

# Summary of Financial Results for the Second Quarter Ended February 28, 2022 [Japan GAAP] (Consolidated)

April 11, 2022

Company **Watts Co., Ltd.** Listed on the TSE  
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 Expected date of filing of quarterly report: April 11, 2022 Expected starting date of dividend payment: -  
 Preparation of quarterly supplementary financial document: Yes  
 Quarterly results briefing: Yes (for institutional investors)

(Rounded down to million yen)

## 1. Consolidated business results for the six months ended February 2022 (September 1, 2021 through February 28, 2022)

### (1) Consolidated results of operations (% change from the previous corresponding period)

	Sales		Operating profit		Recurring profit		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Feb. 2022	28,506	11.3	637	-41.3	678	-36.4	361	-54.8
Six months ended Feb. 2021	25,618	-1.4	1,085	38.0	1,066	36.2	800	90.2

#### (Note) Comprehensive income

Six months ended February 2022: 361 million yen (-52.9%)

Six months ended February 2021: 766 million yen (82.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Feb. 2022	26.89	-
Six months ended Feb. 2021	59.72	-

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Feb. 2022	24,763	11,421	46.1
As of Aug. 2021	21,340	11,222	52.6

#### (Reference) Shareholders' equity:

As of February 2022: 11,421 million yen

As of August 2021: 11,222 million yen

## 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Aug. 2021	-	0.00	-	22.00	22.00
Year ending Aug. 2022	-	0.00	-	-	-
Year ending Aug. 2022 (forecast)	-	-	-	15.00	15.00

(Note) Revisions to dividend forecast for the current quarter: None

## 3. Forecast of consolidated business results for the fiscal year ending August 2022

### (September 1, 2021 through August 31, 2022) (% change from the previous corresponding period)

	Sales		Operating profit		Recurring Profit		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Aug. 2022	60,200	18.7	1,035	-38.0	955	-39.8	510	-47.2	38.07

(Note) Revisions to business forecast for the current quarter: None

**\*Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes  
Newly included: 1 (Ontsū F.RETAIL Co., Ltd.)

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements:  
None

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

- ① Changes in accounting policies associated with revision of accounting standards: : Yes
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of February 2022 13,898,800 shares

As of August 2021 13,958,800 shares

② Treasury stock at the end of period

As of February 2022 322,487 shares

As of August 2021 560,874 shares

③ Average number of stock during period (quarterly cumulative period)

Six months ended February 2022 13,439,316 shares

Six months ended February 2021 13,397,926 shares

(Note) The number of treasury stock at the end of period includes the Company's shares held by the share issuance trust for directors (FY8/22 2Q: - shares, FY8/21: 60,000 shares). In addition, the Company's shares owned by the share issuance trust for directors are included in treasury stock deducted for calculation of the average number of shares during period (FY8/22 2Q: 56,354 shares, FY8/21 2Q: 60,000 shares).

**\*Quarterly financial summary is not subject to auditing procedures by certified public accountants or auditing firms.**

**\*Explanation regarding appropriate use of business forecasts and other special instructions**

(Caution concerning forward-looking statements)

The forward-looking statements regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Therefore, the company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

Please refer to "(3) Future forecast information including consolidated business forecasts" of "1. Results of operations" on page 3 for the suppositions that form the assumptions for business forecasts and cautions concerning the use of business forecasts.

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## 1. Results of Operations

### (1) Analysis of operating results

During the six months ended February 2022, COVID-19 still had an impact on the Japanese economy. Although business activity was expected to be invigorated as the fifth wave of the infection was contained, the recovery in economic activity was delayed as the local governments intermittently declared the stricter COVID-19 measures in 36 prefectures, following the sixth wave since the beginning of the year. Besides, logistics disruption caused by the tight supply-demand balance and soaring prices of resources and grains caused a sharp rise in business goods prices, leading to pass on costs to downstream prices. Furthermore, the Japanese economy became even more confused, as the U.S. indicated an interest rate hike after March, the yen depreciated against the U.S. dollar, and Russia's invasion of Ukraine in late February raised concerns about the worldwide progression of stagflation reflecting further cost inflation.

Given this environment, in addition to the 100-Yen shop business in Japan, the Company, which operates the “Watts”, “Watts with”, “meets.”, “silk”, etc., has been working on diversifying its revenue sources by undertaking other domestic businesses, centering on the sale of life-style goods and discount goods as well as overseas business.

In the domestic 100-Yen shop business, the Company reopened its online shop on September 1, 2021, and substantially increased the product lineups by approximately 10 times to more than 10,000 items. We also began handling Buona Vita products. In addition, we are introducing self-checkout POS registers to improve in-store productivity through more efficient purchase process. We are also working to introduce and renew handmade tools and materials sections to further develop existing shops.

As for new shop openings, the Company opened 97 shops to the full-year plan of 230 shops. Furthermore, on October 1, the Company acquired all shares of Ontsu F·RETAIL Co., Ltd., which operates 145 100-Yen shops named “FLET’S”etc., (including 5 FC shops), making it a subsidiary. There were 27 shop closings (including 3 franchised shops), including certain unprofitable shops and unpredictable closing of shops where the Company’s shops were located in. As a result, the total number of 100-Yen shops at the end of the second quarter was 1,579, which includes 1,554 directly managed shops (net increase of 213), and 25 franchised/other shops (net increase of 2). Of these, the number of “Watts” and “Watts with”, the Watts brand shops, increased to 932 (net increase of 107), accounting for about 60% of the total.

As for the domestic other business, “Buona Vita,” a life-style goods shop offering comfortable life, opened 1 consignment shop in our 100-Yen shop to supplement the “fashionable taste” to the 100-Yen shop and enhance synergy between businesses. At the end of the second quarter, the number of Buona Vita shops was 22 (net increase of 1). “Tokino:ne”, a household items shop under the theme of “time” was 1 shop (unchanged). “Value- 100,” the fresh-foods supermarket collaboration was 1 shop (unchanged). “Real”, a discount shop, was 6 shops (unchanged).

Regarding the overseas operation, the Company operates “KOMONOYA”, a fixed-price shop mainly in Southeast Asia. At the end of the second quarter, “KOMONOYA” operates 40 shops in Thailand (net decrease of 1), and 14 shops in Peru (net decrease of 5). We closed 2 shops in Malaysia and 3 shops in Vietnam. In China, a fixed price shop “小物家園”(KOMONOKAEN) was 4 shops (unchanged). The total number of own-brand shops “KOMONOYA” and “小物家園”(KOMONOKAEN) was 58 (net decrease of 11).

Through the acquisition of 100-Yen shop operators Ontsu F·Retail Co., Ltd. and Nippan Co., Ltd., sales increased to 28,506 million yen (up 11.3% YoY, 97.1% to the plan) for the six months ended February 2022.

On the other hand, due to the slow growth in the 100-Yen shop same-store sales at 96.6% YoY and amortization of goodwill from M&A, operating profit was 637 million yen (down 41.3% YoY, 135.6% to the plan) and recurring profit was 678 million yen (down 36.4% YoY, 161.6% to the plan).

Net income attributable to owners of parent was 361 million yen (down 54.8% YoY, 168.1% to the plan) as Hilmer Japan Co., Ltd., a consolidated subsidiary of the Company, recorded a dept exemption gain due to the exemption of loans from a joint venture company upon its withdrawal from the business. (\*Year on year: comparison with the results for the same period of the previous fiscal year. Ratio to plan: ratio to the business forecasts for the six months ended February 2022 which were announced in the Summary of Financial Results on Tuesday, October 12, 2021.)

Since the Group operates under a single segment consisting of the operation of 100-Yen shops associated business, segment information is omitted.

## (2) Analysis of financial position

### ① Assets, liabilities and net assets

#### (Assets)

As of the end of the second quarter of the current fiscal year, current assets stood at 17,823 million yen, increased by 1,773 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,334 million yen for merchandise and finished goods and 355 million yen for cash and deposits.

Fixed assets stood at 6,940 million yen, increased by 1,649 million yen from the end of the previous fiscal year. This was mainly due to an increase of 592 million yen in goodwill associated with the acquisition of Ontsu F·Retail Co., Ltd. and Nippan Co., Ltd., as well as increases of 464 million yen in guarantee deposits, 286 million yen in buildings and structures, and 242 million yen in tools, furniture and fixtures.

As a result, total assets stood at 24,763 million yen, increased by 3,422 million yen from the end of the previous fiscal year.

#### (Liabilities)

As of the end of the second quarter of the current fiscal year, current liabilities stood at 9,376 million yen, increased by 755 million yen from the end of the previous fiscal year. This was mainly due to increases of 489 million yen in notes and accounts payable-trade and 332 million yen in electronically recorded obligations.

Fixed liabilities stood at 3,966 million yen, increased by 2,467 million yen from the end of the previous fiscal year. This was mainly due to increases of 2,158 million yen in long-term loans payable and 184 million yen in asset retirement obligations.

As a result, total liabilities stood at 13,342 million yen, increased by 3,223 million yen from the end of the previous fiscal year.

#### (Net assets)

As of the end of the second quarter of the current fiscal year, net assets stood at 11,421 million yen, increased by 199 million yen compared with the end of the previous fiscal year. This was mainly due to an increase of 65 million yen in retained earnings and a decrease of 139 million yen in treasury stock resulting from the retirement of treasury stock and the disposal of treasury stock as restricted stock compensation. As a result, shareholders' equity ratio stood at 46.1% (52.6% at the end of the previous fiscal year).

### ② Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at end of the current second quarter of the fiscal year amounted to 6,524 million yen, increased by 355 million yen from the previous fiscal year.

Details and breakdown of each cash flow in the second quarter are as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities was 915 million yen (1,802 million yen was provided in the same period of the previous fiscal year). This was mainly due to income before income taxes and minority interests of 637 million yen, a decrease in notes and accounts receivable-trade of 435 million yen, and depreciation and amortization of 267 million yen. Cash was used mainly for income taxes paid of 395 million yen.

#### (Cash flows from investing activities)

Net cash used in investing activities was 570 million yen (409 million yen was used in the previous fiscal year). This was mainly due to payments for lease and guarantee deposits of 495 million yen and payments for purchase of property, plant and equipment of 195 million yen for new shop openings, etc.

#### (Cash flows from financing activities)

Net cash provided by financing activities was 0 million yen (392 million yen was used in the previous fiscal year). This was mainly due to long-term loans payable of 2,900 million yen, repayments of long-term loans payable of 2,393 million yen, cash dividends paid of 295 million yen, and a net decrease in short-term loans payable of 200 million yen.

### (3) Future forecast information including business forecasts

The Company made no change to the full-year business forecasts announced in the summary of financial results dated October 12, 2021.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (August 31, 2021)	Current second quarter (February 28, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	6,169,208	6,524,818
Notes and accounts receivable-trade	2,150,910	2,157,137
Merchandise and finished goods	7,431,457	8,766,334
Raw materials and supplies	12,123	39,960
Consumption taxes receivable	75,956	22,573
Other	232,481	335,019
Allowance for doubtful accounts	-22,483	-22,359
Total current assets	16,049,656	17,823,483
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,055,446	3,803,957
Accumulated depreciation and impairment loss	-1,313,149	-2,775,184
Buildings and structures, net	742,297	1,028,772
Vehicles	26,266	29,788
Accumulated depreciation and impairment loss	-20,833	-23,138
Vehicles, net	5,432	6,650
Tools, furniture and fixtures	3,729,454	4,734,592
Accumulated depreciation and impairment loss	-3,184,361	-3,946,849
Tools, furniture and fixtures, net	545,092	787,743
Land	257,800	257,800
Leased assets	27,623	113,024
Accumulated depreciation and impairment loss	-26,034	-96,736
Leased assets, net	1,589	16,288
Total property, plant and equipment	1,552,212	2,097,254
Intangible assets		
Amortization of goodwill	12,395	604,654
Other	599,833	618,846
Total intangible assets	612,229	1,223,500
Investments and other assets		
Investment securities	327,430	322,389
Deferred tax assets	393,390	393,953
Guarantee deposits	2,289,987	2,754,912
Other	123,665	156,805
Allowance for doubtful accounts	-7,574	-8,397
Total investments and other assets	3,126,899	3,619,662
Total noncurrent assets	5,291,340	6,940,417
Total assets	21,340,997	24,763,901

(Thousands of yen)

	Previous fiscal year (August 31, 2021)	Current second quarter (February 28, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,118,081	3,607,979
Electronically recorded obligations	3,145,453	3,477,493
Short-term loans payable	200,000	-
Current portion of long-term loans payable	528,247	766,702
Income taxes payable	396,644	284,328
Accrued consumption taxes	129,894	153,634
Provision for bonuses	186,679	190,669
Other	915,676	895,575
Total current liabilities	8,620,678	9,376,383
Noncurrent liabilities		
Long-term loans payable	396,084	2,554,932
Retirement benefit liability	324,078	403,743
Provision for directors' retirement benefits	30,223	32,315
Provision for directors' stock-based benefits	93,938	-
Asset retirement obligations	424,171	609,023
Other	229,683	366,136
Total noncurrent liabilities	1,498,180	3,966,151
Total liabilities	10,118,858	13,342,535
<b>Net assets</b>		
Shareholders' equity		
Capital stock	440,297	440,297
Capital surplus	1,354,136	1,348,550
Retained earnings	9,729,641	9,794,919
Treasury stock	-273,120	-133,386
Total shareholders' equity	11,250,955	11,450,380
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,615	6,830
Foreign currency translation adjustment	-38,432	-35,845
Total accumulated other comprehensive income	-28,817	-29,014
Total net assets	11,222,138	11,421,366
Total liabilities and net assets	21,340,997	24,763,901

(2) Consolidated Statements of Income and Statements of Comprehensive Income  
(Quarterly consolidated statements of income)  
(Second quarter)

(Thousands of yen)

	Previous second quarter (from September 1, 2020 to February 28, 2021)	Current second quarter (from September 1, 2021 to February 28, 2022)
Sales	25,618,481	28,506,628
Cost of sales	15,736,583	17,592,437
Gross profit	9,881,897	10,914,191
Selling, general and administrative expenses	8,796,513	10,277,039
Operating profit	1,085,384	637,151
Non-operating revenues		
Interest income	779	1,126
Foreign exchange gains	1,346	32,927
Royalty income	2,040	1,414
Compensation income	1,442	5,016
Subsidy income	2,117	15,247
Other	5,419	7,587
Total non-operating income	13,146	63,320
Non-operating expenses		
Interest expenses	1,517	4,979
Early-withdrawal penalty	1,320	5,760
Share of loss of entities accounted for using equity method	24,252	1,275
Compensation expenses	-	7,435
Other	4,525	2,302
Total non-operating expenses	31,615	21,753
Recurring profit	1,066,914	678,718
Extraordinary income		
Surrender value of insurance	4,974	6,246
Gain on sale of investment securities	3,403	-
Gain on sales of noncurrent assets	232	-
Insurance claim income	8,532	-
Gain on debt exemption	291,302	-
Provision for directors' stock-based benefits	-	29,777
Total extraordinary income	308,446	36,023
Extraordinary loss		
Loss on retirement of noncurrent assets	1,651	18,625
Impairment loss	150,464	56,992
Loss on disaster	-	1,248
Total extraordinary losses	152,115	76,866
Income before income taxes and minority interests	1,223,245	637,875
Income taxes-current	375,190	276,468
Income taxes-deferred	47,922	54
Total income taxes	423,112	276,523
Net income	800,132	361,352
Net income attributable to owners of parent	800,132	361,352



(Quarterly consolidated statements of income)  
(Second quarter)

(Thousands of yen)

	Previous second quarter (from September 1, 2020 to February 28, 2021)	Current second quarter (from September 1, 2021 to February 28, 2022)
Net income	800,132	361,352
Other comprehensive income		
Valuation difference on available-for-sale securities	2,983	-2,784
Foreign currency translation adjustment	-31,403	4,094
Share of other comprehensive income of associates accounted for using equity method	-4,723	-1,507
Total other comprehensive income	-33,143	-197
Comprehensive income	766,988	361,154
(Breakdown)		
Comprehensive income attributable to owners of parent	766,988	361,154

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous second quarter (from September 1, 2020 to February 28, 2021)	Current second quarter (from September 1, 2021 to February 28, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,223,245	637,875
Depreciation and amortization	156,330	267,581
Impairment loss	150,464	56,992
Amortization of goodwill	2,860	54,968
Increase (decrease) in allowance for doubtful accounts	-919	-1,409
Increase (decrease) in provision for bonuses	-36,804	3,989
Increase (decrease) in liabilities relating to retirement benefits	11,224	79,665
Increase (decrease) in provision for directors' retirement benefits	1,349	2,091
Increase (decrease) in provision for directors' stock-based benefits	16,878	-93,938
Increase (decrease) in provision for loss on business liquidation	-25,994	-
Interest and dividends income	-784	-1,219
Interest expenses	1,517	4,979
Loss (gain) on sale of investment securities	-3,403	-
Loss on retirement of noncurrent assets	1,651	18,625
Gain on debt exemption	-291,302	-
Decrease (increase) in accounts receivable-trade	128,472	435,247
Decrease (increase) in inventories	-234,227	-156,019
Increase (decrease) in notes and accounts payable-trade	1,045,024	-2,511
Increase (decrease) in accrued consumption taxes	-280,220	48,566
Other	103,504	-40,986
Subtotal	1,968,866	1,314,498
Interest and dividends income received	1,752	1,199
Interest expenses paid	-8,971	-4,787
Income taxes paid	-159,508	-395,619
Net cash provided by (used in) operating activities	1,802,138	915,291
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	-133,113	-195,572
Proceeds from sales of property, plant and equipment	465	-
Payments for retirement of property, plant and equipment	-	-14,520
Purchase of intangible assets	-289,586	-83,485
Payments for lease and guarantee deposits	-43,277	-495,180
Proceeds from collection of lease and guarantee deposits	38,127	31,618
Payments for asset retirement obligations	-40,992	-5,174
Proceeds from sale of investment securities	8,484	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	191,877
Other	50,300	300
Net cash provided by (used in) investing activities	-409,592	-570,138
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	-200,000
Proceeds from long-term loans payable	-	2,900,000
Repayment of long-term loans payable	-255,810	-2,393,092
Repayment of lease obligations	-3,143	-10,192
Cash dividends paid	-201,472	-295,916
Other	67,500	-
Net cash provided by (used in) financing activities	-392,926	798
Effect of exchange rate change on cash and cash equivalents	-4,503	9,658
Net increase (decrease) in cash and cash equivalents	995,116	355,609
Cash and cash equivalents at beginning of period	6,591,348	6,169,208
Cash and cash equivalents at end of period	7,586,464	6,524,818

(4) Notes to consolidated financial statements

(Notes on going concern assumption)

No items to report

(Notes if there is a significant change in the amount of shareholders' equity)

Based on a resolution of the Board of Directors meeting held on October 12, 2021, the Company disposed of 178,387 shares of treasury stock as restricted stock compensation. The Company cancelled 60,000 shares of its treasury stock pursuant to the resolution of the Board of Directors meeting on February 21, 2022. As a result, capital surplus and treasury stock decreased by 5,586 thousand yen and 139,733 thousand yen, respectively.

As a result, at the end of the second quarter of the current fiscal year, capital surplus was 1,348,550 thousand yen and treasury stock was 133,386 thousand yen.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Accounting Standard for Revenue Recognition") and other standards from the beginning of the first quarter of the current fiscal year.

The Company follows the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition. The adoption of the Accounting Standard for Revenue Recognition did not have a material impact on the quarterly consolidated financial statements or retained earnings at the beginning of the fiscal year.

In accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), the Company has not disclosed disaggregation of revenue from contracts with customers for the second quarter of the previous fiscal year.

(Application of accounting standard for calculation of fair value)

The Company has applied the Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") and other standards from the beginning of the first quarter of the current fiscal year. The Company has decided to apply the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value, etc. in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Market Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Important subsequent events)

(Issuance of stock acquisition rights as stock options)

At the Board of Directors meeting held on March 22, 2022, the Company approved the issuance of stock acquisition rights as stock options to directors of its subsidiaries and to employees of the Company and its subsidiaries on April 11, 2022.

(1) Reasons for issuing stock acquisition rights as stock options

The Company issued the stock acquisition rights to the directors of its subsidiaries and employees of the Company and its subsidiaries for the purpose of further increasing their motivation to contribute to the Company's group performance and corporate value over the medium to long term.

When the stock acquisition rights are exercised, treasury stock will be allocated.

(2) Outline of the issuance of the stock acquisition rights

① Issuance date of stock acquisition rights

April 11, 2022

② Category and number of grantees

A total of 102 directors of the Company's subsidiaries and employees of the Company and its subsidiaries

③ Number of stock acquisition rights issued

1,246

④ Amount to be paid for stock acquisition right

There is no requirement for monies to be paid in

⑤ Class and number of shares to be issued upon exercise of stock acquisition rights

124,600 shares of common stock of the Company (100 shares per stock acquisition right)

⑥ Payment amount at the time of exercise of subscription rights

735 yen per share

⑦ Amount of capital stock and capital reserve to be increased when shares are issued upon exercise of stock acquisition rights

- i) The amount of capital stock and capital reserve to be increased when shares are issued upon exercise of stock acquisition rights shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Paragraph 1 of Article 17 of the Rules for Corporate Accounting. Any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen.
- ii) The amount of capital reserve to be increased when shares are issued upon exercise of stock acquisition rights shall be the amount obtained by subtracting the amount of capital to be increased as set forth in i) above from the maximum amount of increase in capital, etc. as set forth in i) above.

⑧ Conditions for exercise of stock acquisition rights

- i) Holders of the stock acquisition rights are required to be in the position of directors or employees of the Company or its subsidiaries at the time of exercise of the rights. However, this shall not apply in the case of retirement due to expiration of term of office, mandatory retirement age or retirement for company reasons, or other cases where the Board of Directors deems there to be a justifiable reason.
- ii) Inheritance of stock acquisition rights shall not be permitted.
- iii) Each stock acquisition right may not be partially exercised.
- iv) Other conditions shall be as set forth in the "Stock Acquisition Rights Allotment Agreement" to be concluded between the Company and the holders of stock acquisition rights based on the resolution of the Board of Directors.

⑨ Period for exercise of subscription rights

From April 11, 2024 to April 10, 2028