

Consolidated Financial Results for the Nine Months Ended May 31, 2020 [Japanese GAAP]

July 10, 2020

Company name: ANAP INC.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3189

URL: <https://www.anap.co.jp/>

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Scheduled date of filing quarterly securities report: July 15, 2020

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: None

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 Nine Months Ended May 31, 2020 (September 1, 2019 to May 31, 2020)

(1) Consolidated Operating Results (% 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	%
Nine months ended May 31, 2020	4,098	(8.8)	(337)	-	(308)	-	(425)	-
May 31, 2019	4,492	(5.0)	47	(76.6)	48	(75.7)	28	(84.4)

Note: Comprehensive income: Nine months ended May 31, 2020: ¥(425) million [-%]

Nine months ended May 31, 2019: ¥23 million [(87.0%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended May 31, 2020	(98.08)	-
May 31, 2019	6.63	6.48

Note: Diluted earnings per share for the nine months ended May 31, 2020 are not stated because it was a loss per share, despite the existence of dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2020	2,784	1,232	44.3
As of August 31, 2019	2,888	1,672	57.7

Reference: Equity: As of May 31, 2020: ¥1,232 million

As of August 31, 2019: ¥1,665 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended August 31, 2019	Yen -	Yen 0.00	Yen -	Yen 6.00	Yen 6.00
Fiscal year ending August 31, 2020	-	0.00	-		
Fiscal year ending August 31, 2020 (Forecast)				3.00	3.00

Note: Revision to the most recently announced dividend forecast: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2020 (September 1, 2019 to August 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	5,828	(6.9)	(354)	-	(358)	-	(475)	-
								(109.37)

Notes: 1. Revision to the most recently announced financial results forecast: No

2. As in “Notice of Issuance of New Shares as Restricted Stock to Employees” released on June 22, 2020, basic earnings per share have been revised as the number of shares issued increases through the issuance of new shares.

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of the 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 shares issued (common shares)
 - 1) Total number of shares issued at the end of the period (including treasury shares):
 - May 31, 2020: 4,791,000 shares
 - August 31, 2019: 4,760,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - May 31, 2020: 435,807 shares
 - August 31, 2019: 469,339 shares
 - 3) Average number of shares during the period:
 - Nine months ended May 31, 2020: 4,341,648 shares
 - Nine months ended May 31, 2019: 4,335,708 shares

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

* Explanation on the proper use of the financial results forecast and other notes

Note on forward-looking statements, etc.

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document. The Company makes no warranty as to the achievability of these forecasts. Actual results may differ significantly from these forecasts due to various factors. Please refer to P. 4 “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation on Consolidated Financial Results Forecast and Other Forward-looking Information” of the Appendix.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation on Business Results

The Japanese economy during the nine months ended May 31, 2020 continued to follow a recovery trend, although moderate, on the back of the improvement in corporate earnings and the employment environment. However, with the start of 2020, society and people's lives have completely changed due to the spread of novel coronavirus disease (COVID-19), which led to the government's declaration of a nationwide state of emergency in April. As economic activities were seriously impacted and the economy rapidly slowed down, the future of the country remained unclear and in a chaotic situation. The global economy was severely affected as well. While people were staying more alert to the second and third waves of the spread of infection, political conflicts between the U.S. and China were surfacing, and the outlook for the economy remained serious and more unforeseeable than ever.

In the casual fashion industry where the Company operates, the operating environment continued to be severe due to labor shortages, soaring logistics costs, and a record warm winter in and after December even before the spread of COVID-19. In these difficult times, the spread of COVID-19 first affected production and logistics functions, and then stores were forced to shut down in accordance with the declaration of a state of emergency. As a result, the operating environment became unprecedentedly difficult.

Under these circumstances, the Company started closing one store after another in March, and decided to suspend business in all 28 stores in response to the declaration of a state of emergency in April. The Company also postponed the opening of a new store. In the Internet Retailing Business and headquarters functions, measures were taken including teleworking to manage the situation. Although the situation surrounding the Internet Retailing Business remained challenging, the impact of self-restraint on outings and the effect of promotional measures such as advertisement distribution, which the Company has focused on since the end of the previous fiscal year with the objective of enhancing traffic to its website, started to be revealed from April. As a result, the traffic is currently increasing with net sales on an upward trend. In the Store Retailing Business, store staff began new initiatives such as attending to customers online on social media during the period of business suspension. They carried out sales promotional activities online including communicating the attraction of the Company's brands, even though store operations were not allowed. Stores that reopened in May performed well backed by people's reaction to restraint fatigue, while new stores also made a steady start. In addition, the Company is simultaneously proceeding on cutting costs by streamlining operations, primarily with regard to the Company's website. With respect to headquarters functions as well, the Company has decided to reduce officer's remuneration and suspend some of shareholder benefits. In order to survive this crisis, all members of the Company are working together to realize a business recovery. Moreover, in September 2019 consolidated subsidiary ANAP Lab, Inc. (formerly "ATLAB") became a wholly owned subsidiary of the Company and changed its trade name to clarify its position as a member of the ANAP Group with the aim of continuous business expansion by advancing measures to integrate AI and other digital technologies with offline operations.

As a result, for the nine months ended May 31, 2020, net sales decreased by 8.8% from the previous corresponding period to ¥4,098 million. Operating loss was ¥337 million compared to operating profit of ¥47 million in the previous corresponding period due to a decrease in gross profit resulting from decreases in net sales of stores and the Company's website. Ordinary loss was ¥308 million compared to ordinary profit of ¥48 million in the previous corresponding period affected by employment adjustment subsidies for stores that suspended business. Loss attributable to owners of parent was ¥425 million compared to profit attributable to owners of parent of ¥28 million in the previous corresponding period as a result of recording impairment losses on the Company's website, software as corporate assets and unprofitable stores, as well as recording income taxes-deferred due to the reversal of deferred tax assets under tax effect accounting.

Operating results by business segment are as follows.

Internet Retailing Business

In the Internet Retailing Business, promotional measures such as advertisement distribution are leading to

growing traffic to the Company's website. However, as it took time to realize it, full year net sales declined. Given these conditions, the Company is making ongoing efforts to raise operational efficiencies by streamlining its business and appropriately positioning personnel.

As a result, net sales decreased by 4.1% from the previous corresponding period to ¥2,389 million and segment loss was ¥1 million, compared to segment profit for the previous corresponding period of ¥155 million.

Store Retailing Business

In the Store Retailing Business, with the closing of three stores and the opening of four stores since the end of the previous fiscal year, the Company's store count was 29 at the end of the third quarter. Net sales benefited from both existing stores and newly established stores that performed well, but then declined as operations were suspended at one store after another in March, and all stores closed due to the declaration of a state of emergency in April. Profit fell due to a decrease in gross profit resulting from a decrease in net sales despite positive factors such as the reduction or exemption of store rents during business suspension, which did not completely offset a profit decline.

As a result, net sales decreased by 15.2% from the previous corresponding period to ¥1,510 million and segment loss was ¥84 million, compared to segment profit for the previous corresponding period of ¥167 million.

Wholesale Distribution Business

In the Wholesale Distribution Business, net sales decreased in line with a decline in sales to existing customers.

As a result, net sales decreased by 6.3% from the previous corresponding period to ¥165 million and segment loss was ¥13 million, compared to segment loss for the previous corresponding period of ¥9 million.

(2) Explanation on Financial Position

Current assets

Current assets as of the end of the third quarter decreased by ¥108 million from the end of the previous fiscal year to ¥2,142 million. This is mainly attributable to decreases in cash and deposits and notes and accounts receivable - trade by ¥134 million and ¥95 million, respectively, in spite of increases in merchandise and finished goods and other current assets by ¥108 million and ¥14 million, respectively.

Non-current assets

Non-current assets as of the end of the third quarter increased by ¥4 million from the end of the previous fiscal year to ¥642 million. This is mainly attributable to decreases in intangible assets and other in investments and other assets by ¥42 million and ¥44 million, respectively, in spite of an increase of ¥93 million in property, plant and equipment.

Deferred assets

Deferred assets as of the end of the third quarter decreased by ¥0 million from the end of the previous fiscal year to ¥0 million.

Current liabilities

Current liabilities as of the end of the third quarter increased by ¥297 million from the end of the previous fiscal year to ¥1,219 million. This is mainly attributable to a decrease in accounts payable - trade by ¥77 million, in spite of increases in short-term borrowings, income taxes payable and provision for bonuses by ¥350 million, ¥14 million and ¥11 million, respectively.

Non-current liabilities

Non-current liabilities as of the end of the third quarter increased by ¥38 million from the end of the previous fiscal year to ¥332 million. This is mainly attributable to increases in asset retirement obligations and other non-current liabilities by ¥11 million and ¥24 million, respectively.

Net assets

Net assets as of the end of the third quarter decreased by ¥439 million from the end of the previous fiscal year to ¥1,232 million. This is mainly attributable to decreases in retained earnings in line with the posting of a loss attributable to owners of parent, and retained earnings from dividends paid by ¥425 million and ¥25 million, respectively.

(3) Explanation on Consolidated Financial Results Forecast and Other Forward-looking Information

No revisions have been made to the full year consolidated financial results forecast released in the “Notice of Revision to the Full Year Consolidated Financial Results Forecast and Revision to the Dividend Forecast” on April 10, 2020.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of August 31, 2019	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	897,577	763,120
Notes and accounts receivable - trade	491,711	396,437
Merchandise and finished goods	788,528	896,704
Work in process	779	131
Raw materials and supplies	4,664	2,936
Other	71,614	85,814
Allowance for doubtful accounts	(4,517)	(3,126)
Total current assets	2,250,359	2,142,017
Non-current assets		
Property, plant and equipment	162,065	255,098
Intangible assets	93,450	50,518
Investments and other assets		
Leasehold and guarantee deposits	275,700	274,679
Other	106,522	61,959
Total investments and other assets	382,223	336,638
Total non-current assets	637,739	642,255
Deferred assets	187	140
Total assets	2,888,286	2,784,414
Liabilities		
Current liabilities		
Accounts payable - trade	212,602	135,445
Short-term borrowings	450,000	800,000
Income taxes payable	4,039	18,732
Provision for bonuses	28,000	39,000
Provision for point card certificates	—	13,396
Asset retirement obligations	11,328	—
Other	216,370	212,896
Total current liabilities	922,341	1,219,471
Non-current liabilities		
Retirement benefit liability	172,432	175,461
Asset retirement obligations	100,777	112,432
Other	20,145	44,294
Total non-current liabilities	293,354	332,188
Total liabilities	1,215,695	1,551,659
Net assets		
Shareholders' equity		
Share capital	393,188	399,125
Capital surplus	716,654	710,345
Retained earnings	830,123	378,571
Treasury shares	(275,013)	(255,377)
Total shareholders' equity	1,664,952	1,232,664
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	154	90
Total accumulated other comprehensive income	154	90
Non-controlling interests	7,484	—
Total net assets	1,672,591	1,232,754
Total liabilities and net assets	2,888,286	2,784,414

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended May 31

(Thousand yen)

	For the nine months ended May 31, 2019	For the nine months ended May 31, 2020
Net sales	4,492,339	4,098,752
Cost of sales	1,800,413	1,771,947
Gross profit	2,691,926	2,326,805
Selling, general and administrative expenses	2,644,404	2,663,993
Operating profit (loss)	47,522	(337,187)
Non-operating income		
Interest income	20	7
Dividend income	33	33
Compensation income	9,772	442
Interest on tax refund	5	241
Gain on sales of goods	225	338
Foreign exchange gains	72	—
Subsidies for employment adjustment	—	30,687
Other	1,170	1,197
Total non-operating income	11,300	32,948
Non-operating expenses		
Interest expenses	1,443	1,766
Foreign exchange losses	—	1,528
Commission expenses	7,691	—
Other	1,286	602
Total non-operating expenses	10,420	3,897
Ordinary profit (loss)	48,402	(308,136)
Extraordinary losses		
Impairment loss	4,097	53,573
Total extraordinary losses	4,097	53,573
Profit (loss) before income taxes	44,305	(361,709)
Income taxes - current	8,606	5,426
Income taxes - deferred	11,339	58,671
Total income taxes	19,946	64,098
Profit (loss)	24,358	(425,808)
Loss attributable to non-controlling interests	(4,407)	—
Profit (loss) attributable to owners of parent	28,765	(425,808)

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended May 31

(Thousand yen)

	For the nine months ended May 31, 2019	For the nine months ended May 31, 2020
Profit (loss)	24,358	(425,808)
Other comprehensive income		
Valuation difference on available-for-sale securities	(372)	(64)
Total other comprehensive income	(372)	(64)
Comprehensive income	23,986	(425,872)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28,393	(425,872)
Comprehensive income attributable to non-controlling interests	(4,407)	—

(3) Notes to the Quarterly Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes in the case of significant changes in shareholders' equity

Not applicable.

Additional information

(Impact of the spread of COVID-19)

As a result of the government's declaration of a nationwide state of emergency in April in response to the spread of COVID-19, the Company closed all of its stores. However, starting from May 9, they gradually resumed business operation. The Company reopened all of its stores on June 1, following the complete lifting of the declaration of a state of emergency on May 25.

Although there remain uncertainties over the spread of infection going forward, when COVID-19 will be settled, and the market and consumer trends after COVID-19 is contained, the Company has made accounting estimates of impairment loss of non-current assets on the assumption that the current situation is gradually improved on and after June and returns to almost normal by the end of the current fiscal year.

Since this assumption is highly uncertain, the financial position and operating results in the future may be affected if the impact of the spread of COVID-19 is prolonged.

(Provision for point card certificates)

With regard to accounting treatment of points, given the increased importance of points remaining, the Company posted estimated future usage amount as "provision for point card certificates" from the first quarter of the current fiscal year.

Segment information

I. For the nine months ended May 31, 2019

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Quarterly Consolidated Financial Statements (Note 3)
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Net sales							
Net sales to outside customers	2,492,920	1,781,839	176,879	4,451,639	40,700	—	4,492,339
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	2,492,920	1,781,839	176,879	4,451,639	40,700	—	4,492,339
Segment profit (loss)	155,396	167,282	(9,630)	313,048	13,808	(279,334)	47,522

- Notes: 1. “Other” is a segment for businesses that do not fall under any reportable segments such as the license business.
2. The adjustment for segment profit (loss) includes corporate expenses of ¥279,334 thousand not allocated to reportable segments. These corporate expenses are mainly general and administrative expenses at the Company’s administrative departments, etc. which do not belong to any reportable segments.
3. Segment profit (loss) is reconciled with operating profit in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Information is omitted due to lack of materiality.

II. For the nine months ended May 31, 2020

1. Information on net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Quarterly Consolidated Financial Statements (Note 3)
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Net sales							
Net sales to outside customers	2,389,867	1,510,366	165,678	4,065,912	32,839	—	4,098,752
Inter-segment net sales or transfers	—	—	—	—	—	—	—
Total	2,389,867	1,510,366	165,678	4,065,912	32,839	—	4,098,752
Segment profit (loss)	(1,770)	(84,246)	(13,533)	(99,550)	9,058	(246,696)	(337,187)

- Notes: 1. “Other” is a segment for businesses that do not fall under any reportable segments such as the license business.
2. The adjustment for segment profit (loss) includes corporate expenses of ¥246,696 thousand not allocated to reportable segments. These corporate expenses are mainly general and administrative expenses at the Company’s administrative departments, etc. which do not belong to any reportable segments.
3. Segment profit (loss) is reconciled with operating loss in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

(Thousand yen)

	Reportable segment				Other (Note 1)	Adjustment (Note 2)	Quarterly Consolidated Financial Statements
	Internet Retailing Business	Store Retailing Business	Wholesale Distribution Business	Total			
Impairment loss	43,500	3,105	–	46,606	–	6,966	53,573

Notes: 1. “Other” is a segment for businesses that do not fall under any reportable segments such as the license business.

2. The amount in “Adjustment” is corporate assets which do not belong to any reportable segments.

Significant subsequent events

(Issuance of offered share acquisition rights (performance-linked share acquisition rights))

At the Board of Directors meeting held on June 22, 2020, the Company resolved to issue share acquisition rights to Directors and employees of the Company and external collaborators, in accordance with the provisions of Article 236, Article 238 and Article 240 of the Companies Act. The Company determined the details of the issuance on July 6, 2020, and allotted share acquisition rights on July 7, 2020.

Outline of the issuance of share acquisition rights

1. Number of share acquisition rights

819 units

2. Payment to be made in exchange for share acquisition rights

The issue price for each share acquisition right shall be ¥36.

3. Details of share acquisition rights

(1) Class and number of shares subject to share acquisition rights

The number of shares subject to each share acquisition right (hereinafter referred to as the “Number of Shares Granted”) shall be 100 common shares of the Company.

If the Company carries out a stock split (including gratis allotment of common shares of the Company; the same shall apply hereinafter) or stock consolidation after the allotment date of the share acquisition rights, the Number of Shares Granted shall be adjusted according to the following formula. Such adjustment shall be made only to the number of shares subject to share acquisition rights remaining unexercised at the time of the stock split or stock consolidation, and any fraction less than one share resulting from the adjustment shall be rounded down.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of split or consolidation}$$

In addition, if after the allotment date of the share acquisition rights, the Company conducts a merger, company split, or reduction of the amount of share capital, or in other cases that require adjustment of the Number of Shares Granted in accordance with these, the Number of Shares Granted shall be adjusted appropriately within a reasonable range.

(2) Value or calculation method of assets to be contributed upon exercise of share acquisition rights

The value of assets to be contributed upon exercise of the share acquisition rights shall be the amount obtained by multiplying the amount of payment per share (hereinafter referred to as the “Exercise Value”) by the Number of Shares Granted.

The Exercise Value shall be ¥733 (the closing price of the shares of the Company in regular transactions on the JASDAQ market of the Tokyo Stock Exchange on the day immediately before the date of the issuance resolution of the share acquisition rights (excluding days when no transactions are reported)).

If the Company carries out a stock split or stock consolidation after the allotment date of the share acquisition rights, the Exercise Value shall be adjusted according to the following formula, and any fraction less than one yen arising from the adjustment shall be rounded up.

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

In addition, if after the allotment date of the share acquisition rights, the Company issues new shares or disposes of treasury shares of its common shares at below the market price (excluding issuance of new shares or disposal of treasury shares based on exercise of share acquisition rights as well as transfer of treasury shares by means of share exchange), the Exercise Value shall be adjusted according to the following formula, and any fraction less than one yen arising from the adjustment shall be rounded up.

$$\text{Exercise Value after adjustment} = \text{Exercise Value before adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of new shares issued} \times \text{Amount of payment per share}}{\text{Market price per share before issuance of new shares}}}{\text{Number of shares outstanding} + \text{Number of new shares issued}}$$

In the above formula, the “Number of shares outstanding” is the number calculated by subtracting the number of treasury shares of common shares of the Company from the total number of shares issued of common shares of the Company. If the treasury shares of common shares of the Company are disposed of, the “Number of new shares issued” shall be read as the “Number of treasury shares to be disposed of.”

In addition to the above, if after the allotment date of the share acquisition rights, the Company carries out a merger or company split, or in other cases that require adjustment of the Exercise Value in accordance with these, the Company may adjust the Exercise Value appropriately within a reasonable range.

(3) Period during which share acquisition rights may be exercised

The period during which the share acquisition rights may be exercised (hereinafter referred to as the “Exercise Period” shall be from December 1, 2022 to November 30, 2024; provided, however, that if November 30, 2024 is not a banking day, the period shall be until the preceding banking day.

(4) Share capital and legal capital surplus to be increased

(i) The amount of share capital to be increased through the issuance of shares upon exercise of the

share acquisition rights shall be one-half of the maximum amount of increase in share capital, etc. calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Any fraction less than one yen resulting from the calculation shall be rounded up.

- (ii) The amount of legal capital surplus to be increased through the issuance of shares upon exercise of the share acquisition rights shall be the amount obtained by subtracting the amount of share capital to be increased as provided in (i) above from the maximum amount of increase in share capital, etc. as indicated in (i) above.

(5) Restriction on acquisition of share acquisition rights by transfer

The acquisition of the share acquisition rights by transfer shall require approval by a resolution of the Board of Directors of the Company.

(6) Conditions for exercise of share acquisition rights

- (i) Holders of share acquisition rights may exercise the share acquisition rights allocated to them each only when the total amount of consolidated operating profit in the audited consolidated statements of income of the Company exceeds ¥500 million in each of the fiscal years ending August 31, 2021 and August 31, 2022. The amount of consolidated operating profit shall be determined by reference to consolidated operating profit in the consolidated statements of income listed in the Company's securities report (the statements of income, in the event where consolidated financial statements are not prepared). Share compensation expenses pertaining to the share acquisition rights are excluded from the calculation when they are incurred, and the amount of the consolidated operating profit shall be applied from the time of submitting the securities report. If significant changes are made to the concept of indicators to be referred to due to the adoption of the International Financial Reporting Standards or other reasons, the Board of Directors shall separately determine another indicator to be referred to.
- (ii) Holders of share acquisition rights must be Directors, Audit and Supervisory Board Members or employees of the Company or its affiliated companies (meaning affiliated companies as set forth in the regulation for terminology, forms and preparation of financial statements, etc.), or external collaborators acknowledged by the Company, when exercising the share acquisition rights; provided, however, that this requirement shall not apply if the right holders retire due to the expiration of their term of office, upon reaching retirement age, or for other legitimate reasons.
- (iii) Heirs of the holders of share acquisition rights shall not exercise the share acquisition rights.
- (iv) If the total number of shares issued of the Company exceeds the number of authorized shares by the exercise of the share acquisition rights at the time of exercise thereof, the said share acquisition rights may not be exercised.
- (v) The share acquisition right less than one unit may not be exercised.

4. Allotment date of share acquisition rights

July 7, 2020

5. Matters relating to acquisition of share acquisition rights

- (1) If a general meeting of shareholders of the Company approves a merger agreement under which the Company becomes a non-surviving company, or a company split agreement or split plan under which the Company becomes a splitting company, or a share exchange agreement or share transfer plan under which the Company becomes a wholly-owned subsidiary of another company (by the resolution of the Board of Directors if the approval of the general meeting of shareholders is not required), the Company may acquire all of the share acquisition rights without any compensation on the day separately designated by the Board of Directors.
 - (2) If holders of share acquisition rights become unable to exercise the share acquisition rights in accordance with the provisions set forth in 3. (6) above before the exercise of the rights, the Company may acquire all of the share acquisition rights without any compensation.
6. Handling of share acquisition rights in the event of organizational restructuring
- If the Company conducts a merger (only if the Company is to be dissolved as a result of the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter collectively referred to as the “Organizational Restructuring”), in each case the Company shall deliver share acquisition rights of stock companies set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (hereinafter referred to as the “Reorganized Company”) to holders of share acquisition rights at the time that the Organizational Restructuring becomes effective based on the following conditions; provided, however, that this shall only apply if the delivery of share acquisition rights of the Reorganized Company on the following conditions is stipulated in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.
- (1) Number of share acquisition rights of the Reorganized Company to be delivered

The same number of share acquisition rights held by holders of share acquisition rights shall be delivered.
 - (2) Class of shares of the Reorganized Company subject to share acquisition rights

Common shares of the Reorganized Company
 - (3) Number of shares of the Reorganized Company subject to share acquisition rights

This will be determined in accordance with 3. (1) above, after taking into consideration the terms and conditions of the Organizational Restructuring.
 - (4) Value of the assets to be contributed upon exercise of share acquisition rights

The value of the assets to be contributed upon exercise of each share acquisition right to be delivered shall be the amount calculated by multiplying the Exercise Value after reorganization obtained through adjustment of the Exercise Value provided in 3. (2) above by the number of shares of the Reorganized Company subject to share acquisition rights to be determined in accordance with 6. (3) above, after taking into consideration the terms and conditions of the Organizational Restructuring.

(5) Period during which share acquisition rights may be exercised

The period shall be from the initial date of the Exercise Period provided in 3. (3) above or the effective date of the Organizational Restructuring, whichever is later, to the final date of the Exercise Period provided in 3. (3) above.

(6) Matters related to share capital and legal capital surplus to be increased through the issuance of shares upon exercise of share acquisition rights

This will be determined in accordance with 3. (4) above.

(7) Restriction on acquisition of share acquisition rights by transfer

In respect of restriction on acquisition of share acquisition rights by transfer, approval by a resolution of the Board of Directors of the Reorganized Company shall be required.

(8) Other conditions for exercise of share acquisition rights

This will be determined in accordance with 3. (6) above.

(9) Reasons and conditions for acquisition of share acquisition rights

This will be determined in accordance with 5. above.

(10) Other conditions will be determined in accordance with the conditions of the Reorganized Company.

7. Matters related to share acquisition right certificates concerning share acquisition rights

The Company shall not issue share acquisition right certificates concerning share acquisition rights.

8. Closing date of subscription

July 3, 2020

9. Closing date of payment to be made in exchange for share acquisition rights

July 7, 2020

10. Those who receive allotment of share acquisition rights and the number to be allocated

Directors of the Company	1 person	550 units
Employees of the Company	1 person	50 units
External collaborators	1 person	219 units

(Issuance of new shares as restricted stock)

At the Board of Directors meeting held on June 22, 2020, the Company resolved to issue new shares as restricted stock.

1. Purpose and reasons for issuance

At the Board of Directors meeting held on June 22, 2020, the Company resolved to issue new shares as restricted stock to employees of the Company who meet certain requirements, for the purpose of providing them with incentives to achieve sustainable enhancement of the Group's corporate value and further promoting shared value with its shareholders.

2. Overview of issuance

(1)	Closing date of payment	August 26, 2020	
(2)	Class and number of shares to be issued	Common shares of the Company	19,800 units
(3)	Issue price	¥733 per share	
(4)	Total amount of issuance	¥14,513,400	
(5)	Amount of capital incorporation	¥366.5 per share	
(6)	Total amount of capital incorporation	¥7,256,700	
(7)	Subscription or allotment method	Method of allocating restricted stock	
(8)	Method of making capital contribution	In-kind contribution of monetary compensation receivables	
(9)	Scope and number of grantees and number of shares to be allocated	Employees of the Company	17 persons 19,800 units
(10)	Transfer restriction period	From August 26, 2020 to July 11, 2023	