

* 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):	3/23:	33,700,000 shares	Year ended 12/22:	33,700,000 shares
2) Number of treasury shares at the end of period:	3/23:	2,273,704 shares	Year ended 12/22:	2,291,309 shares
3) Average number of shares during the period (quarterly consolidated cumulative period):	3/23:	31,416,914 shares	3/22:	31,355,465 shares

* 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, 2023, (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 Three Months Ended March 31, 2023

(1) Details of consolidated results

During the first quarter of the consolidated fiscal year under review (from January 1, 2023 to March 31, 2023), the Japanese economy recovered modestly. Economic activities began to normalize, mainly reflecting the easing of COVID-19 restrictions, although uncertainties continued, including uncertainty related to rising interest rates that resulted from the monetary restraint measures being implemented to control inflation globally, as well as the continued rise in resource and energy costs and the resultant price increases.

Uncertainties remain, such as the shortages of semiconductors and other components and prices that are rising globally. In the information services industry, however, demand for strategic system investment to keep pace with the trend toward digital transformation (DX) has continued to increase, with companies in a wide range of industries remaining highly motivated to invest in systems to expand business or increase competitiveness.

In this business environment, the FUJISOFT GROUP is working to achieve sustainable growth and improve its added value under “Lead DX in the aspects of both IT and OT with digital technologies and contribute to value improvement and innovations by customers and society,” its three-year management policy set in the Medium-Term Management Plan (2022 to 2024) that was announced in 2022.

In addition, the Company has focused its efforts on its own DX, driving internal reforms based on operational reforms and measures to boost business competitiveness, while also taking steps to improve profitability, such as developing new business domains with higher added value and improving productivity.

In operation system development in the System Construction Segment, demand remained strong reflecting the movement to promote DX, mainly in the domain of system infrastructure construction realizing virtualization and the shift to cloud computing, which are essential for achievements including increased business efficiency and productivity, by utilizing the technologies of global vendors, the reconstruction of backbone systems for responding to the termination of support for software or reinforcing business foundations, and the development of service systems for the provision of new services, among other domains.

Alongside the extensive experience the Company has in the development of cloud environments for many customers, it possesses high-level technological capabilities related to cloud security, risk management and various security solutions that support safety. The Company has been engaged in aggressive sales activities targeting public institutions and financial services firms, which are cautious about the shift to cloud computing, in an effort to expand its business.

In embedded/control system development, the Company performed strongly. In the machine control field, performance remained strong in fields related to semiconductor manufacturing facilities, where market remained strong mainly for products for industrial applications while major manufacturers continued investments in the digital consumer electronics field.

In the automotive sector, business remained strong due to robust investment in the CASE domain, including electrification for achieving global carbon neutrality and the continued evolution of automated driving. Needs are also expanding in the field of basic technologies that support the above, such as the model-based development, and the Company has been responding flexibly to technological fields where demand is expected, while investing in research into advanced expertise, as part of its efforts to enhance its competitiveness.

In the products and services segment, sales remained strong mainly in the license business operated in cooperation with a global vendor. Mobile routers remained strong with growing demand for rental equipment, reflecting gradual recovery of demand from inbound tourists that is attributed mainly to the easing of COVID-19 restrictions. The Company also released the +F FS050W, a new product in the +F series of mobile solution products and services with cumulative sales of more than one million units. The +F FS050W is a 5G mobile router that is compatible with eSIM and Dual SIM. The Company released it in response to the spread of 5G services to cater to diverse needs in the market.

The Company will continue to provide high-quality products which meet customers’ needs and develop and sell new products by responding flexibly to social change in its efforts to strengthen and expand its business.

As a result of these initiatives, in the first quarter under review, net sales stood at 75,631 million yen, up 9.8% year on year, thanks to the strong performance of the System Integration business. While SG&A expenses increased 7.9% year on year, to 10,855 million yen, the sales growth resulted in operating profit of 5,855 million yen, up 15.0% year on year, ordinary profit of 6,050 million yen, up 11.1% year on year, and profit attributable to owners of parent of 3,768 million yen, up 12.9% year on year.

Results by business segment were as follows:

(i) SI (system integration) business

In the SI business, both sales and profit from embedded/control software increased, mainly reflecting the steady performance of development projects in the field of advanced technologies for automotive systems and development projects involving

machine control systems in the industrial and consumer electronics fields. In operation software, sales increased because of the favorable results in the projects for the construction of backbone systems and system infrastructure mainly in the manufacturing and financial service industries, and operating profit increased due in part to the increase of sales, improvement of productivity, and reduced losses from unprofitable projects. In Products and Services, sale and income rose thanks to strong sales of licenses from other companies and the Company's hardware products. In the outsourcing business, sales decreased despite the steady performance of operation and maintenance services, mainly reflecting a decrease in IT services for overseas retailers, and operating profit also decreased due in part to the decrease of sales and the impact of rising electricity prices on data center services.

As a result, net sales stood at 71,104 million yen, up 9.5% year on year. Operating profit amounted to 5,379 million yen, up 16.6%.

* 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	71,104	109.5	5,379	116.6
System Construction	44,875	110.7	3,767	123.9
Embedded/Control Software	19,597	107.5	1,894	107.1
Operation Software	25,278	113.4	1,872	147.2
Products and Services	26,228	107.5	1,612	102.6
Products and Services	22,648	109.2	1,379	105.4
Outsourcing	3,579	97.5	232	88.6

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

(ii) Facility business

In the facility business, net sales stood at 750 million yen, up 6.1% year on year. Operating profit amounted to 223 million yen, up 31.6%.

(iii) Other businesses

Net sales from other businesses amounted to 3,776 million yen, up 16.5% year on year, thanks to the significant contribution of the pension-related operations which were started in the previous fiscal year for both BPO services and call center services. Operating profit stood at 252 million yen, down 17.8% year on year, due in part to a decrease in profitable projects, which ran only for a limited period.

(2) Details of financial position

Total assets

Total assets stood at 242,891 million yen at the end of the consolidated first quarter under review, up 2,056 million yen from the end of the preceding consolidated fiscal year. Current assets were 114,631 million yen (up 1,900 million yen from the end of the previous fiscal year), and non-current assets were 128,260 million yen (up 155 million yen).

The main factors for the change in current assets include an increase in notes and accounts receivable-trade and contract assets by 5,106 million yen from the end of the previous fiscal year, to 61,741 million yen, a decrease in cash and deposits by 1,112 million yen, to 31,624 million yen, a decrease in work in process by 1,338 million yen, to 2,424 million yen, a decrease in securities of 500 million yen, to 8,000 million yen, and a decrease in advance payments to suppliers of 273 million yen, to 5,616 million yen.

The main factors for the change in non-current assets include an increase in buildings and structures by 4,449 million yen from the end of the previous fiscal year, to 32,056 million yen, a decrease in construction in progress of 3,808 million yen, to 9,170 million yen, and a decrease in land of 565 million yen, to 55,326 million yen.

Liabilities

At the end of the consolidated first quarter under review, total liabilities amounted to 88,287 million yen, up 196 million yen from the end of the previous fiscal year. Current liabilities were 72,273 million yen (up 328 million yen from the end of the previous fiscal year), and non-current liabilities were 16,013 million yen (down 132 million yen).

The main factors in the change in current liabilities include an increase in commercial papers by 5,000 million yen from the end of the previous fiscal year, to 5,000 million yen, an increase in accrued expenses and provision for bonuses of 2,173 million yen, to 15,147 million yen, a decrease in accrued consumption taxes of 2,904 million yen, to 3,057 million yen, a decrease in short-term loans payable and current portion of long-term loans payable of 2,533 million yen, to 15,322 million yen, and a

decrease in accounts payable - other of 990 million yen, to 5,360 million yen.

The main factors in the change in non-current liabilities included 110 million yen decrease in long-term loans payable from the end of the previous fiscal year, to 8,672 million yen.

Net assets

Net assets rose 1,860 million yen from the end of the preceding fiscal year, to 154,604 million yen at the end of the consolidated first quarter under review. As a result, the equity ratio increased to 55.9% from 55.7% 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 30,153 million yen, a decrease of 2,933 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 used in operating activities in the cumulative first quarter of the fiscal year under review came to 118 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 used in investing activities in the cumulative first quarter of the fiscal year under review came to 2,467 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 and securities.

(Cash flows from financing activities)

Net cash used in financing activities in the cumulative first quarter of the fiscal year under review was 387 million yen.

This was mainly due to dividend payments.

(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, 2022 announced on February 14, 2023.

2. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Million yen)

	FY2022 (As of December 31, 2022)	Q1 FY2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	32,736	31,624
Notes and accounts receivable - trade, and contract assets	56,634	61,741
Securities	8,500	8,000
Merchandise	1,732	1,731
Work in process	3,763	2,424
Raw materials and supplies	55	58
Other	9,421	9,179
Allowance for doubtful accounts	-113	-128
Total current assets	112,730	114,631
Non-current assets		
Property, plant and equipment		
Buildings and structures	59,733	64,473
Accumulated depreciation	-32,125	-32,417
Buildings and structures, net	27,607	32,056
Land	55,892	55,326
Construction in progress	12,979	9,170
Other	13,041	13,214
Accumulated depreciation	-10,360	-10,510
Other, net	2,680	2,703
Total property, plant and equipment	99,160	99,258
Intangible assets		
Goodwill	336	320
Software	5,050	4,941
Other	39	37
Total intangible assets	5,426	5,298
Investments and other assets		
Investment securities	7,693	8,008
Retirement benefit asset	7,274	7,462
Deferred tax assets	3,454	3,917
Other	5,117	4,335
Allowance for doubtful accounts	-20	-21
Total investments and other assets	23,518	23,703
Total non-current assets	128,104	128,260
Total assets	240,835	242,891

(Million yen)

	FY2022 (As of December 31, 2022)	Q1 FY2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,083	14,947
Short-term borrowings	12,141	14,710
Commercial papers	-	5,000
Current portion of long-term borrowings	5,714	612
Accrued expenses	5,503	5,019
Income taxes payable	2,828	2,881
Provision for bonuses	7,470	10,128
Provision for bonuses for directors (and other officers)	286	193
Provision for loss on construction contracts	421	466
Provision for loss on withdrawal from business	30	28
Provision for subsidy repayment	429	443
Provision for compensation loss	212	151
Other	22,823	17,690
Total current liabilities	71,945	72,273
Non-current liabilities		
Long-term borrowings	8,783	8,672
Provision for retirement benefits for directors (and other officers)	410	407
Retirement benefit liability	4,504	4,583
Other	2,447	2,349
Total non-current liabilities	16,145	16,013
Total liabilities	88,091	88,287
Net assets		
Shareholders' equity		
Share capital	26,200	26,200
Capital surplus	29,089	29,119
Retained earnings	91,020	92,495
Treasury shares	-4,593	-4,560
Total shareholders' equity	141,717	143,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,224	1,464
Deferred gains or losses on hedges	-0	-0
Revaluation reserve for land	-8,228	-8,228
Foreign currency translation adjustment	485	522
Remeasurements of defined benefit plans	-1,149	-1,159
Total accumulated other comprehensive income	-7,668	-7,400
Stock acquisition rights	646	659
Non-controlling interests	18,049	18,091
Total net assets	152,744	154,604
Total liabilities and net assets	240,835	242,891

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

Consolidated statements of income

Consolidated first quarter results

	(Million yen)	
	Q1 FY2022 (From January 1, 2022 to March 31, 2022)	Q1 FY2023 (From January 1, 2023 to March 31, 2023)
Net sales	68,874	75,631
Cost of sales	53,725	58,919
Gross profit	15,148	16,711
Selling, general and administrative expenses	10,058	10,855
Operating profit	5,089	5,855
Non-operating income		
Interest income	22	34
Share of profit of entities accounted for using equity method	12	-
Foreign exchange gains	300	27
Insurance claim income	-	151
Other	39	30
Total non-operating income	375	244
Non-operating expenses		
Interest expenses	11	11
Share of loss of entities accounted for using equity method	-	5
Expenses for dealing with system failure	0	14
Other	6	19
Total non-operating expenses	18	50
Ordinary profit	5,446	6,050
Extraordinary income		
Gain on sale of shares of subsidiaries	-	16
Gain on sale of non-current assets	-	382
Total extraordinary income	-	398
Extraordinary losses		
Impairment losses	28	88
Expenses for measures against infectious diseases	35	9
Other	6	9
Total extraordinary losses	69	106
Profit before income taxes	5,376	6,342
Income taxes-current	1,846	2,594
Income taxes-deferred	-419	-600
Total income taxes	1,427	1,994
Profit	3,949	4,347
Profit attributable to non-controlling interests	612	579
Profit attributable to owners of parent	3,337	3,768

Consolidated statements of comprehensive income
 Consolidated first quarter results

	(Million yen)	
	Q1 FY2022 (From January 1, 2022 to March 31, 2022)	Q1 FY2023 (From January 1, 2023 to March 31, 2023)
Profit	3,949	4,347
Other comprehensive income		
Valuation difference on available-for-sale securities	-457	237
Foreign currency translation adjustment	304	56
Remeasurements of defined benefit plans, net of tax	148	43
Share of other comprehensive income of entities accounted for using equity method	5	0
Total other comprehensive income	1	338
Comprehensive income	3,950	4,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,177	4,087
Comprehensive income attributable to non-controlling interests	773	598

(3) Consolidated cash flow statement

(Million yen)

	Q1 FY2022 (From January 1, 2022 to March 31, 2022)	Q1 FY2023 (From January 1, 2023 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	5,376	6,342
Depreciation	1,330	1,140
Impairment losses	28	88
Expenses for measures against infectious diseases	35	9
Amortization of goodwill	14	15
Increase (decrease) in provision for loss on construction contracts	-56	10
Increase (decrease) in retirement benefit liability	-100	48
Decrease (increase) in retirement benefit asset	-107	-131
Share of loss (profit) of entities accounted for using equity method	-12	5
Interest expenses	11	11
Foreign exchange losses (gains)	-307	-25
Decrease (increase) in notes and accounts receivable - trade and contract assets	-4,354	-5,405
Decrease (increase) in inventories	179	1,336
Increase (decrease) in trade payables	1,635	841
Loss (gain) on sale of shares of subsidiaries and associates	-	-16
Increase (decrease) in accrued consumption taxes	-3,110	-2,721
Increase (decrease) in accounts payable - other	1,902	-342
Increase (decrease) in accounts payable - personnel expenses	1,553	2,793
Decrease (increase) in long-term prepaid expenses	308	265
Other	-1,672	-2,205
Subtotal	2,654	2,061
Interest and dividends income received	23	35
Interest paid	-12	-11
Income taxes paid	-4,387	-2,195
Payments for loss on withdrawal from business	-9	-3
Expenses for measures against infectious diseases paid	-27	-5
Net cash provided by (used in) operating activities	-1,758	-118
Cash flows from investing activities		
Payments into time deposits	-725	-626
Proceeds from withdrawal of time deposits	541	835
Purchase of property, plant and equipment	-1,805	-1,955
Proceeds from sale of property, plant and equipment	-	975
Purchase of intangible assets	-646	-629
Purchase of securities	-	-2,300
Proceeds from sale of securities	-	800
Proceeds from sale of investment securities	-	20
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	-14
Other	-1	428
Net cash provided by (used in) investing activities	-2,637	-2,467

(Million yen)

	Q1 FY2022 (From January 1, 2022 to March 31, 2022)	Q1 FY2023 (From January 1, 2023 to March 31, 2023)
Cash flows from financing activities		
Proceeds from short-term borrowings	4,986	6,617
Repayments of short-term borrowings	-4,576	-4,050
Proceeds from long-term borrowings	5,000	—
Repayments of long-term borrowings	-3,681	-5,212
Purchase of treasury shares	—	-2
Dividends paid	-749	-2,293
Dividends paid to non-controlling interests	-449	-514
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-3	-12
Repayments to non-controlling shareholders	-121	—
Net increase (decrease) in commercial papers	—	5,000
Proceeds from exercise of employee share options	11	80
Purchase of treasury shares of subsidiaries	-236	—
Other	-4	-0
Net cash provided by (used in) financing activities	174	-387
Effect of exchange rate change on cash and cash equivalents	366	40
Net increase (decrease) in cash and cash equivalents	-3,854	-2,933
Cash and cash equivalents at beginning of period	40,876	33,086
Cash and cash equivalents at end of period	37,021	30,153

(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 FY2022 (From January 1, 2022 to March 31, 2022)

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	53,453	145	53,598	476	54,075	–	54,075
Goods transferred over time	11,473	–	11,473	2,761	14,235	–	14,235
Revenue from contracts with customers	64,926	145	65,072	3,238	68,310	–	68,310
Other revenue (Note 4)	0	561	561	2	563	–	563
Sales to outside customers	64,926	706	65,633	3,240	68,874	–	68,874
Inter-segment sales or transfers	29	134	163	170	334	-334	–
Total	64,956	841	65,797	3,411	69,209	-334	68,874
Segment profit	4,612	170	4,782	307	5,089	0	5,089

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 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.

(Post-balance sheet events)

(Submitting Company) Issuance of stock options as stock-based compensation

At the Board of Directors' meeting held on March 28, 2023, 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 27, 2023.

Outline of issuance of stock acquisition rights

1. Number of stock acquisition rights

1,310

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 (131,000). 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 April 1, 2025 to March 28, 2028 (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 the stock acquisition rights, a holder of the stock acquisition rights must have a position as either a director (not an outside director), auditor (not an outside auditor), operating officer, or employee (employee as prescribed in Article 2 of the Company’s Rules of Employment) of the Company. However, this shall not apply if the person has been transferred to a subsidiary or associate and the Board of Directors has given approval, or if the Board of Directors of the Company deems there to be a justifiable reason.

(ii) Regardless of the provisions in (i), 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 taken the position as an officer, employee, or consultant of a company which is in a competitive relationship with the Company (excluding subsidiaries and associates of the Company); provided, however, that this shall not apply when a prior approval has been given by the Board of Directors of the Company

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

(iii) 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 27, 2023

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 holder of the stock acquisition rights 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	450 (45,000 shares)
Operating officers of the Company	18 persons	860 (86,000 shares)

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

At a meeting of the Board of Directors held on March 28, 2023, the Company passed a resolution about disposal of treasury shares as restricted stock compensation for its directors excluding outside directors and its operating officers who do not serve concurrently as directors and 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 Company's directors excluding outside directors (hereinafter, the "Eligible Directors") and operating officers who do not serve concurrently as directors (hereinafter, the "Eligible Directors, etc.") for the purposes of giving the Eligible Directors, etc. the incentive to continuously increase the Company's corporate value and stepping up value sharing with shareholders. In addition, at the 52nd Annual General Meeting of Shareholders held on March 11, 2022, the Company received approvals, including approval to provide monetary compensation claims of up to 150 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 30,000 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) Payment date	April 27, 2023	
(2) Class and number of shares to be disposed of	Common stock of the Company: 8,767 shares	
(3) Disposition amount	7,640 yen per share	
(4) Total disposition amount	66,979,880 yen	
(5) Allottees	Five directors of the Company (excluding Outside Directors)	2,752 shares
	Eighteen Operating officers of the Company who are not Directors of the Company	6,015 shares
(6) Other	For the Disposition of Treasury Shares, the Company submits the securities registration statement under the Financial Instruments and Exchange Act.	

(Submitting Company) Stock split and partial amendment of the articles of incorporation associated with the stock split

At the Board of Directors' meeting held on April 25, 2023, the Company passed a resolution to implement a stock split and partially amend its articles of incorporation.

1. Purpose of the stock split

The Company will implement the stock split to decrease the amount per investment unit of the Company's stock and thus increase the liquidity of the Company's stock and further expand the investor base.

2. Overview of the stock split

(1) Method of the split

The Company will conduct a 2-for-1 stock split with the record date of June 30, 2023, whereby each share of common stock held by shareholders listed or recorded in the final register of shareholders' lists of the same day will be split into two.

(2) Increase in the number of shares resulting from the split

Total number of shares outstanding as of March 31, 2023:	33,700,000 shares
Increase in the number of shares resulting from the stock split:	33,700,000 shares
Total number of shares outstanding after the stock split:	67,400,000 shares
Total number of shares authorized to be issued after the stock split:	260,200,000 shares

(3) Schedule of the stock split

Date of public notice of the record date:	June 15, 2023
Record date:	June 30, 2023
Effective date:	July 1, 2023

3. Partial amendment of the articles of incorporation

(1) Reason for the amendment

Pursuant to the provisions of Article 184, paragraph (2) of the Companies Act, the Company will amend a part of its articles of incorporation effective on July 1, 2023.

(2) Details of the amendments

(Amended parts are underlined.)

Current articles of incorporation	Proposed amendments
(Total number of shares authorized to be issued) Article 6 The total number of shares authorized to be issued of the Company shall be <u>130,100,000</u> shares.	(Total number of shares authorized to be issued) Article 6 The total number of shares authorized to be issued of the Company shall be <u>260,200,000</u> shares.

(3) Amendment schedule

Effective date of the amendment of the articles of incorporation: July 1, 2023

(4) Impact on per-share information

Net profit per share assuming that the stock split was implemented at the beginning of the previous consolidated fiscal year is as follows.

(Net profit per share)

	Q1 FY2022 (From January 1, 2022 to March 31, 2022)	Q1 FY2023 (From January 1, 2023 to March 31, 2023)
Net profit per share	53.21 yen	59.97 yen
Fully diluted net profit per share	53.18 yen	59.91 yen