

* Notes

- (1) Important changes in subsidiaries during this quarter
 (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable
 New: — (company name)
 Exception: — (company name)
- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Yes
 (Note) For details, please refer to “2. Consolidated Financial Statements and Major Notes (4) Notes to consolidated financial statements” on page 11 of the accompanying materials.
- (3) Changes in accounting principles and changes or restatement of accounting estimates
 (i) Changes in accounting principles due to amendment of accounting standards, etc.: Not applicable
 (ii) Changes in accounting principles other than (i): Not applicable
 (iii) Changes in accounting estimates: Not applicable
 (iv) Restatement: Not applicable
 (Note) For details, please refer to “2. Consolidated Financial Statements and Major Notes (4) Notes to consolidated financial statements” on page 11 of the accompanying materials.

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of period (including treasury shares):	3/24:	67,400,000 shares	Year ended 12/23:	67,400,000 shares
2) Number of treasury shares at the end of period:	3/24:	4,449,998 shares	Year ended 12/23:	4,487,958 shares
3) Average number of shares during the period (quarterly consolidated cumulative period):	3/24:	62,934,837 shares	3/23:	62,833,828 shares

* On July 1, 2023, the Company conducted a two-for-one split of its common stock. Accordingly, the number of shares outstanding at the end of period, the number of treasury shares at the end of period and the average number of shares during the period were calculated assuming that the above stock split was conducted at the beginning of the previous consolidated fiscal year.

* Summaries of quarterly consolidated financial results are not subject to a quarterly review by a certified public accountant or an audit corporation.

* Cautionary statement with respect to forward-looking statements

The above forecast has been prepared based on data available on the announcement date. Since the data contains uncertainties, actual results may differ materially from the projections above due to changes in business performance and other factors.

For assumptions concerning financial forecasts, please refer to 1. Qualitative Information on Consolidated Results for the First Quarter Ended March 31, 2024, (3) Information on the future outlook, including forecast for consolidated business results on page 4 of the accompanying materials.

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1. Qualitative Information on Consolidated Results for the First Quarter Ended March 31, 2024

(1) Details of consolidated results

During the first quarter of the consolidated fiscal year under review (from January 1, 2024 to March 31, 2024), the Japanese economy was impacted by the growth of demand generated by inbound tourists, the improvement of employment and real wages and a range of policies that positively affected the economy. The economy is expected to continue on its gradual path to recovery even though there are downside risks such as growing tension in the Middle East and uncertainties regarding the future of the Chinese economy and the entire global economy.

In the information services industry, demand continued to increase related to investments in strategic systems to keep pace with the digital transformation (DX) trend. Companies in a wide range of industries continued to be highly motivated to invest in systems to increase productivity, expand their business or to increase their competitiveness. On the other hand, some client companies were prudent about their investment decisions as economic circumstances around the world were uncertain.

In this business environment, the FUJISOFT GROUP formulated a new management policy in its five-year-long Medium-Term Business Plan (2024-2028) announced in February 2024 in a bid to achieve its future vision of becoming a leading company providing systems, software and services in the IT and OT fields.

The plan defined key management actions: first, Promote both continued growth that outpaces market growth and strengthen profitability; second, Aggressive investment for further growth and improvement of various indicators by enhancing profitability, third, Establishment of a structure to create further group synergies, and fourth, Emphasis on shareholder returns. The Group will carry them out to continuously increase its corporate value.

Regarding the business situation, the Company made good progress in operation system development in the System Construction Segment in different domains amid the DX trend. One such domain is the system infrastructure construction domain. The Company even uses global vendors' technologies to realize virtualization and the shift to cloud computing, which are necessary for increasing the efficiency of business, productivity, etc. Another domain where progress has been made is the service systems development domain. It reconstructs backbone systems to address the aging of systems and reinforce the foundations of businesses. It also helps roll out new services.

In addition, the Company has long been working on intelligent technologies and artificial intelligence (AI). Before others, it established an organization dedicated to generative AI and started other efforts to use AI. The Company has released the introduction support service for Copilot for Microsoft 365. It provides companies that are hesitant to introduce Copilot for Microsoft 365, whether due to security concerns, a shortage of personnel that are capable of using it or other factors, with support for a range of processes, from the consideration of the introduction of Copilot for Microsoft 365 to the utilization of generative AI.

In embedded/control system development, the Company performed solidly in the machine control field, reflecting strong performances in fields related to semiconductor manufacturing facilities, where demand for automotive and industrial applications was firm due to the digitization of society, as well as continued investments in the digital consumer electronics field by major manufacturers.

In the automotive sector in particular, business remained strong due to increasingly active investing in advanced technologies such as the global shift to EVs to achieve carbon neutrality, advanced driver assistance systems (ADAS) and automated driving. The strength of this sector was also supported by increased investment in integrated electronic control units (ECUs).

In the products and services segment, the Company began offering the +F FS010M machine-to-machine (M2M) router. This product was released to fulfill needs related to various ways that routers are utilized in business amid the expansion of Internet of Things (IoT) technologies and M2M markets and the diversification of public and private network use in public facilities, commercial spaces, factories and stores.

The Company will develop and sell new products by responding flexibly to social change in its efforts to strengthen and expand its business.

To invest in new business creation, the Company received shares of Pocketalk Corporation at the time of its third party share allocation to increase capital. This company is engaged in the planning, development, licensing and sale of translation devices and translation software. By combining Pocketalk's voice translation technologies with the Company's software development technologies, the two companies will improve the quality and functionality of their products and services. They will also cultivate new markets and customers to capture demand for multilingual support products which is growing in Japan and abroad. As a result of these initiatives, in the first quarter under review, net sales stood at 78,431 million yen, up 3.7% year on year, thanks to the strong performance of the System Integration business. SG&A expenses increased 9.8% year on year to 11,921 million yen. Operating profit rose 3.6% year on year to 6,064 million yen. Ordinary profit was down 4.4% year on year to 5,786 million yen, reflecting a surge in non-operating expenses associated with the delisting of a listed subsidiary. Profit attributable to owners of parent jumped 78.6% year on year to 6,731 million yen following a gain on sale of real estate owned by the Company.

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, sales and income from embedded/control software increased, chiefly due to the strong performance of software for EVs, ADAS and automated driving in the automotive field, although figures dropped in social infrastructure systems development projects. Sales and profit from operation software both grew. Despite the negative effect of unprofitable projects, performance was brisk in individual fields, mainly in operation systems development for manufacturers and projects related to e-commerce and point-of-sale (POS) systems for the distribution and service sectors. In products and services, sales and profit slid as a result of a subsidiary moving to a different segment and a fall in sales of other companies' products despite the growth of sales in computer aided engineering (CAE) projects. In outsourcing, sales and profit decreased due mainly to a decrease in sales related to operation and maintenance projects.

As a result, net sales stood at 74,092 million yen, up 4.2% year on year. Operating profit amounted to 5,557 million yen, up 3.3%.

* The following table shows a breakdown of net sales and operating profit in the SI business.

(Million yen)				
	Net sales	YoY change (%)	Operating profit	YoY change (%)
SI business total	74,092	104.2	5,557	103.3
System Construction	48,542	108.2	4,365	115.9
Embedded/Control Software	20,184	103.0	2,022	106.8
Operation Software	28,358	112.2	2,343	125.1
Products and Services	25,550	97.4	1,192	73.9
Products and Services	22,241	98.2	982	71.2
Outsourcing	3,308	92.4	209	90.1

(Note) Operating profit includes the elimination of intersegment transactions of 0 million yen.

(ii) Facility business

In the facility business, net sales stood at 725 million yen, down 3.3% year on year, reflecting a decrease in tenants and other factors. Operating profit surged 19.0% to 266 million yen. This increase is attributable mainly to a decrease in power consumption that was the result of energy conservation measures.

(iii) Other businesses

In the other business, net sales stood at 3,613 million yen, down 4.3% year on year. Operating profit amounted to 240 million yen, down 4.6%.

(2) Details of financial position

Total assets

Total assets stood at 257,788 million yen at the end of the consolidated first quarter under review, up 191 million yen from the end of the preceding consolidated fiscal year. Current assets were 121,192 million yen (down 1,960 million yen from the end of the previous fiscal year), and non-current assets were 136,595 million yen (up 2,151 million yen).

The main factors for the change in current assets include an increase in notes and accounts receivable-trade and contract assets by 2,973 million yen from the end of the previous fiscal year, to 65,670 million yen, an increase in cash and deposits by 1,708 million yen, to 37,032 million yen, a decrease in securities of 4,200 million yen, to 3,900 million yen, a decrease in advance payments to suppliers of 1,169 million yen, to 5,378 million yen and a decrease in work in process of 1,113 million yen, to 3,364 million yen.

The main factors for the change in non-current assets include an increase in buildings and structures by 13,518 million yen from the end of the previous fiscal year, to 45,226 million yen, a decrease in construction in progress of 11,697 million yen, to 2,576 million yen.

Liabilities

At the end of the consolidated first quarter under review, total liabilities amounted to 128,660 million yen, down 14 million yen from the end of the previous fiscal year. Current liabilities were 121,343 million yen (up 8,603 million yen from the end of the previous fiscal year), and non-current liabilities were 7,316 million yen (down 8,618 million yen).

The main factors in the change in current liabilities include current portion of long-term borrowings of 8,659 million yen, up 8,399 million yen from the end of the previous fiscal year, accounts payable - other of 13,786 million yen, up 7,016 million yen from the end of the previous fiscal year, notes and accounts payable - trade of 16,777 million yen, up 3,113 million yen

from the end of the previous fiscal year, provision for bonuses of 14,268 million yen, up 2,529 million yen from the end of the previous fiscal year, short-term borrowings and commercial papers of 43,625 million yen, down 7,619 million yen from the end of the previous fiscal year, and accrued consumption taxes of 2,798 million yen, down 4,135 million yen from the end of the previous fiscal year.

The main factors in the change in non-current liabilities include a 8,506 million yen decrease in long-term borrowings from the end of the previous fiscal year, to 17 million yen.

Net assets

Net assets rose 206 million yen from the end of the preceding fiscal year, to 129,128 million yen at the end of the consolidated first quarter under review. As a result, the equity ratio rose to 49.2% from 48.1% at the end of the previous fiscal year.

Cash flows

Consolidated cash and cash equivalents (“cash”) at the end of the cumulative first quarter of the fiscal year under review were 35,133 million yen, an increase of 347 million yen from the end of the previous fiscal year.

Cash flows in the cumulative first quarter of the fiscal year under review were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities in the cumulative first quarter of the fiscal year under review stood at 1,911 million yen.

This was mainly due to an increase in money received reflecting the increase in sales and profit and tax payment.

(Cash flows from investment activities)

Net cash provided by investment activities in the cumulative first quarter of the fiscal year under review came to 7,652 million yen.

This was primarily due to proceeds from sales of property, plant and equipment and expenses for office construction and investment in the Company’s products.

(Cash flows from financing activities)

Net cash used in financing activities in the cumulative first quarter of the fiscal year under review was 9,456 million yen.

This was due to payments of dividends and repayments of borrowings.

(3) Information on the future outlook, including forecast for consolidated business results

The first-half and full-year results forecasts remain unchanged from those announced in the financial results for the fiscal year ended December 31, 2023 announced on February 14, 2024.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Million yen)

	FY2023 (As of December 31, 2023)	Q1 FY2024 (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	35,324	37,032
Notes and accounts receivable - trade, and contract assets	62,696	65,670
Securities	8,100	3,900
Merchandise	1,350	2,081
Work in process	4,478	3,364
Raw materials and supplies	91	70
Other	11,214	9,171
Allowance for doubtful accounts	-102	-98
Total current assets	123,153	121,192
Non-current assets		
Property, plant and equipment		
Buildings and structures	64,846	78,426
Accumulated depreciation	-33,138	-33,200
Buildings and structures, net	31,707	45,226
Land	55,322	53,923
Construction in progress	14,273	2,576
Other	13,175	13,310
Accumulated depreciation	-10,315	-10,331
Other, net	2,859	2,978
Total property, plant and equipment	104,163	104,704
Intangible assets		
Goodwill	272	256
Software	5,242	5,144
Other	30	30
Total intangible assets	5,544	5,430
Investments and other assets		
Investment securities	8,986	10,352
Retirement benefit asset	7,400	7,608
Deferred tax assets	3,904	4,261
Deferred tax assets for land revaluation	64	96
Other	4,459	4,224
Allowance for doubtful accounts	-81	-84
Total investments and other assets	24,734	26,459
Total non-current assets	134,443	136,595
Total assets	257,596	257,788

(Million yen)

	FY2023 (As of December 31, 2023)	Q1 FY2024 (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,664	16,777
Short-term borrowings	47,245	42,625
Commercial papers	4,000	1,000
Current portion of long-term borrowings	259	8,659
Accrued expenses	5,375	6,242
Income taxes payable	5,789	4,377
Provision for bonuses	11,739	14,268
Provision for bonuses for directors (and other officers)	349	286
Provision for loss on construction contracts	345	168
Provision for loss on withdrawal from business	21	18
Provision for subsidy repayment	454	472
Provision for compensation loss	151	155
Other	23,344	26,291
Total current liabilities	112,740	121,343
Non-current liabilities		
Long-term borrowings	8,524	17
Provision for retirement benefits for directors (and other officers)	443	405
Retirement benefit liability	4,519	4,499
Other	2,448	2,393
Total non-current liabilities	15,934	7,316
Total liabilities	128,674	128,660
Net assets		
Shareholders' equity		
Share capital	26,200	26,200
Capital surplus	9,688	6,816
Retained earnings	98,283	102,234
Treasury shares	-4,453	-4,416
Total shareholders' equity	129,718	130,834
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,556	3,485
Deferred gains or losses on hedges	-0	1
Revaluation reserve for land	-7,939	-6,952
Foreign currency translation adjustment	1,342	938
Remeasurements of defined benefit plans	-1,740	-1,507
Total accumulated other comprehensive income	-5,781	-4,034
Stock acquisition rights	410	305
Non-controlling interests	4,573	2,022
Total net assets	128,921	129,128
Total liabilities and net assets	257,596	257,788

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

Consolidated first quarter results

	(Million yen)	
	Q1 FY2023 (From January 1, 2023 to March 31, 2023)	Q1 FY2024 (From January 1, 2024 to March 31, 2024)
Net sales	75,631	78,431
Cost of sales	58,919	60,444
Gross profit	16,711	17,986
Selling, general and administrative expenses	10,855	11,921
Operating profit	5,855	6,064
Non-operating income		
Interest income	34	55
Dividend income	—	0
Foreign exchange gains	27	73
Insurance claim income	151	—
Other	30	38
Total non-operating income	244	167
Non-operating expenses		
Interest expenses	11	33
Share of loss of entities accounted for using equity method	5	12
Expenses for dealing with system failure	14	—
Commission fee	—	370
Other	19	29
Total non-operating expenses	50	445
Ordinary profit	6,050	5,786
Extraordinary income		
Gain on sale of shares of subsidiaries	16	—
Gain on sale of non-current assets	382	4,448
Other	—	30
Total extraordinary income	398	4,478
Extraordinary losses		
Impairment losses	88	—
Expenses for measures against infectious diseases	9	—
Provision for compensation loss	—	50
Other	9	—
Total extraordinary losses	106	50
Profit before income taxes	6,342	10,214
Income taxes-current	2,594	3,944
Income taxes-deferred	-600	-511
Total income taxes	1,994	3,433
Profit	4,347	6,781
Profit attributable to non-controlling interests	579	49
Profit attributable to owners of parent	3,768	6,731

Consolidated statements of comprehensive income
 Consolidated first quarter results

	(Million yen)	
	Q1 FY2023 (From January 1, 2023 to March 31, 2023)	Q1 FY2024 (From January 1, 2024 to March 31, 2024)
Profit	4,347	6,781
Other comprehensive income		
Valuation difference on available-for-sale securities	237	955
Revaluation reserve for land	-	323
Foreign currency translation adjustment	56	303
Remeasurements of defined benefit plans, net of tax	43	43
Share of other comprehensive income of entities accounted for using equity method	0	-1
Total other comprehensive income	338	1,624
Comprehensive income	4,686	8,406
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,087	8,345
Comprehensive income attributable to non-controlling interests	598	60

(3) Consolidated cash flow statement

	(Million yen)	
	Q1 FY2023 (From January 1, 2023 to March 31, 2023)	Q1 FY2024 (From January 1, 2024 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	6,342	10,214
Depreciation	1,140	1,185
Impairment losses	88	-
Expenses for measures against infectious diseases	9	-
Amortization of goodwill	15	15
Increase (decrease) in provision for loss on construction contracts	10	-176
Increase (decrease) in retirement benefit liability	48	168
Decrease (increase) in retirement benefit asset	-131	-141
Share of loss (profit) of entities accounted for using equity method	5	12
Interest expenses	11	33
Foreign exchange losses (gains)	-25	-64
Decrease (increase) in notes and accounts receivable - trade and contract assets	-5,405	-3,766
Decrease (increase) in inventories	1,336	406
Increase (decrease) in trade payables	841	3,060
Loss (gain) on sale of shares of subsidiaries and associates	-16	-
Loss (gain) on sale of non-current assets	-	-4,448
Non-operating commission expenses	-	370
Decrease (increase) in prepaid expenses	223	1,154
Increase (decrease) in accrued consumption taxes	-2,721	-4,137
Increase (decrease) in accounts payable - other	-342	-1,540
Increase (decrease) in accounts payable - personnel expenses	2,793	2,617
Decrease (increase) in long-term prepaid expenses	265	178
Other	-2,429	1,971
Subtotal	2,061	7,112
Interest and dividends income received	35	53
Interest paid	-11	-25
Income taxes paid	-2,195	-4,946
Payments for loss on withdrawal from business	-3	-2
Expenses for measures against infectious diseases paid	-5	-
Non-operating commission expenses paid	-	-280
Net cash provided by (used in) operating activities	-118	1,911
Cash flows from investing activities		
Payments into time deposits	-626	-353
Proceeds from withdrawal of time deposits	835	1,062
Purchase of property, plant and equipment	-1,955	-829
Proceeds from sale of property, plant and equipment	975	6,194
Purchase of intangible assets	-629	-644
Purchase of securities	-2,300	-
Proceeds from sale of securities	800	2,200
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-14	-
Other	448	22
Net cash provided by (used in) investing activities	-2,467	7,652

(Million yen)

	Q1 FY2023 (From January 1, 2023 to March 31, 2023)	Q1 FY2024 (From January 1, 2024 to March 31, 2024)
Cash flows from financing activities		
Proceeds from short-term borrowings	6,617	6,050
Repayments of short-term borrowings	-4,050	-10,670
Repayments of long-term borrowings	-5,212	-106
Purchase of treasury shares	-2	-1
Dividends paid	-2,293	-2,030
Dividends paid to non-controlling interests	-514	-45
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-12	-5
Net increase (decrease) in commercial papers	5,000	-3,000
Proceeds from exercise of employee share options	80	356
Other	-0	-1
Net cash provided by (used in) financing activities	-387	-9,456
Effect of exchange rate change on cash and cash equivalents	40	240
Net increase (decrease) in cash and cash equivalents	-2,933	347
Cash and cash equivalents at beginning of period	33,086	34,785
Cash and cash equivalents at end of period	30,153	35,133

(4) Notes to consolidated financial statements

(Note on going concern assumptions)

Not applicable.

(Note when there is a considerable change in the amount of shareholders' equity)

Not applicable.

(Important changes in subsidiaries during this quarter)

Not applicable.

(Application of specific accounting treatment to the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

Certain consolidated subsidiaries make a reasonable estimate of the effective tax rate after the application of tax effect accounting to income before income taxes for the current fiscal year and multiply quarterly income before income taxes by the estimated effective tax rate.

(Segment information)

[Segment information]

I. Q1 FY2023 (From January 1, 2023 to March 31, 2023)

1. Net sales and profit (loss) for each reported segment and the breakdown of revenue

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Goods transferred at a point in time	57,782	125	57,907	618	58,525	–	58,525
Goods transferred over time	13,321	–	13,321	3,156	16,477	–	16,477
Revenue from contracts with customers	71,104	125	71,229	3,774	75,003	–	75,003
Other revenue (Note 4)	0	625	625	2	627	–	627
Sales to outside customers	71,104	750	71,854	3,776	75,631	–	75,631
Inter-segment sales or transfers	27	140	168	221	390	-390	–
Total	71,131	890	72,022	3,998	76,021	-390	75,631
Segment profit	5,379	223	5,603	252	5,856	-0	5,855

Notes:

1. "Others" is a business segment that is not included in the reported segments and includes the data entry business, contact center business, and tissue engineering business, etc.
2. An adjustment of segment profit of -0 million yen includes an elimination of inter-segment transactions of -0 million yen.
3. The segment profit has been adjusted to the operating profit stated in the consolidated income statement.
4. The main components of other revenue include income from lease based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Information on impairment loss in non-current assets and goodwill by reported segment

The presentation of information has been omitted due to its lack of material significance.

II. Q1 FY2024 (From January 1, 2024 to March 31, 2024)

1. Net sales and profit (loss) for each reported segment and the breakdown of revenue

(Million yen)

	Reported segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount on first-quarter consolidated statement of income (Note 3)
	SI business	Facility business	Total				
Net sales							
Goods transferred at a point in time	60,877	113	60,990	415	61,406	–	61,406
Goods transferred over time	13,214	–	13,214	3,194	16,409	–	16,409
Revenue from contracts with customers	74,092	113	74,205	3,610	77,816	–	77,816
Other revenue (Note 4)	0	612	612	2	614	–	614
Sales to outside customers	74,092	725	74,818	3,613	78,431	–	78,431
Inter-segment sales or transfers	22	138	160	304	465	-465	–
Total	74,115	863	74,978	3,917	78,896	-465	78,431
Segment profit	5,557	266	5,823	240	6,064	0	6,064

Notes:

1. “Others” is a business segment that is not included in the reported segments and includes the data entry business and contact center business.
2. An adjustment of segment profit of 0 million yen includes an elimination of inter-segment transactions of 0 million yen.
3. The segment profit has been adjusted to the operating profit stated in the consolidated income statement.
4. The main components of other revenue include income from lease based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Information on impairment loss in non-current assets and goodwill by reported segment

The presentation of information has been omitted due to its lack of material significance.

(Post-balance sheet events)

(Submitting Company) Issuance of stock options

At the Board of Directors' meeting held on March 26, 2024, the Company passed a resolution to issue stock acquisition rights as stock options for the Company's directors and operating officers pursuant to the provisions of Article 236, Article 238, and Article 240 of the Companies Act, and issued them on April 25, 2024.

Outline of issuance of stock acquisition rights

1. Number of stock acquisition rights

2,900

The total number of common shares of the Company to be delivered upon exercise of stock acquisition rights shall be one hundred and thirty-one thousand (290,000). If the number of shares to be granted in relation to the stock acquisition rights is adjusted as prescribed in item 3-(1) below, however, the number shall be the product of the adjusted number of shares to be granted multiplied by the number of the stock acquisition rights.

2. Cash payment in exchange for stock acquisition rights

No payment of money shall be required in exchange for the stock acquisition rights. These stock acquisition rights are to be granted as incentive compensation, and the lack of a requirement to pay money for the rights is not considered advantageous placement.

3. Contents of stock acquisition rights

(1) The class and number of shares to be acquired upon exercise of stock acquisition rights

The number of shares of common stock underlying a stock acquisition right ("the Number of Allotted Shares") shall be 100. The number of shares granted shall be adjusted according to the following formula if the Company conducts a stock split (includes allotment of the common shares of the Company without consideration; hereinafter the same) or a stock consolidation after the allotment date of the stock acquisition rights. Provided, however, that such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the stock acquisition rights that have not yet been exercised at the time of adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

If the Company performs a merger or company split, or reduces its share capital, or any other similar matter where the adjustment of the number of shares granted becomes necessary, after the allotment date of the stock acquisition rights, the number of shares granted shall, to a reasonable extent, be adjusted as appropriate.

(2) Value of assets to be contributed upon exercise of each stock acquisition right or the calculation method thereof

The value of assets to be contributed upon exercise of the stock acquisition rights shall be an amount obtained by multiplying the amount to be paid in per share (the "Exercise Price"), which is determined in the following way, by the number of shares to be granted.

The Exercise Price shall be the product of the multiplication by 1.05 of the average of the daily closing price of the common shares of the Company in regular trading on Tokyo Stock Exchange during the month (excluding dates where no trading is made) immediately prior to the month containing the allotment date of the stock acquisition rights (with any fractions of less than 1 yen rounded up). However, where the price calculated in the above way is below the closing price on the allotment date of the stock acquisition rights (or the closing price of the last trade date where no trade was made on the allotment date of the stock acquisition rights), the said closing price shall be the Exercise Price.

In the case where the Company carries out a share split or share consolidation of its stock after the date of allotment of the stock acquisition rights, the Exercise Price shall be adjusted according to the following formula, with the resulting fractions of less than one yen arising from such calculation to be rounded up.

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

If the Company issues new common shares or disposes of its treasury shares at a price below the market price of its common shares (excluding the case of the issuance of new shares and the disposal of treasury shares upon exercise of stock acquisition rights and the transfer of treasury shares through the exchange of shares), after the allotment date of the stock acquisition rights, the exercise price shall be adjusted according to the following formula, and any fraction of less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of shares newly issued} \times \text{Paid-in amount per share}}{\text{Market price per share prior to the issuance}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

In the above formula, the “number of shares outstanding” shall be the amount obtained by subtracting the number of treasury shares pertaining to the common shares of the Company from the total number of shares outstanding pertaining to the common shares of the Company. If the Company undertakes the disposal of treasury shares pertaining to its common shares, the “number of shares newly issued” shall be read as the “number of treasury shares to be disposed of.”

In addition to the above, if the Company performs a merger with another company, company split, or any other similar matter where the adjustment of the exercise price becomes necessary, after the allotment date of the stock acquisition rights, the Company may, to a reasonable extent, adjust the exercise price as appropriate.

(3) Exercise period of stock acquisition rights

Period during which the stock acquisition rights can be exercised during March 27, 2026 to March 24, 2034 (hereinafter referred to as the “Exercise Period”) However, when the last day of the Exercise Period is a non-business day of the Company, the business day before that shall be the last day.

(4) Matters related to increases in share capital and legal capital surplus

(i) The amount by which the stated share capital increases through the issuance of shares upon the exercise of stock acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of stated share capital and other items calculated pursuant to the provisions of Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction of less than one yen arising from the calculation shall be rounded up.

(ii) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of stock acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in (i) above, less the increase in the amount of stated share capital set out in (i) above.

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

Any acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Company.

(6) Conditions for exercise of stock acquisition rights

(i) When exercising stock acquisition rights, it is not necessary for the holder of stock acquisition rights to be a director, auditor, operating officer or employee of the Company.

(ii) A holder of stock acquisition rights who ceases to be a director, auditor, operating officer or employee before the start of the exercise period may not exercise his or her stock acquisition rights. However, this shall not apply when the reason the director, auditor, operating officer or employee left their position is recognized by the Board of Directors as being due to mandatory retirement or any other justifiable reason.

(iii) A holder of stock acquisition rights is not permitted to exercise the stock acquisition rights if any one of the following applies to them.

i. Where the person has become subject to the ruling of commencement of assistance, commencement of curatorship, or commencement of guardianship

ii. Where the person has become subject to the ruling to commence bankruptcy procedures

iii. Where the person has become an officer or employee of any company in a competitive relationship with the Company (excluding the Company’s affiliated companies), any other company engaged in the same business as the Company (excluding the Company’s affiliated companies) or any company offering advisory or consultancy services to any such company (including cases where the person is personally engaged in any such business or service) However, this rule shall not apply in cases where the Board of Directors of the Company approves such assumption of office in advance.

iv. Where the person is deemed to have committed an act of disloyalty, such as violating a law or the Company’s internal regulations

v. Where the person has violated the agreement on allotment of stock acquisition rights to be concluded between the Company and each person to whom stock acquisition rights are allocated

(iv) Other conditions on exercise of the stock acquisition rights shall be as set forth in the agreement on allotment of stock acquisition rights to be concluded between the Company and each holder of stock acquisition rights.

4. Allotment date of stock acquisition rights

April 25, 2024

5. Matters concerning the acquisition of stock acquisition rights

- (1) If a proposal for a merger agreement under which the Company is to be the dissolving company, a company split agreement or a company split plan under which the Company is to be the splitting company, or a share exchange agreement or share transfer plan under which the Company is to be a wholly-owned subsidiary is approved by resolution of the general meeting of shareholders (or if a resolution is made by the Company's Board of Directors in the case when the approval of the Company's general meeting of shareholders is not required), the Company may acquire all stock acquisition rights without consideration on a date to be separately determined by the Board of Directors of the Company.
- (2) If a holder of the stock acquisition rights becomes unable to exercise the stock acquisition rights before he/she exercises the stock acquisition rights under the provisions of 3-(6) above, the Company may acquire the stock acquisition rights without compensation upon arrival of the date separately determined by the Company's Board of Directors.

6. Handling of stock acquisition rights at the time of organizational restructuring

If the Company conducts a merger (limited to the case where the Company is dissolved due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the "Reorganization"), the Company shall, in each of the above cases, allot stock acquisition rights of the relevant company from among those listed in "a" through "e" of Article 236, Paragraph 1, Item 8 of the Companies Act (the "Reorganized Company") to the holders of the stock acquisition rights as of the effective date of the relevant Reorganization. Provided, however, that the foregoing shall be on the condition that the allotment of such stock acquisition rights by the reorganized company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(1) Number of stock acquisition rights of the Reorganized Company to be delivered

The same number as the number of stock acquisition rights held by the stock acquisition right owner shall be allotted in each case.

(2) Class of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

Shares of common stock of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of stock acquisition rights

It shall be determined in accordance with 3. (1) above, taking into consideration the terms and conditions of the Reorganization.

(4) Value of assets to be contributed upon exercise of each stock acquisition right

The value of assets to be contributed upon exercise of each stock acquisition right to be allotted is the amount obtained by multiplying the strike price after the Reorganization obtained through adjustment of the strike price specified in 3. (2) above, taking into consideration the terms and conditions of the Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of each share option as determined in accordance with 6. (3) above.

(5) Exercise period of stock acquisition rights

The period shall be from the first day of the exercise period specified in 3. (3) above or the effective date of the reorganization, whichever comes later, to the last day of the exercise period specified in 3. (3) above.

(6) Matters concerning increase in capital and capital reserve upon issuance of shares through the exercise of stock acquisition rights

They shall be determined in accordance with 3. (4) above.

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

Restriction on the acquisition of the stock acquisition rights through transfer requires approval by the reorganized company.

(8) Other conditions for exercise of stock acquisition rights

They shall be determined in accordance with 3. (6) above.

(9) Grounds and conditions for acquisition of stock acquisition rights

Matters shall be determined in accordance with 5. above.

(10) Other conditions are determined according to the conditions for the Reorganized Company.

7. Matters related to stock acquisition right certificates for the stock acquisition rights

The Company shall not issue stock acquisition right certificates for the stock acquisition rights.

8. Person who will receive the allotment of stock acquisition rights and the number of stock acquisition rights

Directors of the Company (excluding outside directors) 5 persons 900 (90,000 shares)

Operating officers of the Company 20 persons 2,000 (200,000 shares)

(Submitting Company) Disposition of treasury shares as restricted stock compensation

At a meeting of the Board of Directors held on March 26, 2024, the Company passed a resolution regarding the disposal of treasury shares as restricted stock compensation for directors excluding outside directors (hereinafter “Eligible Directors”) and for operating officers who do not serve concurrently as directors (hereinafter collectively “Eligible Officers”). Accordingly, the Company disposed of treasury shares as follows.

1. Purpose of the Disposition and reason therefor

At a meeting of the Board of Directors held on February 10, 2022, the Company passed a resolution to introduce a restricted stock compensation plan as a new compensation plan for the Eligible Officers to incentivize them to continuously increase the Company’s corporate value and increase value sharing with shareholders. In addition, at the 54th Annual General Meeting of Shareholders held on March 15, 2024, the Company received approvals, including approval to provide monetary compensation claims of up to 300 million yen per year to the Eligible Directors as compensation to be used as properties contributed in kind for acquisition of the restricted stocks and issue or dispose of no more than 40,000 common shares of the Company per year, as well as approval to set the period from the date when common shares of the Company are allotted under the agreement on allotment of restricted stocks to be concluded between the Company and each Eligible Director to the time immediately after resignation from positions as the Company’s officers or employees which are specified by the Company’s Board of Directors, as a transfer restriction period.

2. Overview of the disposition of treasury stock

(1) Disposal date	April 25, 2024
(2) Class and number of shares to be disposed of	Common stock of the Company: 12,750 shares
(3) Disposition amount	6,060 yen per share
(4) Total disposition amount	77,265,000 yen
(5) Allottees, number of allottees and number of shares targeted for disposal	Five Directors of the Company (excluding Outside Directors) 3,819 shares Twenty Operating Officers of the Company who are not Directors of the Company 8,931 shares
(6) Other	For the Disposition of Treasury Shares, the Company submits the securities registration statement under the Financial Instruments and Exchange Act.