

3. Consolidated financial statements and important notes

(1) Consolidated balance sheets

(Unit: millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Assets		
Current assets		
Cash and deposits	36,597	34,914
Notes receivable - trade	1,733	1,375
Accounts receivable - trade	8,878	8,636
Contract assets	324	380
Electronically recorded monetary claims - operating	1,957	2,744
Merchandise and finished goods	339	142
Work in process	1,902	6,296
Raw materials and supplies	1,997	3,816
Merchandise rights	1,734	2,123
Other	3,441	4,451
Allowance for doubtful accounts	(37)	(31)
Total current assets	58,868	64,848
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,479	14,282
Accumulated depreciation	(3,387)	(11,273)
Buildings and structures, net	2,091	3,009
Machinery, equipment and vehicles	96	1,041
Accumulated depreciation	(73)	(982)
Machinery, equipment and vehicles, net	22	59
Tools, furniture and fixtures	3,703	6,589
Accumulated depreciation	(3,245)	(5,681)
Tools, furniture and fixtures, net	457	907
Land	1,929	5,360
Construction in progress	793	102
Total property, plant and equipment	5,295	9,440
Intangible assets		
Goodwill	1,677	1,395
Other	1,210	1,007
Total intangible assets	2,888	2,402
Investments and other assets		
Investment securities	7,959	13,131
Long-term loans receivable	681	1,802
Deferred tax assets	962	3,391
Leasehold and guarantee deposits	2,247	2,632
Other	2,197	1,868
Allowance for doubtful accounts	(207)	(1,379)
Investments and other assets Total	13,841	21,447
Total non-current assets	22,024	33,290
Total assets	80,893	98,139

(Unit: millions of yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Current consolidated fiscal year (As of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,402	10,961
Electronically recorded obligations - operating	-	1,460
Short-term borrowings	6,549	6,000
Current portion of long-term borrowings	2,794	2,400
Income taxes payable	1,358	2,414
Contract liabilities	1,029	1,249
Provision for bonuses	273	758
Provision for bonuses for directors (and other officers)	159	216
Other	5,923	5,150
Total current liabilities	30,489	30,610
Non-current liabilities		
Long-term borrowings	3,994	5,503
Provision for retirement benefits for directors (and other officers)	-	169
Retirement benefit liability	862	1,447
Asset retirement obligations	1,213	1,331
Other	2,515	3,230
Total non-current liabilities	8,585	11,682
Total liabilities	39,075	42,293
Net assets		
Shareholders' equity		
Share capital	7,948	7,948
Capital surplus	7,390	7,390
Retained earnings	24,217	33,801
Treasury shares	(1,644)	(1,631)
Total shareholders' equity	37,912	47,508
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,194	38
Foreign currency translation adjustment	1	2
Remeasurements of defined benefit plans	12	37
Total accumulated other comprehensive income	1,208	78
Share acquisition rights	45	203
Non-controlling interests	2,651	8,055
Total net assets	41,817	55,845
Total liabilities and net assets	80,893	98,139

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

Consolidated statements of income

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net sales	117,125	141,923
Cost of sales	91,799	115,464
Gross profit	25,326	26,459
Selling, general and administrative expenses		
Advertising expenses	1,191	1,107
Salaries	4,379	4,667
Provision for bonuses	200	193
Retirement benefit expenses	68	73
Outsourcing expenses	1,465	937
Travel and transportation expenses	312	407
Depreciation	415	484
Rent expenses on land and buildings	1,202	1,026
Provision of allowance for doubtful accounts	(63)	(6)
Amortization of goodwill	260	282
Provision for bonuses for directors (and other officers)	159	216
Other	4,784	5,241
Total selling, general and administrative expenses	14,376	14,631
Operating profit	10,950	11,827
Non-operating income		
Interest income	4	13
Dividend income	5	129
Purchase discounts	129	21
Share of profit of entities accounted for using equity method	90	896
Distributions from investments	21	16
Other	133	155
Total non-operating income	385	1,233
Non-operating expenses		
Interest expenses	79	56
Financing expenses	4	4
Depreciation	-	25
Provision of allowance for doubtful accounts for subsidiaries and associates	6	-
Other	27	28
Total non-operating expenses	116	113
Ordinary profit	11,218	12,947

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	299
Gain on sale of non-current assets	1	3
Gain on bargain purchase	-	1,072
Other	0	-
Total extraordinary income	1	1,375
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	38	-
Loss on retirement of non-current assets	46	24
Impairment losses	-	172
Provision of allowance for doubtful accounts for subsidiaries and associates	-	314
Loss on sale of membership	7	-
Other	0	0
Total extraordinary losses	91	511
Profit (loss) before income taxes	11,127	13,811
Income taxes - current	1,963	2,649
Income taxes - deferred	(859)	(1,763)
Total income taxes	1,103	885
Profit (loss)	10,024	12,925
Profit attributable to non-controlling interests	1,802	1,374
Profit attributable to owners of parent	8,221	11,551

Consolidated statement of comprehensive income

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Profit (loss)	10,024	12,925
Other comprehensive income		
Valuation difference on available-for-sale securities	1,174	(1,156)
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	8	26
Share of other comprehensive income of entities accounted for using equity method	-	0
Total other comprehensive income	1,183	(1,128)
Comprehensive income	11,207	11,797
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,406	10,422
Comprehensive income attributable to non- controlling interests	1,801	1,374

(3) Consolidated statement of change in equity

Previous fiscal year (April 1, 2022 to March 31, 2023)

(Unit: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,948	7,576	16,771	(1,946)	30,349
Changes during period					
Dividends of surplus			(646)		(646)
Profit (loss) attributable to owners of parent			8,221		8,221
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(128)	302	173
Purchase of shares of consolidated subsidiaries		(191)			(191)
Change in scope of consolidation		5			5
Net changes in items other than shareholders' equity					
Total changes during period	-	(185)	7,446	301	7,562
Balance at end of period	7,948	7,390	24,217	(1,644)	37,912

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	18	1	3	23	28	1,150	31,551
Changes during period							
Dividends of surplus							(646)
Profit (loss) attributable to owners of parent							8,221
Purchase of treasury shares							(0)
Disposal of treasury shares							173
Purchase of shares of consolidated subsidiaries							(191)
Change in scope of consolidation							5
Net changes in items other than shareholders' equity	1,175	(0)	8	1,184	17	1,500	2,702
Total changes during period	1,175	(0)	8	1,184	17	1,500	10,265
Balance at end of period	1,194	1	12	1,208	45	2,651	41,817

Current consolidated fiscal year (April 1, 2023 to March 31, 2024)

(Unit: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,948	7,390	24,217	(1,644)	37,912
Changes during period					
Dividends of surplus			(1,961)		(1,961)
Profit (loss) attributable to owners of parent			11,551		11,551
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(5)	12	7
Purchase of shares of consolidated subsidiaries					-
Change in scope of consolidation					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	9,584	12	9,596
Balance at end of period	7,948	7,390	33,801	(1,631)	47,508

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,194	1	12	1,208	45	2,651	41,817
Changes during period							
Dividends of surplus							(1,961)
Profit (loss) attributable to owners of parent							11,551
Purchase of treasury shares							(0)
Disposal of treasury shares							7
Purchase of shares of consolidated subsidiaries							-
Change in scope of consolidation							-
Net changes in items other than shareholders' equity	(1,155)	0	25	(1,130)	157	5,404	4,431
Total changes during period	(1,155)	0	25	(1,130)	157	5,404	14,028
Balance at end of period	38	2	37	78	203	8,055	55,845

(4) Consolidated statements of cash flows

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	11,127	13,811
Depreciation	781	1,024
Amortization of goodwill	260	282
Investments in capital depreciation	797	633
Increase (decrease) in allowance for doubtful accounts	(106)	298
Increase (decrease) in provision for bonuses	(18)	35
Increase (decrease) in provision for bonuses for directors (and other officers)	113	57
Increase (decrease) in retirement benefit liability	(19)	51
Interest and dividend income	(9)	(143)
Interest expenses	79	56
Share of loss (profit) of entities accounted for using equity method	(90)	(896)
Loss (gain) on sale of non-current assets	(1)	(3)
Loss (gain) on sale of shares of subsidiaries and associates	38	(299)
Impairment losses	-	172
Gain on bargain purchase	-	(1,072)
Decrease (increase) in trade receivables	551	3,926
Decrease (increase) in inventories	2,330	(4,558)
Decrease (increase) in advance payments to suppliers	(456)	1,175
Decrease (increase) in accounts receivable - other	(229)	(591)
Increase (decrease) in trade payables	(631)	(4,371)
Increase (decrease) in Liabilities related to paid-in transactions (decrease in)	(1,105)	146
Increase (decrease) in accounts payable - other	676	(827)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	797	(1,374)
Other, net	(1,040)	529
Subtotal	13,844	8,062
Interest and dividends received	9	201
Interest paid	(79)	(56)
Income taxes refund (paid)	(1,213)	(2,643)
Net cash provided by (used in) operating activities	12,561	5,563

(Unit: millions of yen)

	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Cash flows from investing activities		
Purchase of property, plant and equipment	(812)	(1,528)
Proceeds from sale of property, plant and equipment	4	3
Purchase of intangible assets	(531)	(234)
Purchase of investment securities	(5,126)	(439)
Proceeds from sale of investment securities	79	73
Purchase of shares of subsidiaries and associates	-	(254)
Proceeds from sale of shares of subsidiaries and associates	273	-
Payments for investments in capital	(1,012)	(303)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3	1,732
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	343
Purchase of shares of affiliates accounted for by the equity method	-	(3,167)
Loan advances	(483)	(370)
Proceeds from collection of loans receivable	18	6
Payments of leasehold and guarantee deposits	(25)	(33)
Proceeds from refund of leasehold and guarantee deposits	14	57
Other, net	(45)	12
Net cash provided by (used in) investing activities	(7,642)	(4,101)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,349	(499)
Repayments of long-term borrowings	(5,051)	(3,617)
Proceeds from long-term borrowings	-	2,950
Dividends paid	(645)	(1,959)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(486)	-
Other, net	109	(19)
Net cash provided by (used in) financing activities	(725)	(3,145)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	4,193	(1,683)
Cash and cash equivalents at beginning of period	32,304	36,497
Cash and cash equivalents at end of term	36,497	34,814

(5) Note regarding the consolidated financial statements

(Notes regarding the operation of the company as a going concern)

Not applicable.

(Segment information, etc.)

[Segment information]

1. The outline of any reporting segment

The reporting segments of the Company are components of the Group for which separate financial data is available and which are regularly reviewed by board of directors to determine resource allocation and assess performance.

Our group comprises segments by products and services handled by the operating companies. We have two reportable segments: content and digital, and PS.

The content and digital business segment plans, produces, and distributes visual products and engages in merchandise and advertising licensing. PS segment plans, develops, manufactures, and sells PS machine.

In each business, the company which serves as the business controlling company is the center of planning and promoting business strategies in Japan and overseas.

2. Methods of measuring net sales, profit (loss) and assets etc. of reporting segments

The accounting method for the reporting segments is the same as the accounting method used in the preparation of the consolidated financial statements.

Income of reporting segments is based on operating profit.

3. Information on net sales and profit (loss) and assets etc. by reporting segment

Previous fiscal year (April 1, 2022, to March 31, 2023)

(Unit: millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjusted amount (Note 2)	Carrying value (Note 3)
	Content and digital business	PS business	Total				
Net sales							
Net sales to external customers	14,029	100,805	114,835	2,290	117,125	—	117,125
Intersegment net sales or transfers	503	3	506	14	521	(521)	—
Total	14,532	100,808	115,341	2,305	117,646	(521)	117,125
Segment profit	4,378	7,714	12,092	75	12,168	(1,218)	10,950
Segment assets	13,019	44,835	57,854	1,416	59,271	21,621	80,893
Other items							
Depreciation	343	359	703	32	735	45	781
Amortized amount of goodwill	—	260	260	—	260	—	260
Investment amount to equity-method affiliates	—	36	36	454	491	—	491
Increase in property, plant and equipment and intangible assets additions	867	344	1,211	9	1,220	305	1,526

(Note) 1. "Other" is a business segment that is not included in reporting segments and includes fitness business, etc.

2. Adjusted amounts are as follows.

(1) ¥(1,218) million for adjustments to segment income includes an elimination ¥(26) million for inter-segment transactions and ¥(1,191) million for corporate expenses that are not allocated to individual reportable segments.

(2) ¥21,621 million adjustment to segment assets includes ¥(8,693) million the elimination of inter-segment transactions and ¥30,315 million for corporate assets not allocated to the respective reportable segments.

(3) Depreciation reconciliation of ¥45 million represents depreciation related to corporate assets that is not allocated to reportable segments.

(4) ¥305 million for adjustment to the increase in property, plant and equipment and intangible assets relates to corporate assets that is not allocated to reportable segments.

3. Segment profit is adjusted with operating profit of consolidated statement of income.

Current fiscal year (April 1, 2023 to March 31, 2024)

(Unit: millions of yen)

	Reportable segments			Other (Note 1)	Total	Adjusted amount (Note 2)	Carrying value (Note 3)
	Content and digital business	PS business	Total				
Net sales							
Net sales to external customers	14,998	125,328	140,326	1,597	141,923	—	141,923
Intersegment net sales or transfers	337	267	605	10	615	(615)	—
Total	15,336	125,595	140,931	1,607	142,538	(615)	141,923
Segment profit	3,781	10,412	14,194	19	14,214	(2,386)	11,827
Segment assets	15,309	58,381	73,690	1,318	75,009	23,129	98,139
Other items							
Depreciation	455	397	852	45	897	126	1,024
Amortized amount of goodwill	—	282	282	—	282	—	282
Investment amount to equity-method affiliates	—	9,521	9,521	436	9,958	—	9,958
Increase in property, plant and equipment and intangible assets additions	518	919	1,438	77	1,516	38	1,554

(Note) 1. “Other” is a business segment that is not included in reporting segments and includes fitness business, etc.

2. Adjusted amounts are as follows.

- (1) ¥(2,386) million for adjustments to segment income includes an elimination of inter-segment transactions of ¥29 million and ¥(2,416) million in corporate expenses that are not allocated to the respective reportable segments.
- (2) ¥23,129 million adjustment to segment assets includes ¥(507) million elimination of inter-segment transactions and ¥23,637 million for corporate assets not allocated to the respective reportable segments.
- (3) Depreciation reconciliation of ¥126 million represents depreciation related to corporate assets that is not allocated to reportable segments.
- (4) The ¥38 million adjustment to the increase in property, plant and equipment and intangible assets relates to corporate assets that is not allocated to reportable segments.

3. Segment profit is adjusted with operating profit of consolidated statement of income.

(Per share information)

Item	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Net assets per share	¥598.18	¥727.30
Profit (loss) per share	¥126.70	¥176.56
Diluted profit (loss) per share	¥125.74	¥176.11

(Note) 1. On March 21, 2023, we conducted a 2-for-1 stock split of our common share. Accordingly, per share information is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

2. The basis for calculating profit per share or loss per share is as follows:

Item	Previous consolidated fiscal year (April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (April 1, 2023 to March 31, 2024)
Profit per share or loss per share		
Profit (loss) attributable to owners of parent (millions of yen)	8,221	11,551
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit (loss) attributable to owners of parent attributable to common share (millions of yen)	8,221	11,551
Average number of shares of common stock outstanding during the period (shares)	64,891,355	65,423,736
Diluted profit (loss) per share		
Adjustment of profit attributable to owners of parent (millions of yen)	—	—
Increase in common share (shares)	497,578	167,205
Outline of dilutive shares not included in the calculation of diluted profit per share because they have no dilutive effect	—	—

(Significant subsequent events)

(Cancellation of treasury shares)

At the director meeting held on May 14, 2024, we resolved to cancel treasury shares as described below in accordance with Article 178 of the Companies Act.

1. Reasons for cancellation of treasury shares

To further improve capital efficiency and share value through a reduction in the total number of shares outstanding as part of shareholder return measures.

2. Details of retirement

- | | | |
|-----|----------------------------------|--|
| (1) | Type of shares to be cancelled | Shares of our common stock |
| (2) | Number of shares to be cancelled | 3,970,850 shares
(5.72% of the total number of issued shares before cancellation) |
| (3) | Scheduled retirement date | May 31, 2024 |

(Purchase of treasury shares)

At the director meeting held on May 14, 2024, we adopted a resolution regarding matters pertaining to purchase of treasury shares in accordance with the provisions of Article 156 of the Companies Act as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act. The Company has decided to use Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") to outsource the purchase of shares, and a portion of the purchases will be made through a facility-type treasury shares acquisition (ASR) method.

In addition, in conjunction with the recent purchase of treasury shares acquisition by way of a facility-type Treasury shares acquisition (ASR), at the director meeting held on the same day, we resolved to issue the fourth share acquisition rights (hereinafter referred to as “Fixed Capital Share acquisition rights”) and the fifth Share acquisition rights (hereinafter referred to as “Fixed Capital Subscription Type Share acquisition rights”) and Fixed Capital Subscription Type Share acquisition rights individually or collectively referred to as “Share acquisition rights”) through a third-party allotment to SMBC Nikko Securities Co., Ltd. (hereinafter referred to as “SMBC Nikko Securities”).

1. Reasons for Purchase of treasury shares

We regard the improvement of corporate value as an important management issue. To accomplish this goal, we aim to stabilize our financial base from a medium-to-long-term perspective in response to rapid changes in the market. While appropriately securing funds to invest in expanding earnings, we also have a basic policy of paying dividends in line with earnings to our stockholders.

Taking into account our financial condition, future business plans, and market conditions, we have decided to acquire treasury shares by adopting a facility-type purchase of treasury shares that is capable of reliably generating a considerable amount of treasury shares, in order to further solidify our commitment to returning profits to shareholders and, in turn, contribute to a cycle of enhancing corporate value. Accordingly, we have decided to acquire Treasury shares with the aim of improving capital efficiency and enhancing shareholder returns.

In addition to the facility-type treasury shares acquisition (ASR), the number of shares to be acquired (upper limit) (defined below) has been determined based on the fact that Hidetoshi Yamamoto, our major shareholder has informed the Company of his intention to sell part of his shareholding in the Company.

2. Details of resolution on purchase of treasury shares (resolution of director council on May 14, 2024)

(1)	Type of stock to be acquired	Shares of our common stock
(2)	Total number of shares that can be acquired	Up to 3,500,000 shares (5.35% of the total number of issued shares (excluding treasury shares))
(3)	Total value of shares repurchased	¥6,500,000,000 (maximum)
(4)	Acquisition period	May 15, 2024
(5)	Acquisition method	Purchase by off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange

3. Acquisition Methods (Treasury shares Acquisition (ToSTNeT-3) and Treasury shares Acquisition (ASR))

At the closing price (including the final special quotation) of today (May 14, 2024), the company commissioned Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) of the Tokyo Stock Exchange at 8:45 a.m. on May 15, 2024 to purchase a maximum of 3,500,000 shares (hereinafter referred to as the “Treasury shares Acquisition (ToSTNeT-3)”), and the maximum number of shares to be acquired is referred to as the “maximum number of shares to be acquired.” Such purchase order shall be placed only during the relevant trading hours.

In Treasury shares Acquisition (ToSTNeT-3), the Company plans to make sales orders from SMBC Nikko Securities for 1,000,000 of the 3,500,000 shares to be acquired (the number of shares to be sold from such SMBC Nikko Securities is referred to as the “number of shares to be acquired (ASR)” and Treasury shares Acquisition from the Company is referred to as the “Treasury shares Acquisition (ASR).” The actual purchase price of the shares from SMBC Nikko Securities is equal to the arithmetic average of the closing trading volume of our shares on the Tokyo Stock Exchange on the last trading day of each of our quarterly accounting periods (from May 16, 2024 to the trading day prior to the vesting date of the fixed-amount subscription rights or grants of the fixed-amount subscription rights to shares; the same shall apply hereafter) and excluding the trading day before the end of the five trading days prior to the trading day of our shares and the trading day without VWAP of our shares. 98.1% Adjustment transactions using fixed-amount subscription rights to shares and fixed-amount subscription rights to shares (hereinafter referred to as “Adjustment Transactions”) will be conducted between us and SMBC Nikko Securities to equal the prices multiplied (hereinafter referred to as “Average VWAP”). As a result of this reconciliation transaction, the ultimate total purchase of treasury shares or the number of shares to be repurchased may change.

4. About Facility-Type Treasury shares Acquisitions (ASR)

In implementing Purchase of treasury shares, SMBC Nikko Securities proposed Facility-Type Treasury shares Acquisition (ASR) (Treasury shares Acquisition (ASR) and purchase of treasury shares through a series of transactions in the Adjusted Transaction, collectively referred to herein as the “Schemes.” For the reasons stated below, we have determined that purchase of treasury shares is the best option for us to satisfy our need for a substantial amount of treasury shares as a means of returning profits to shareholders. Accordingly, we have decided to acquire a portion of treasury shares (ToSTNeT-3) through a facility-type ASR.

Among purchase of treasury shares methods based on market purchases, there are various methods for acquiring treasury shares through regular auction transactions, such as those ordered individually by us, discretionary account transactions by securities companies, and the use of trust companies. In the case of purchase of treasury shares of the size we are planning this time, considering the trading volume in the market of our shares, it is assumed that both methods will take a certain amount of time before purchase of treasury shares is completed. In addition, unlike the above-mentioned method, the transaction itself ends in one day when the purchase is outsourced to a ToSTNeT-3, but depending on the volume of sales orders by our shareholders, we may not be able to purchase treasury shares of the size that we intended.

In this regard, we will be able to complete treasury shares repurchase transaction of the size we intend to acquire in one day, even if there are few sales orders by ordinary shareholders. In this case, we will be able to purchase treasury shares of the total number of shares to be repurchased (ASR) with a high degree of certainty, as SMBC Nikko Securities plans to place sales orders for the total number of shares to be repurchased (ASR) based on the calculation of treasury, as described below. Although the order for sales of SMBC Nikko Securities has not been finalized at this time, we have obtained confirmation from SMBC Nikko Securities that it is expected that the total number of shares to be acquired (ASR) can be sold by borrowing shares from Mint Co., our major shareholder. In addition, we expect to improve the supply and demand for our shares through the market purchase transaction (as defined below) by SMBC Nikko Securities, which will be conducted after treasury shares acquisition (ASR).

<Summary of the Scheme (Facility-type treasury shares acquisition (ASR))>

The outline of this scheme is as follows.

- On May 15, 2024, we will make a ToSTNeT-3 to purchase treasury shares of up to 3,500,000 shares to be repurchased. At that time, SMBC Nikko Securities will borrow shares from Mint Co., a major shareholder of ours, and then in accordance with treasury shares acquisition (ToSTNeT-3), will make sales orders equal to the number of shares to be acquired (ASR), which is equivalent to 1,000,000 of the above 3,500,000 shares. In addition, we have been informed by our shareholder, Hidetoshi Yamamoto, that he has the intention to sell orders with a portion of our shares held (2,500,000 shares). Accordingly, we expect to be able to acquire treasury shares for ToSTNeT-3 of the planned number of shares to be acquired (ASR) even if ordinary shareholders do not place sales orders for ToSTNeT-3. In ToSTNeT-3, sales orders from ordinary shareholders are given precedence over sales orders based on the calculation of the treasury of SMBC Nikko Securities, a financial merchandise trader. Therefore, if total of the number of shares to be purchased (ASR) exceeds the number of shares to be repurchased (the upper limit), the commitment for sales orders by SMBC Nikko Securities is made only for the number of shares excluding the excess. Accordingly, in the event that ordinary stockholders place sales orders for the number of shares to be purchased (maximum), this Treasury shares acquisition (ASR) will not be conducted through the sale by SMBC Nikko Securities, and neither the amount of investment fixed type share acquisition rights nor the number of shares to be delivered fixed type share acquisition rights will be exercised.
- SMBC Nikko Securities, after treasury shares acquisition (ASR), actually sold to us in treasury shares acquisition (ASR) of our shares borrowed (hereafter, the quantity of such shares is referred to as “the number of shares sold (Nikko)”). We plan to acquire our shares within the stock market at the discretion of SMBC Nikko Securities for the purpose of returning them (hereafter, such transaction is referred to as the “market purchase transaction”).
- This scheme is designed to ensure that our effective unit purchase price equals the average VWAP with respect to shares we acquired from SMBC Nikko Securities through treasury shares acquisition (ASR). Specifically, we will allocate the amount of investment fixed share acquisition rights and the number of shares delivered fixed Share acquisition rights to SMBC Nikko Securities for the adjusted transaction. The adjusted transaction will be executed by SMBC Nikko Securities by exercising either the fixed Share acquisition rights amount of investment or the fixed share acquisition rights number of shares issued, depending on the status of the transition of the mean VWAP. Details of this adjustment transaction are as follows.

- (1) If the average VWAP after treasury shares acquisition (ASR) is higher than the unit price for treasury shares acquisition (ASR) (adjusted transaction by exercise of rights of fixed-type share acquisition rights for investment amount)
- Assuming that SMBC Nikko Securities acquires shares at the average VWAP in the market purchase transaction, the amount received by SMBC Nikko Securities from us at Treasury shares Acquisition (ASR) (the “Amount Received (Nikko)”). Even if SMBC Nikko Securities is used in full, it is not possible to purchase a sufficient number of shares to return the shares borrowed (the number of shares that can be purchased under such assumptions is hereinafter referred to as the “number of shares available for repurchase (mean VWAP).”) Therefore, SMBC Nikko Securities acquires shares equivalent to the shortage of shares by exercising the fixed Share acquisition rights for the amount of investment. The amount of investment at the time of fixed-type exercise of share acquisition rights is ¥1. The number of shares to be delivered to SMBC Nikko Securities upon the exercise of the investment is calculated according to the following formula.

Investments fixed number of shares delivered by share acquisition rights =

Number of shares sold (Nikko) - Number of shares available for acquisition (average VWAP)

(Number of Shares Available for Acquisition (Average VWAP) = Amount Received (Nikko)/Average VWAP)

- As a result of the aforementioned issuance of our shares through the exercise of the fixed Share acquisition rights, the actual number of Purchase of treasury shares that we will acquire under this scheme will be the number of shares purchased by us through ToSTNeT-3 transaction, less the number of shares delivered through the exercise of the fixed Share acquisition rights investment amount.
 - In this Treasury shares Acquisition (ToSTNeT-3), assuming that ASR of the number of shares to be acquired (ASR) does not exceed the maximum number of shares to be acquired (the total number of shares to be acquired (ASR) has been sold based on SMBC Nikko Securities’ own account), Total of the number of shares to be acquired and the number of shares to be acquired (treasury shares acquisition (ASR) will be the same as if we purchased shares at the average treasury shares using the amount of shares to be acquired in the number of shares to be acquired (ASR) by combining the above-mentioned adjusted transactions (however, the amount of capital contribution (¥1) at the time of exercise of the investment fixed amount ToSTNeT-3 is not taken into account).) In addition, if the number of shares to be repurchased (ASR) total exceeds the maximum number of shares to be repurchased, the number of shares of our company to be sold by SMBC Nikko Securities based on the calculation of treasury will be deducted from the excess. As a result, the number of shares of treasury shares repurchased subject to the adjusted transaction will be reduced, and the maximum number of shares to be delivered by the fixed capital contribution share acquisition rights will be reduced.
 - In this event, the fixed-number share acquisition rights will not be exercised and will be surrendered by SMBC Nikko Securities.
- (2) If the average VWAP after treasury shares acquisition (ASR) is lower than the unit price for treasury shares acquisition (ASR) (adjusted transaction by exercise of rights of fixed-number of shares delivered share acquisition rights)
- In this case, assuming that SMBC Nikko Securities acquires shares at the average VWAP in the market purchase transaction, SMBC Nikko Securities may purchase the quantity required to return the shares borrowed by Nikko Securities without using the full amount (amount received) (Nikko) received from us at treasury shares acquisition (ASR) (the amount required for the purchase is referred to herein as the “average VWAP amount required for purchase”).) For this reason, SMBC Nikko Securities exercises the fixed-number-of-shares-delivered share acquisition rights and pays the amount equivalent to the surplus to us as consideration for the exercise. The number of shares to be delivered related to the fixed-number Exercise of share acquisition rights is 100 shares, and the amount of money (exercise price) to be delivered to us upon such exercise is calculated by the following formula.

Number of shares delivered fixed type exercise of share acquisition rights value =

Amount received (Nikko) - Amount required to be purchased (mean VWAP)

(Amount required to be purchased (average VWAP) = Number of shares sold (Nikko) × Average VWAP)

- As a consequence of the payment of the exercise price related to the exercise of the aforementioned fixed-number Share acquisition rights, the total actual purchase price of treasury shares to be acquired by us under this scheme is the total purchase price paid by us through ToSTNeT-3 transaction, less the fixed-number-of-shares-delivered exercise

of share acquisition rights price.

- In this treasury shares acquisition (ASR), assuming that ASR of the number of shares to be acquired (ASR) does not exceed the maximum number of shares to be acquired (the total number of shares to be acquired (ASR) has been sold based on SMBC Nikko Securities' own account), Total will be the same as if we bought 1,000,000 shares of the number of shares to be acquired (treasury shares) at the mean VWAP by combining this treasury shares acquisition (ASR) with the above-mentioned adjusted transaction (however, we do not consider the 100 shares to be issued upon exercise of the above-mentioned fixed number of shares ASR). In addition, if the number of shares to be repurchased (ASR) total exceeds the maximum number of shares to be repurchased, the number of shares of our company to be sold by SMBC Nikko Securities based on the calculation of treasury will be deducted from the excess, resulting in a reduction in the number of shares of treasury shares repurchased subject to the adjusted transaction and a reduction in the maximum number of shares to be delivered fixed exercise of share acquisition rights value.
- In this event, the fixed-amount Share acquisition rights will not be exercised and will be surrendered by SMBC Nikko Securities.

Exercise of either of the above-mentioned fixed-amount share acquisition rights or fixed-amount share acquisition rights is expected to occur between August 1, 2024 and September 24, 2024, the period during which the fixed-amount exercise of share acquisition rights is available. We intend to disclose the final results of the adjusted transaction separately; however, depending on the results, the ultimate total purchase of treasury shares or the number of shares acquired may change. In the unlikely event that the average VWAP after treasury shares acquisition (ASR) is equal to the unit price for treasury shares acquisition (ToSTNeT-3), SMBC Nikko Securities will surrender both the fixed investment amount share acquisition rights and the fixed number of shares delivered.

5. Issuance of share acquisition rights by Third Party Allocation

<Fourth Share acquisition rights (Fixed-type Share acquisition rights for investment amount)>

(1) Allocation Date	May 30, 2024
(2) Total number of Share acquisition rights	1 pc
(3) Issue price	0 yen
(4) Potential number of shares resulting from such issuance	The actual number of shares to be delivered is calculated by the method described in (7) below at the time of the exercise of the fixed Share acquisition rights investment amount.
(5) Amount of proceeds	0 yen * Amount of investment total amount of the fixed Issuance of share acquisition rights value and the value of the property to be invested upon fixed Exercise of share acquisition rights is 1 yen, but after deducting the approximate amount of issuance costs related to this Share acquisition rights, the amount is 0 yen.
(6) Exercise price	1 yen
(7) Calculation method for the number of shares to be delivered at the time of exercise	The actual number of shares to be delivered at the time of the fixed investment Exercise of share acquisition rights is calculated on the exercise date of the fixed investment Share acquisition rights based on the following formula: Number of shares delivered = (I)Number of shares sold (Nikko) - (II) Number of shares available for repurchase (mean VWAP) (I) "Number of shares sold (Nikko)" is the number of shares sold to us by SMBC Nikko Securities in Treasury shares repurchase (ASR). (II) "Number of shares available for repurchase (average VWAP)" is the number of shares calculated in accordance with the following formula (rounded up to the nearest 100 shares resulting from the computation):

	<p>Number of shares available for repurchase (avg. VWAP) = $\frac{\text{(a) Amount received (Nikko)}}{\text{(b) Mean VWAP}}$</p> <p>(a) “Amount received (Nikko)” is Total amount of the sales of shares sold by SMBC Nikko Securities to us on a treasury account in this Treasury shares repurchase (ASR).</p> <p>(b) “Average VWAP” is the price obtained by multiplying the simple arithmetic average of VWAP on the last day of the ordinary trading of our shares on the Tokyo Stock Exchange for the period from May 16, 2024 (including the same day) to the trading day immediately before the exercise date of the fixed-investment Share acquisition rights (including the same day) (hereinafter referred to in this column as the “average VWAP calculation period”), by 98.1% (calculated to the fifth decimal place below the yen and rounded to the fifth decimal place). However, we do not include the period from the last trading day of each of our quarterly fiscal periods through the last trading day of the five trading days prior to the last trading day of the same period and the trading days without VWAP of our shares in the averaging VWAP calculation period.</p>
(8) Solicitation or Allotment Method (Scheduled allotment counterparties)	Third-party allotment to SMBC Nikko Securities
(9) Other	<p>Equity Investments Fixed Share acquisition rights vest over the period from August 1, 2024 to September 24, 2024.</p> <p>On this date, we entered into a facility agreement with SMBC Nikko Securities (the “Facility Agreement”), which provides that SMBC Nikko Securities may not exercise, and will waive, its decision to exercise, one of the Fixed-Capitalization Share acquisition rights and the Fixed-Capitalization Share acquisition rights. In addition, we intend to enter into an agreement with SMBC Nikko Securities for the purchase of Share acquisition rights after the entry into force of the notification under Financial Instruments and Exchange Act relating to this Share acquisition rights (hereinafter referred to as the “Share acquisition rights Purchase Agreement”). This Share acquisition rights Purchase Agreement stipulates that SMBC Nikko Securities may not transfer this Share acquisition rights to any third party other than us without our prior written consent, and in no event shall only one of the capital contribution fixed Share acquisition rights and the number of shares delivered fixed type Share acquisition rights be transferred.</p>

<Fifth Share acquisition rights (number of shares delivered fixed share acquisition rights)>

(1) Allocation Date	May 30, 2024
(2) Total number of Share acquisition rights	1 pc
(3) Issue price	0 yen
(4) Potential number of shares resulting from such issuance	100 shares
(5) Amount of proceeds	The actual amount of proceeds will be reduced based on the exercise price calculated by the method described in (6) below.
(6) Calculation method of exercise price	<p>The actual exercise price at the time of Exercise of share acquisition rights of fixed-number share issuance will be calculated based on the following formula (fractions less than one yen resulting from the calculation will be rounded up to the nearest one yen, and one yen if the calculation result is less than one yen) on the date of exercise of the fixed-number-of-share issuance Share acquisition rights:</p> <p>Exercise price = (I) Amount received (Nikko) – (II) Amount required to be purchased (mean</p>

	<p>VWAP)</p> <p>(I) “Amount received (Nikko)” is Total amount of the sales of shares sold by SMBC Nikko Securities to us on a treasury account in this Treasury shares repurchase (ASR).</p> <p>(II) “Amount required for purchase (mean VWAP)” is the amount calculated according to the following formula.</p> <p>Amount required to be purchased (average VWAP) = (a) Number of shares sold (Nikko) ×(b) Average VWAP</p> <p>(a) “Number of shares sold (Nikko)” is the number of shares sold to us by SMBC Nikko Securities in Treasury shares repurchase (ASR).</p> <p>(b) “Average VWAP” is the price obtained by multiplying the simple arithmetic average of VWAP on the last day of the ordinary trading of our shares on the Tokyo Stock Exchange for the period from May 16, 2024 (including the same date) to the trading day immediately before the exercise date of the fixed-number Share acquisition rights for shares delivered (including the same date) (hereinafter referred to as the “average VWAP calculation period” in this column) by 98.1% (calculated to five decimal places below the yen and rounded to five decimal places). However, we do not include the period from the last trading day of each of our quarterly fiscal periods through the last trading day of the five trading days prior to the last trading day of the same period and the trading days without VWAP of our shares in the averaging VWAP calculation period.)</p>
(7) Solicitation or Allotment Method (Scheduled allotment counterparties)	Third-party allotment to SMBC Nikko Securities
(8) Other	<p>The vesting period for the fixed-number Share acquisition rights is from August 1, 2024 to September 24, 2024.</p> <p>See “<Other Fourth Share acquisition rights (Equity Fixed Share acquisition rights)>(9) Other” above for information regarding the signing of the Facility Agreement and Share acquisition rights Purchase Agreement.</p>

<About the Facility Agreement>

Under the Facility Agreement, SMBC Nikko Securities is required to exercise either a fixed-amount Share acquisition rights or a fixed-number-of-shares Share acquisition rights within the exercisable period, subject to certain circumstances. Specifically, SMBC Nikko Securities shall exercise either the acquisition unit price for the acquisition of treasury shares (ASR) and the average VWAP after the acquisition of treasury shares (ASR) as described above within the exercisable period of the acquisition unit price for the acquisition of treasury shares and the acquisition right for the fixed number of shares with the issuance of shares after the completion of the purchase transaction (provided, however, that SMBC Nikko Securities shall waive both the acquisition unit price for the acquisition of treasury shares (ASR) and the acquisition unit price for the fixed number of shares with the issuance of shares if the average VWAP after the acquisition of treasury shares (ASR) is the same as the acquisition unit price for the acquisition of treasury shares (ASR), and if such waiver is made, The Investment Amount Fixed Share Options and the Number of Shares to be Delivered Fixed Share Options are not exercised.) In addition, SMBC Nikko Securities is not allowed to exercise one of the fixed-amount Share acquisition rights and the fixed-amount Share acquisition rights to be delivered, or to be waived, when exercised. The Purchase Transaction by SMBC Nikko Securities will be conducted at the discretion of SMBC Nikko Securities, including whether or not to conduct the Purchase, the timing and prices of the Purchase.