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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 14, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3825
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 Scheduled date of filing quarterly securities report: August 14, 2023
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not Scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2023	4,303	(35.1)	241	(9.6)	213	(17.1)	250	213.1
June 30, 2022	6,627	54.1	266	(33.6)	258	(33.2)	80	(76.6)

(Note) Comprehensive income: Three months ended June 30, 2023: ¥250 million [213.1%]
 Three months ended June 30, 2022: ¥80 million [(76.6)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2023	2.11	2.11
June 30, 2022	0.67	0.66

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	18,465	16,837	91.2
As of March 31, 2023	19,271	16,826	87.3

(Reference) Equity: As of June 30, 2023: ¥16,832 million
 As of March 31, 2023: ¥16,819 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year- end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 0.00	Yen —	Yen 2.00	Yen 2.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (forecast)		—	—	—	—

(Note) Revision to the dividend forecasts announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

Electricity trading prices tend to rise sharply in the summer and winter months when supply and demand is tight. Additionally, payment of capacity contribution,* which will begin in the fiscal year ending March 31, 2025, are likely to impact electricity trading prices in the fiscal year under review. As a result, it is difficult to reasonably estimate results for the fiscal year under review and thus the Company has refrained from disclosing consolidated financial forecasts for the fiscal year ending March 31, 2024 at the present time.

The Company intends to announce consolidated financial forecasts for the fiscal year ending March 31, 2024 as soon as a reasonable estimate becomes possible.

*“Capacity contribution” is payment to be made by retail electricity suppliers and general power transmission and distribution operators to the Organization for Cross-regional Coordination of Transmission Operators, Japan in order to secure supply capability in the capacity market (the market for ensuring future supply capabilities (kW)).

*** Notes:**

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023: No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (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 stock)
 - 1) Number of issued shares at the end of the period (including treasury shares):
 - June 30, 2023: 122,717,800 shares
 - March 31, 2023: 122,717,800 shares
 - 2) Number of treasury shares at the end of the period:
 - June 30, 2023: 4,060,000 shares
 - March 31, 2023: 4,060,000 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2023: 118,657,800 shares
 - Three months ended June 30, 2022: 119,511,200 shares

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other special notes
(Caution regarding forward-looking statements)

The forward-looking statements herein are based on information that is currently available and certain assumptions deemed reasonable by the Company. They include potential risks and uncertainties. Furthermore, actual results (including but not limited to actual business performance and dividend forecasts) may differ significantly from forecasts due to various factors. For all matters relating to forecasts, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Results (3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements” on page 4 of the attached materials.

(Obtaining supplementary documentation)

The supplementary documentation will be posted on the Company’s website.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Operating Results

For the three months ended June 30, 2023 (April 1, 2023 - June 30, 2023), net sales decreased by 35.1% year on year to ¥4,303 million. Operating profit decreased by 9.6% year on year to ¥241 million, ordinary profit decreased by 17.1% year on year to ¥213 million, and profit attributable to owners of parent increased by 213.1% year on year to ¥250 million.

Operating results by business segment for the three months ended June 30, 2023 are as follows. Net sales amounts given here for each segment do not include inter-segment net sales.

The Group's reportable segments have been determined based on sections of high importance in accordance with the evaluation of operating results, the building of business strategies, the allocation of management resources, etc., and, up to the end of the previous fiscal year, were organized into five sections as the "energy business," "used car business," "resilience business," "financial business," and "other businesses." In the finance business, the Group sold 51% of its equity in BITPoint Japan Co., Ltd. (hereinafter, "BPJ"), which had been included in the financial business segment as a consolidated subsidiary, to a group company of SBI Holdings, Inc. on July 1, 2022, then sold the remaining 49% of BPJ's shares, also to a group company of SBI Holdings, Inc. on March 31, 2023. As a result, BPJ is no longer either a consolidated subsidiary or an equity method affiliate of the Group, and the financial business section was discontinued on May 12, 2023. From the three months ended June 30, 2023, the finance business has been included in "other business," and its revenue is reported under non-operating income or expenses.

The Group also resolved, on February 14, 2023, to discontinue the used car business segment by around March 31, 2023, in order to focus its management resources and promote the reconstruction of its business portfolio. Some product inventory from this business remained as of March 31, 2023, but this was completely sold as of June 30, 2023. As this business segment is discontinued and only an immaterial amount of profit and loss was generated from this segment during the three months ended June 30, 2023, it has been included in "other business."

As a result, beginning from the three months ended June 30, 2023, the Group's reportable segments comprised the "energy business," "resilience business," and "other businesses." Moreover, whereas segment profit was hitherto treated as ordinary profit due to the continued inclusion of the results of BPJ in the finance business segment as an equity method affiliate, segment profit has been changed to operating profit pursuant to the discontinuation of the finance business segment. In addition, for year-on-year comparisons, the figures for the previous corresponding period have been changed to ordinary profit.

Energy business

In the energy business, the Company is engaged primarily in the electric power retail business. During the three months ended June 30, 2023, electricity market prices remained stable at a lower level than in the previous corresponding period, averaging under ¥10/kWh each month. Monthly averages of system prices on the Japan Electric Power Exchange (hereafter referred to as "JEPX") in April, May and June 2023 were ¥8.56/kWh, ¥8.65/kWh and ¥8.48/kWh, respectively. Until the previous fiscal year, the Company had used electricity futures contracts to ensure fixed prices for a certain percentage of procured electricity. However, there was no longer any need to fix prices for procured electricity in view of the further transition of user contracts into market-linked plans, as well as the fact that fixed-unit-price plans were supplied using electricity procured through constant backup. The Company was therefore unaffected by fluctuations in the price of electricity futures during the three months ended June 30, 2023, and was able to secure a constant amount of profit. Meanwhile, despite an increase in the total contracted capacity of high-voltage users, which account for approximately 80% of revenue, net sales declined slightly due to a lower level of JEPX prices than in the previous corresponding period (when monthly averages of system prices on JEPX were ¥17.8/kWh, ¥16.9/kWh and ¥21.3/kWh, respectively, in April, May and June 2022).

As a result, net sales for the segment decreased by 1.8% year on year to ¥4,079 million and segment profit (operating profit) increased by 376.0% year on year to ¥455 million.

Resilience business

The resilience business consists of the energy saving consulting business, the infection control business and the storage batteries business. In the energy saving consulting business, income from major subsidies awarded increased year on year. However, in the infection control business, sales of MA-T System products (“Amazing Water” Series), the mainstay products of the infection control business, and other environmental improvement products decreased year on year. This was partly due to a waning amount of attention paid to infection control strategies with the reclassification of COVID-19 from “the Novel Influenza and other diseases category” (equivalent to Class 2) to a Class 5 infectious disease on May 8, 2023. In the storage batteries business, the Company’s original-brand home-use storage battery systems (remixbattery) were recognized for their high safety and quality, obtaining third-party JET grid-interconnection certification, and net sales increased year on year, with the commencement of full-scale sales activities due to the amelioration of the production slowdown from the global shortage of semiconductors. The Company will proceed with full-scale sales of small commercial-use hybrid storage batteries for companies such as factories and commercial facilities, capable of curbing installation costs and efficiently storing excess electrical power.

As a result, net sales for the segment increased by 33.3% year on year to ¥122 million and segment loss (operating loss) was ¥20 million (segment loss [operating loss] was ¥29 million in the previous corresponding period).

Others

Other businesses include the marketing consulting business and newly launched businesses. It also includes profit and loss from the used car business, for which business discontinuation was completed in the three months ended June 30, 2023, and the financial business, which the Company resolved to discontinue in the three months ended June 30, 2023. The figures for the previous corresponding period have been reclassified to include profit and loss from these businesses, leading to a substantial decrease in net sales and profits year on year.

As a result, net sales for the segment decreased by 95.7% year on year to ¥101 million and segment profit (operating profit) decreased by 98.9% year on year to ¥4 million.

(2) Explanation of Financial Position

At the end of the first quarter under review, total assets were ¥18,465 million, a decrease of ¥806 million from ¥19,271 million at the end of the previous fiscal year. The main factors for this include an increase of ¥1,220 million in cash and deposits, along with decreases of ¥1,582 million in trade receivables and contract assets and ¥249 million in leasehold and guarantee deposits.

Total liabilities were ¥1,628 million, a decrease of ¥817 million from ¥2,445 million at the end of the previous fiscal year. The main factors for this include decreases of ¥245 million in accounts payable - other, ¥226 million in deposits received, and ¥73 million in accounts payable - trade.

Net assets were ¥16,837 million, an increase of ¥11 million from ¥16,826 million at the end of the previous fiscal year. The main factors for this include an increase of ¥250 million due to profit attributable to owners of parent, along with a decrease of ¥237 million due to the payment of dividends. In accordance with the resolution of the 20th annual general meeting of shareholders held on June 28, 2023, ¥7,867 million from share capital and ¥687 million from legal capital surplus were transferred to other capital surplus.

(3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Statements

1) Performance outlook for the fiscal year under review

While the sharp rise in energy, crude oil and natural gas prices that was triggered by Russia's invasion of Ukraine and other such factors, and that was apparent in the last year, began to show signs of abating from the start of 2023, fluctuations in electricity trading prices remain difficult to predict. In the short term, it will be necessary to ascertain what impact electricity trading prices trends for this summer and winter, when supply and demand will be tight, as well as capacity contribution, which will begin in the fiscal year ending March 31, 2025, will have on electricity trading prices and other factors in the fiscal year ending March 31, 2024. The Group has a policy of seeking to adapt appropriately to such changes in the business climate, but at the present time it is difficult to reasonably estimate sales and profits. Thus the Company has refrained from disclosing consolidated financial forecasts for the fiscal year ending March 31, 2024 at this time.

The Company intends to announce consolidated financial forecasts for the fiscal year ending March 31, 2024 as soon as a reasonable estimate becomes possible.

2) Dividend outlook for the fiscal year under review

The Company's core approach to capital policy is to seek an appropriate balance between healthy financial underpinnings, improving capital efficiency and the strengthening of shareholder returns, while also increasing corporate value by growing and expanding businesses and by improving management efficiency and profitability. The Company considers the returning of profits to our shareholders to be a priority management policy.

Regarding the fiscal year ending March 31, 2024, as noted above, environments that impact the Company's businesses are unclear, making it difficult to reasonably estimate results at the present time. As a result, interim and year-end dividend forecasts have not yet been determined.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	11,173	12,394
Trade receivables and contract assets	4,061	2,479
Finished goods	16	16
Merchandise	221	187
Raw materials and supplies	69	67
Accrued income taxes	1,173	1,174
Owned cryptoassets	120	49
Operational investment securities	355	–
Other	623	543
Allowance for doubtful accounts	(196)	(200)
Total current assets	17,620	16,712
Non-current assets		
Property, plant and equipment	107	105
Intangible assets		
Software	83	82
Total intangible assets	83	82
Investments and other assets		
Investment securities	70	104
Leasehold and guarantee deposits	1,389	1,140
Fixed loan	2	2
Other	1	320
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	1,461	1,564
Total non-current assets	1,651	1,752
Total assets	19,271	18,465

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	520	447
Accounts payable - other	430	184
Deposits received	348	121
Income taxes payable	774	737
Other	371	136
Total current liabilities	2,445	1,628
Non-current liabilities		
Deferred tax liabilities	0	–
Total non-current liabilities	0	–
Total liabilities	2,445	1,628
Net assets		
Shareholders' equity		
Share capital	7,877	10
Capital surplus	3,268	11,136
Retained earnings	7,629	7,642
Treasury shares	(1,956)	(1,956)
Total shareholders' equity	16,819	16,832
Share acquisition rights	6	4
Total net assets	16,826	16,837
Total liabilities and net assets	19,271	18,465

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	6,627	4,303
Cost of sales	5,380	3,598
Gross profit	1,247	705
Selling, general and administrative expenses	980	464
Operating profit	266	241
Non-operating income		
Interest income	0	0
Dividend income	0	–
Foreign exchange gains	4	–
Subsidy income	–	8
Gain on investments in investment partnerships	–	18
Other	0	0
Total non-operating income	5	27
Non-operating expenses		
Share acquisition rights issuance costs	1	–
Share issuance costs	3	0
Loss on investments in investment partnerships	2	–
Loss on valuation of crypto assets	–	50
Provision of allowance for doubtful accounts	4	–
Other	2	4
Total non-operating expenses	14	55
Ordinary profit	258	213
Extraordinary income		
Gain on reversal of share acquisition rights	–	1
Total extraordinary income	–	1
Profit before income taxes	258	215
Income taxes - current	7	(34)
Income taxes - deferred	170	(0)
Total income taxes	178	(34)
Profit	80	250
Profit attributable to owners of parent	80	250

Quarterly Consolidated Statements of Comprehensive Income
Three Months Ended June 30

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	80	250
Comprehensive income	80	250
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	80	250
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

During the three months ended June 30, 2022, the Group's share capital and legal capital surplus increased by ¥686 million each due to the issuance of new shares following the partial exercise of paid-in stock options (share acquisition rights) issued to the Company's directors, employees and others as the 11th Share Acquisition Rights, 14th Share Acquisition Rights, 17th Share Acquisition Rights and 19th Share Acquisition Rights.

In accordance with the resolution of the 19th annual general meeting of shareholders, ¥4,627 million of capital surplus was transferred to retained earnings to cover the deficit.

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

In accordance with the resolution of the 20th annual general meeting of shareholders, ¥7,867 million from share capital and ¥687 million from legal capital surplus were transferred to other capital surplus.

(Additional information)

(Operational investment securities)

The Company discontinued the financial business on May 12, 2023. As a result, on the consolidated balance sheets, ¥341 million of "operational investment securities" were reclassified into ¥237 million of "other" under investments and other assets and ¥104 million of "investment securities," effective the same day.

In addition, profits of ¥18 million related to investment securities and investments were recorded as gain on investments in investment partnerships under non-operating income.

(Segment information, etc.)

For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on net sales, and profit (loss) for each reportable segment

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Energy business	Resilience business	Others	Total		
Net sales						
Net sales to outside customers	4,154	92	2,380	6,627	-	6,627
Inter-segment net sales or transfers	-	-	0	0	(0)	-
Total	4,154	92	2,380	6,627	(0)	6,627
Segment profit (loss)	95	(29)	414	480	(213)	266

(Notes) 1. The adjustment for segment profit (loss) of negative ¥213 million is primarily corporate expenses not allocated to the reportable segments. The corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. The segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets, goodwill and other items by reportable segment

There is no relevant information.

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

1. Information on net sales, and profit (loss) for each reportable segment

(Million yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in quarterly consolidated statement of income (Note 2)
	Energy business	Resilience business	Others	Total		
Net sales						
Net sales to outside customers	4,079	122	101	4,303	-	4,303
Inter-segment net sales or transfers	-	-	-	-	-	-
Total	4,079	122	101	4,303	-	4,303
Segment profit (loss)	455	(20)	4	440	(199)	241

(Notes) 1. The adjustment for segment profit (loss) of negative ¥199 million is primarily corporate expenses not allocated to the reportable segments. The corporate expenses are mainly general and administrative expenses, which are not attributable to the reportable segments.

2. The segment profit (loss) is adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets, goodwill and other items by reportable segment

There is no relevant information.

3. Matters related to changes in reportable segments, etc.

During the three months ended June 30, 2023, the financial business was discontinued pursuant to the sale of the Company's entire shareholding in BPJ, previously an equity method affiliate of the Company. The used car business was also discontinued to promote the optimal allocation of management resources. As a result, the Company now has three reportable segments: "energy business," "resilience business," and "others."

Additionally, whereas segment profit (loss) had previously been changed from operating profit to ordinary profit in order to continue to include BPJ's results in the financial business segment pursuant to its reclassification from a consolidated subsidiary to an equity method affiliate on July 1, 2022, the Company's

entire shareholding in BPJ has subsequently been sold, as described above, and the Company no longer records a share of profit or loss of BPJ. Therefore, segment profit (loss) has been changed from ordinary profit to operating profit from the three months ended June 30, 2023.

Segment information for the three months ended June 30, 2022 is disclosed based on the classifications and segment profit (loss) after the change.

(Significant subsequent events)

(Issuance of 20th Share Acquisition Rights)

The Company resolved, at the Board of Directors meeting held on July 27, 2023, to issue the 20th Share Acquisition Rights (paid-in stock options) to Directors and employees of the Company based on the provisions of Article 238, Paragraphs 1 and 2, and Article 240 of the Companies Act.

20th Share Acquisition Rights

Date of resolution	July 27, 2023
Class and number of persons eligible for the issue	Directors of the Company: 3 Employees of the Company: 21
Number of units of share acquisition rights*	14,400
Number of units of share acquisition rights that are treasury share acquisition rights*	-
Class of shares subject to the share acquisition rights*	Common shares
Number of shares subject to the share acquisition rights*	1,440,000
Amount payable on exercise of each unit of share acquisition rights*	¥214 (Note 1)
Exercise period of the share acquisition rights*	From November 1, 2023 to January 31, 2027
Issue price and amount to be incorporated into capital for each share issued upon the exercise of the share acquisition rights	Issue price: ¥216.18 Amount to be incorporated into capital: ¥108.09
Conditions on the exercise of the share acquisition rights	(Note 2)
Matters concerning the transfer of the share acquisition rights	The approval of the Company's Board of Directors is required for the transfer of the share acquisition rights
Matters concerning substitute payments	-
Matters concerning the delivery of the share acquisition rights in connection with acts of reorganization	(Note 4)

*As of the date of the resolution on the issue of the share acquisition rights (July 27, 2023).

(Notes) 1. The value of property to be contributed upon exercise of these share acquisition rights will be equal to the amount paid in per share (hereinafter, the "exercise price") multiplied by the number of shares delivered. The exercise price will be ¥214.

However, the exercise price may be adjusted based on the following rule:

$$\text{Adjusted exercise price} = \text{Exercise price before adjustment} \times \frac{1}{\text{Stock split (or consolidation) ratio}}$$

2. Conditions on the exercise of the share acquisition rights

- 1) Share acquisition rights holders will only be able to exercise the share acquisition rights if, at the time when the share acquisition rights are exercised, they currently occupy the position of Director or employee of the Company (this is hereinafter referred to as the "rights exercise

qualifications”). However, this will not apply in cases where the share acquisition rights holder has retired from the position of Director of the Company due to the expiry of the term of office, or from the position of an employee of the Company due to reaching retirement age, or has retired from either position to assume office as an auditor of a subsidiary of the Company, or has ceased to serve in either position for any other reason considered just by the Company.

- 2) Notwithstanding the provisions of 1) above, where a share acquisition rights holder forfeits the rights exercise qualifications and where the Company, after considering various circumstances, approves the exercise of the share acquisition rights in writing, the share acquisition rights holder will be able to exercise those share acquisition rights that would have been exercisable if the rights exercise qualifications had not been forfeited.
 - 3) Share acquisition rights holders will be unable to exercise the share acquisition rights if any of the causes listed in (i) to (vi) below apply.
 - (i) Where the share acquisition rights holder, an employee of the Company, has been subject to a disciplinary measure of at least the level of a suspension from work under the employment regulations
 - (ii) Where the share acquisition rights holder, a Director of the Company, has fallen under any of the reasons for disqualification listed in each item of Article 331, Paragraph 1 of the Companies Act
 - (iii) Where the share acquisition rights holder, a Director of the Company, has engaged in competition with the Company as defined in Article 356, Paragraph 1 (i) of the Companies Act without completing the procedures required under the Companies Act
 - (iv) Where the share acquisition rights holder, a Director of the Company, has engaged in a conflicting interest transaction as defined in Article 356, Paragraph 1 (ii) or (iii) of the Companies Act without completing the procedures required under the Companies Act
 - (v) Where the share acquisition rights holder has been sentenced to a punishment at the level of imprisonment or above
 - (vi) Where the share acquisition rights holder has engaged in an act that damages social trust in the Company or any other act deemed a breach of the Company’s trust
 - 4) Share acquisition rights holder will only be able to exercise the share acquisition rights if the closing price of the Company’s common shares reaches ¥300 or above at least once during the share acquisition rights exercise period
 - 5) The share acquisition rights will become null and void if the closing price of the Company’s common shares falls below ¥100 at any time during the share acquisition rights exercise period
3. Matters concerning the increase in share capital and legal capital surplus
- 1) The amount by which share capital will increase if shares are issued due to the exercise of the share acquisition rights will be one-half of the maximum amount of increase in stated capital calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, with any fractional amounts rounded down to the nearest ¥1.
 - 2) The amount by which legal capital surplus will increase if shares are issued due to the exercise of the share acquisition rights will be the maximum amount of increase in stated capital, as calculated in 1) above, minus the amount by which share capital will increase, as calculated in 1) above.
4. Treatment of the share acquisition rights in the case of organizational restructuring, etc.
- If the Company undergoes a merger in which the Company is the non-surviving party, or an absorption-type demerger or incorporation-type demerger where the Company is the demerged company, or an exchange or transfer of shares where the Company becomes a wholly-owned

subsidiary (hereinafter, these are collectively referred to as “organizational restructuring, etc.”), share acquisition rights of the stock company described in Article 236, Paragraph 1 (viii) (a) to (e) of the Companies Act (hereinafter, the “restructured company”) will be delivered to the share acquisition rights holders of the share acquisition rights that remain (hereinafter, the “remaining share acquisition rights”) on the effective date of the organizational restructuring, etc. (the date when the merger comes into effect in the case of an absorption-type merger, the date when the new merged company is established in the case of an incorporation-type merger, the date when the demerger comes into effect in the case of an absorption-type demerger, the date when the new demerged company is established in the case of an incorporation-type demerger, the date when the exchange of shares comes into effect in the case of an exchange of shares, or the date when the wholly-owning parent company through share transfer is established in the case of a transfer of shares; the same applies hereinafter) under the following conditions. This shall be conditional on a designation in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type demerger agreement, the incorporation-type demerger agreement, the share exchange agreement, or the share transfer plan that share acquisition rights of the restructured company shall be delivered in accordance with each item below.

1) Number of share acquisition rights of the restructured company to be delivered

Each of the share acquisition rights holders shall receive a number of share acquisition rights equal to the number of remaining share acquisition rights that they hold.

2) Class of shares of the restructured company subject to the share acquisition rights

These shall be common shares of the restructured company.

3) Number of shares of the restructured company subject to the share acquisition rights

To be determined based on the number of shares shown in “Number of shares subject to the share acquisition rights,” above, on consideration of the conditions and other aspects of the organizational restructuring, etc.

4) Value of assets to be contributed upon exercise of each unit of the share acquisition rights

To be determined based on the “Amount payable on exercise of each unit of share acquisition rights,” above, on consideration of the conditions and other aspects of the organizational restructuring.

5) Period during which the stock acquisition rights can be exercised

This shall begin from the start of the exercise period stipulated in “Exercise period of the share acquisition rights,” above, and the date on which the organizational restructuring comes into effect, whichever is later, and shall conclude on the ending date of the exercise period stipulated in “Exercise period of the share acquisition rights,” above.

6) Conditions placed on the exercise of the share acquisition rights

To be determined based on “Conditions on the exercise of the share acquisition rights,” above.

7) Increase in share capital and legal capital surplus in the case of the issuance of shares due to the exercise of the share acquisition rights

To be determined based on “Issue price and amount incorporated into capital for each share issued upon the exercise of the share acquisition rights,” above.

8) Restrictions on the acquisition of the share acquisition rights through transfer

The acquisition of the share acquisition rights through transfer shall require approval by the restructured company.

9) Acquisition clause pertaining to the stock acquisition rights

To be determined based on the amount of the increase in share capital and legal capital surplus in the case of the issuance of shares due to the exercise of the share acquisition rights.

10) Treatment of the share acquisition rights in the event of organizational restructuring

To be determined based on this “Matters concerning the delivery of the share acquisition rights in connection with acts of reorganization”.

- 11) Provisions concerning fractional shares arising from the exercise of the share acquisition rights
Where fractional shares (numbers less than one whole share) arise in the number of shares to be delivered to share acquisition rights holders on the exercise of the share acquisition rights, these shall be discarded and only whole numbers of shares delivered.