2022), and net profit attributable to owners of the parent company of ¥358 million (loss of ¥30 million in Q1 FY2022).

The HR PF Business incurs sales on the day -persons looking for employment using the Group's services are hired at companies seeking employees. Sales therefore tend to concentrate in April, when Japanese companies usually hire more employees (as this is often the beginning of Japanese companies' fiscal year). The Group's net sales therefore tend to concentrate in Q2 (April-June) of its consolidated fiscal year (ending on December 31).

Earnings by business segment are as follows.

Intersegment eliminations and unallocated group-wide shared costs totaled ¥573 million (up 16.4% YoY).

1. HR PF Business

During consolidated Q1 FY2023, the Group continuously improved the functionality of its service websites with the aim of improving user convenience, which resulted in growth in the number of job applicants. The number of customer offices in the HR PF Business as a whole therefore grew 3.9% compared with the end of consolidated FY2022, to over 305 thousand, and the number of job offers listed rose by 2.1% over the same period, to over 315 thousand.

As a result of the above, consolidated Q1 FY2023 segment net sales were ¥2,900 million (up 46.0% YoY), and segment profit before allocation of group-wide shared costs (operating profit) was ¥965 million (up 74.3% YoY).

2. Medical PF Business

During consolidated Q1 FY2023, the number of medical institution users in the Medical PF Business increased compared with the previous consolidated fiscal year, rising 5.7% compared with the end of consolidated FY2022 to over 15 thousand users. The main reason for this was progress rolling out Pharms, our cloud-based pharmacy support system, to pharmacies.

As a result of the above, consolidated Q1 FY2023 segment net sales were ¥1,448 million (up 83.2% YoY) and segment profit before allocation of group-wide shared costs (operating profit) was ¥32 million (¥101 million loss in Q1 FY2022).

3. New Services Segment

During consolidated Q1 FY2023, the Kaigo-no Honne nursing facility search website business continued to proactively conduct operations to expand content and increase the number of facilities that can be introduced using the Kaigo-no Honne service.

As a result, consolidated Q1 FY2023 segment net sales were ¥88 million (up 19.9% YoY) and segment loss before allocation of group-wide shared costs (operating loss) was ¥44 million (¥16 million loss in Q1 FY2022).

Factors that drove the operating loss in the segment include the conducting of surveys and test marketing in the USA.

(2) Outline of financial position

Assets

Current assets as of end-consolidated Q1 FY2023 totaled ¥16,129 million, a decrease of ¥69 million, compared with the end of the previous consolidated fiscal year. This was mainly attributable to increases of ¥410 million in accounts receivable (trade) and ¥27 million in merchandise and finished goods and decreases of ¥470 million in cash and deposits and ¥50 million in prepaid expenses. Non-current assets as of end-consolidated Q1 FY2023 totaled ¥5,655 million, an increase of ¥77 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to increases of ¥110 million in intangible fixed assets and ¥11 million in Property, plant and equipment and a decrease of ¥44 million in investments and other assets.

As a result of the above, total assets as of end-consolidated Q1 FY2023 totaled ¥21,811 million, an increase of ¥0 million compared with the end of the previous consolidated fiscal year.

Liabilities

Current liabilities as of end-consolidated Q1 FY2023 totaled ¥4,248 million, a decrease of ¥180 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to increases of ¥76 million in accrued expenses and ¥14 million in accounts payable (trade) and decreases of ¥126 million in accounts payable (other), ¥123 million in income taxes payable, ¥55 million in deposits received, ¥53 million in contract liabilities, ¥33 million in the current portion of long-term borrowings. Non-current liabilities as of end-consolidated Q1 FY2023 totaled ¥1,993 million, a decrease of ¥217 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to decreases of ¥197 million in long-term borrowings and ¥11 million in deferred tax liabilities.

As a result of the above, total liabilities as of end-consolidated Q1 FY2023 totaled ¥6,242 million, a decrease of ¥398 million compared with the end of the previous consolidated fiscal year..

Net assets

Net assets as of end-consolidated Q1 FY2023 totaled ¥15,568 million, an increase of ¥398 million compared with the end of the previous consolidated fiscal year. This was mainly attributable to decreases of ¥185 million in capital surplus and ¥218 million in treasury shares due to disposal of treasury shares associated with the exercising of stock acquisition rights, increases of ¥7 million each in share capital and capital surplus due to the exercising of stock acquisition rights, and an increase of ¥358 million in retained earnings due to the posting of quarterly net profit attributable to owners of the parent company.

(3) Explanation regarding consolidated forecasts and forward-looking statements

Figures in the Company's full-year consolidated FY2023 forecast have not been changed from the forecast provided in the Consolidated Financial Results for the Year Ended December 31, 2022 [Japanese GAAP] published on February 14, 2023.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	14,422	13,952
Accounts receivable - trade	1,265	1,676
Merchandise and finished goods	154	182
Work in process	12	10
Prepaid expenses	148	98
Other	222	238
Allowance for doubtful accounts	(27)	(29)
Total current assets	16,198	16,129
Non-current assets		
Property, plant and equipment	289	300
Intangible assets		
Software	340	342
Goodwill	1,029	1,166
Customer relationship	1,346	1,318
Other	5	5
Total intangible assets	2,722	2,832
Investments and other assets	2,566	2,521
Total non-current assets	5,578	5,655
Deferred assets	33	25
Total assets	21,810	21,811

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable – trade	272	286
Current portion of long-term borrowings	772	739
Accounts payable – other	1,186	1,059
Accrued expenses	430	507
Contract liabilities	862	809
Deposits received	340	284
Income taxes payable	307	183
Other provisions	51	146
Other	205	231
Total current liabilities	4,429	4,248
Non-current liabilities		
Long-term borrowings	1,604	1,406
Deferred tax liabilities	418	406
Other	189	181
Total non-current liabilities	2,211	1,993
Total liabilities	6,640	6,242
Net assets		
Shareholders' equity		
Share capital	40	47
Capital surplus	15,276	15,074
Retained earnings	1,236	1,595
Treasury shares	(1,764)	(1,546)
Total shareholders' equity	14,788	15,171
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	292	292
Foreign currency translation adjustment	(0)	0
Total accumulated other comprehensive income	292	292
Share acquisition rights	0	0
Non-controlling interests	88	103
Total net assets	15,170	15,568
Total liabilities and net assets	21,810	21,811

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Net sales	2,850	4,437
Cost of sales	994	1,629
Gross profit	1,856	2,807
Selling, general and administrative expenses	1,913	2,427
Operating profit (loss)	(56)	380
Non-operating income		
Interest income	0	0
Settlement received	49	145
Subsidy income	0	1
Other	2	16
Total non-operating income	52	163
Non-operating expenses		
Interest expenses	3	2
Amortization of share issuance costs	8	7
Outsourcing expenses	7	27
Other	2	1
Total non-operating expenses	22	39
Ordinary profit (loss)	(26)	503
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	46
Gain on sale of non-current assets	-	0
Total extraordinary income	-	47
Extraordinary losses		
Loss on sale of non-current assets	-	0
Loss on abandonment of non-current assets	-	0
Total extraordinary losses	-	0
Profit (loss) before income taxes	(26)	550
Income taxes	5	168
Profit (loss)	(31)	381
Profit (loss) attributable to non-controlling interests	(0)	23
Profit (loss) attributable to owners of parent	(30)	358

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended March 31, 2022	For the three months ended March 31, 2023
Profit (loss)	(31)	381
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(0)
Foreign currency translation adjustment	-	0
Total other comprehensive income	(1)	0
Comprehensive income	(32)	382
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(31)	359
Comprehensive income attributable to non-controlling interests	(0)	23

(3) Important notes regarding quarterly consolidated financial statements

(Notes related to going concern assumptions)

Not applicable

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

Consolidated financial results for consolidated Q1 FY2023 (January 01, 2023, to March 31, 2023)

Significant change in shareholders' equity

In consolidated Q1 FY2023, capital surplus decreased by ¥185 million and treasury shares decreased by ¥218 million due to disposal of treasury shares associated with the exercising of stock acquisition rights. As a result of these, as of end-consolidated Q1 FY2023, capital surplus was ¥15,074 million and treasury shares was ¥1,546 million.

(Application of special accounting methods in preparation for quarterly consolidated financial statements)

Tax expenses are calculated by multiplying quarterly net income before income taxes by an effective tax rate reasonably estimated after applying tax effect accounting on net income for the consolidated fiscal year including Q1 FY2023.

(Segment information, etc.)

(Segment information)

Consolidated financial results for consolidated Q1 FY2022 (January 01, 2022, to March 31, 2022)

1. Information on net sales and operating profit (loss) by reportable segment and revenue analysis information

(Million yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	HR PF Business	Medical PF Business	New Services	Total		
Net sales						
Revenue from contracts with customers	1,985	790	73	2,850	—	2,850
Other revenue	—	—	—	—	—	—
Sales to external customers	1,985	790	73	2,850	—	2,850
Inter-segment sales and transfers	—	—	—	—	—	—
Total	1,985	790	73	2,850	—	2,850
Segment profit (loss)	554	(101)	(16)	436	(493)	(56)

Notes: 1. Segment profit (loss) adjustments of (¥493 million) include intersegment eliminations and corporate expenses not attributed to any reportable segments.

2. Segment profit (loss) is adjusted under operating loss on the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets or amortization of goodwill by reportable segment

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

Not applicable

(Significant gains in negative goodwill)

Not applicable

Consolidated financial results for consolidated Q1 FY2023 (January 01, 2023, to March 31, 2023)

1. Information on net sales and operating profit (loss) by reportable segment and revenue analysis information

(Million yen)

	Reportable segment				Adjustment (Note)	Amount in the consolidated financial statement
	HR PF Business	Medical PF Business	New Services	Total		
Net sales						
Revenue from contracts with customers	2,899	1,448	88	4,437	—	4,437
Other revenue	—	—	—	—	—	—
Sales to external customers	2,899	1,448	88	4,437	—	4,437
Inter-segment sales and transfers	0	—	—	0	(0)	—
Total	2,900	1,448	88	4,437	(0)	4,437
Segment profit (loss)	965	32	(44)	959	(573)	380

Notes: 1. Segment profit (loss) adjustments of (¥573 million) include intersegment eliminations and corporate expenses unallocated to reportable segments.

2. Segment profit (loss) is adjusted under operating profit on the Quarterly Consolidated Statements of Income.

2. Information on impairment losses on non-current assets or amortization of goodwill by reportable segment

(Major impairment losses on non-current assets)

Not applicable

(Significant changes in goodwill values)

In consolidated Q1 FY2023, the Company acquired the pharmacy business of Bamboo Inc.

As a result, goodwill in the Medical PF Business increased by ¥236 million.

(Significant gains in negative goodwill)

Not applicable

(Business combinations, etc.)

(Business combination via transaction)

(1) Summary of business combination

The Group, at the Board of Directors meeting held on November 18, 2022, resolved that it would enter into an absorption-type demerger agreement effective February 1, 2023 to take over the pharmacy business of Bamboo Inc. Procedures related to the absorption-type demerger were completed on February 1, 2023.

1) Name and description of business of acquired corporation

Name of acquired corporation : Bamboo Inc.

Description of business activities : Pharmacy and home medical care

2) Main purpose of business combination

The Medley Group proactively conducts proof-of-concept testing and business development using digital technologies aimed at creating a sustainable regional healthcare. As part of these efforts, we recently acquired Bamboo Inc. and its home health care knowhow that was gained in cooperation with doctors, visiting nurses, and care managers and we will accelerate the application of digital technology through a variety of initiatives as well as the improvement of the Group's products.

3) Business combination date

February 1, 2023

4) Legal form of business combination

Absorption-type demerger with Community Medical Inc. as the successor company and Bamboo Inc. as the demerged company

5) Name of acquired company after acquisition

Community Medical Inc.

6) Primary basis for determination of acquiring company
Community Medical Inc. took over the business of Bamboo Inc. for cash consideration

(2) Period of acquired company's business results included in quarterly consolidated financial statements
February 1, 2023 to March 31, 2023

(3) Acquisition cost and breakdown by type of considerations

Consideration paid in cash : 262 million yen

Acquisition cost : 262 million yen

(4) Breakdown and amount of main costs related to acquisition

Compensation for advisory services : 27 million yen

(5) Amount, reason for recognition, amortization method, and period of goodwill

1) Goodwill recognized

236 million yen

2) Reason of recognized

Mainly recognized on the basis of the future earnings potential of Bamboo Inc. based on the expected future development of its businesses.

3) Amortization method and period of goodwill

Goodwill will be amortized evenly using the straight-line method for a period of not more than 20 years, which is determined in consideration of its estimated period of effect.

(6) Amount and major breakdown of assets received and liabilities assumed on business combination date

Current assets 17 million yen

Non-current assets 12 million yen

Total assets 29 million yen

Non-current liabilities 3 million yen

Total liabilities 3 million yen

(Significant subsequent events)

(Disposal of treasury shares as restricted stock)

At the meeting of the Board of Directors held on February 27, 2023, the Company decided to dispose of treasury shares as restricted stock as described below. Due to partial forfeiture of rights, the number of disposed shares was changed from the number in the original plan and the disposal of treasury shares was therefore conducted as provided below on April 13, 2023.

1. Overview of disposal (amendments underlined)

	Actual Disposal	Original Plan
(1) Payment date	April 13, 2023	April 13, 2023
(2) Class and number of shares to be disposed	<u>25,200</u> common shares of the Company	<u>25,900</u> common shares of the Company
(3) Disposal price	JPY 4,070 per share	JPY 4,070 per share
(4) Total value of disposal	<u>102</u> million yen	<u>105</u> million yen
(5) Allottees	11 executive officers: 16,900 shares <u>19</u> employees: <u>8,300</u> shares	11 executive officers: 16,900 shares <u>21</u> employees: <u>9,000</u> shares

2. Purposes of and Reasons for disposal

In order to provide employees of the Group with incentive to sustainably increase the Group's corporate value and more closely align their interests with those of the Company's shareholders, the Board of Directors resolved to grant monetary remuneration rights in a total amount of 105 million yen and consequently 25,900 of the Company's common shares (hereinafter, the "allocated shares") to 11 executive officers of the Company and 21 employees of the Company (hereinafter, the "eligible allottees").

The eligible allottees received the disposed treasury shares to be disposed by the Company as payment-in-kind for all monetary remuneration rights granted by the Company. Furthermore, upon the disposal of treasury shares, the Company and the eligible

allotees executed a restricted share allocation agreement as described below.

The allocated shares were allocated only to those eligible employees who wish to subscribe to them.

3. Reasons for changes to the number of disposed shares

The difference between the originally planned number of allottees and the number of shares originally planned to be disposed and the actual number of allottees and the number of shares actually disposed is due to a change in the number of eligible allottees. A total of two potential allottees declined the allotments which resulted in forfeiture of their allotment rights.

<Overview of the restricted share allocation agreement>

(1) Transfer restriction period

The eligible allottees shall not transfer, create security interest on, or otherwise dispose of (1) a portion of the allocated shares equal to one half of the number of allocated shares (less-than-one-unit shares shall be rounded down, hereinafter “portion A”) during the period from April 13, 2023 (the payment date) until April 13, 2024 and (2) the portion of the allocated shares not including portion A (hereinafter “portion B”) during the period from April 13, 2023 (the payment date) until April 13, 2025. (hereinafter, the period during which transfers etc. are restricted is called “transfer restriction period”).

(2) Conditions for cancelling transfer restriction

1) On the condition that an eligible allottee continuously serves the position as director, auditor, executive officer, or employee of the Company or one of its subsidiaries during the transfer restriction period for portion A, the Company will cancel the transfer restriction regarding all shares of portion A at the time of expiration of the transfer restriction period.

2) On the condition that an eligible allottee continuously serves the position as director, auditor, executive officer, or employee of the Company or one of its subsidiaries during the transfer restriction period for portion B, the Company will cancel the transfer restriction regarding all shares of portion B at the time of expiration of the transfer restriction period. However, the transfer restriction will be released for a portion of portion B of the eligible allottee’s allocated shares in cases wherein the eligible allottee’s employment period or term of office ends during the relevant transfer restriction period (or in the case of rehiring after fixed age retirement, the end date of the rehiring period) or is no longer a director, auditor, executive officer, or employee of the Company or its subsidiaries due to death or other reasons accepted as valid by the Board of Directors (excluding cases wherein said loss of position occurs before April 1, 2024). This portion will be calculated by, immediately after said loss of position, first subtracting 12 from the number of months from the month that contains the payment date to the month that contains the date when the loss of position occurs, then dividing this number by 12, and then multiplying this number by the number of portion B shares allocated to the eligible allottee (however, if any fractional share arises as a result of the calculation, this will be rounded down).

(3) Acquisition of allocated shares by the Company without compensation

The Company will, as a matter of course, acquire the allocated shares with no compensation in cases where the transfer restriction has not been released when the transfer restriction period for portion A or portion B ends and in cases where, during the transfer restriction period, immediately after the eligible employee loses their position as a director, auditor, executive officer, or employee of the Company or its subsidiaries.