

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (J-GAAP)

November 2, 2018

Listed Company Name: IR Japan Holdings, Ltd.
 Securities Code: 6035
 Listing: Tokyo Stock Exchange URL: <https://www.irjapan.jp/>
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 Scheduled Date to Submit Quarterly Securities Report: November 13, 2018
 Scheduled Date to Start Dividend Payment: December 3, 2018
 Preparation of Results Briefing Materials: Yes
 Holding of Financial Results Briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen have been truncated)

1. Consolidated Financial Results for the Six Months Ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	2,560	13.2	863	7.9	879	9.8	599	10.9
Six months ended September 30, 2017	2,262	8.5	800	14.4	801	14.6	540	26.4

Note: Comprehensive income Six months ended September 30, 2018: 600 million yen (10.5%)
 Six months ended September 30, 2017: 543 million yen (27.4%)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Six months ended September 30, 2018	33.66	—
Six months ended September 30, 2017	30.38	—

Note: The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018.

Profit per share figures have been calculated on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	4,892	3,900	79.7
As of March 31, 2018	4,589	3,586	78.1

Reference: Shareholders' equity As of September 30, 2018: 3,900 million yen
 As of March 31, 2018: 3,586 million yen

2. Dividends

	Full-year dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	—	25.00	—	35.00	60.00
Fiscal year ending March 31, 2019	—	15.00			
Fiscal year ending March 31, 2019 (Forecast)			—	17.50	32.50

Note: Revision of dividends forecast since last announcement: Yes

Note: The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2018.

The second quarter-end dividends and the forecast for year-end dividends for the fiscal year ending March 31, 2019 are amounts after conducting the said 2-for-1 stock split.

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,600	11.3	1,300	12.4	1,300	12.3	888	8.1	49.83

Note: Revision of consolidated results forecast since last announcement: None

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of special accounting treatments in preparing quarterly consolidated financial statements: Yes
Note: For details, please refer to “2. Consolidated Financial Statements and Primary Notes (4) Notes Relating to the Consolidated Financial Statements” on page 15 of the attachment.
- (3) Change in accounting policies, accounting estimates, and retrospective restatements
 - 1) Change in accounting policies in accordance with revision of accounting standards: None
 - 2) Change in accounting policies other than item 1) above: None
 - 3) Change in accounting estimates: None
 - 4) Retrospective restatements: None
- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at the end of the period (including treasury shares)

As of September 30, 2018	18,597,310 shares
As of March 31, 2018	18,583,910 shares
 - 2) Number of treasury shares at the end of the period

As of September 30, 2018	772,788 shares
As of March 31, 2018	772,564 shares
 - 3) Average number of shares during the period

April – September 2018	17,815,110 shares
April – September 2017	17,792,403 shares

The quarterly review procedure by a certified public accountant or an auditing firm does not apply to these Consolidated Financial Results.

Explanation regarding appropriate use of results forecast and additional notes

Forward-looking statements, including the results forecast, contained in this document are based on information available to the Group and on certain assumptions deemed to be reasonable as of the date of release of this document. Actual business results may differ substantially due to a number of factors. For conditions prerequisite to the results forecast, and the points to be noted in the use thereof, please refer to “1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2018 (3) Forward-looking Statements Including Consolidated Results Forecast” on page 8 of the attachment.

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Note: The Company held a briefing for investors, as indicated below. Materials distributed at this briefing are set to be posted on the Company's website immediately after the briefing.

Financial results briefing for institutional investors and analysts: Friday, November 2, 2018

1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2018

(1) Operating Results

1) General overview

During the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018), the stock market was chaotic in response to a rapid heightening of uncertainty concerning global climate, the political situation and the economy. In these circumstances, institutional shareholders in Japan and overseas, who are the largest major shareholders of listed companies in Japan, stepped up their focus on ESG (Environment, Social and Governance), and engaged in an even more rigorous exercise of voting rights at shareholders' annual and extraordinary general meetings. Activists in countries around the world saw this situation as a favorable opportunity to begin activities in the Japanese stock market. They have caused various shake-ups in a growing number of cases while making use of collective engagement in the exercise of voting rights to target companies and M&As that are lagging in improvement of shareholder value. With its overwhelming strengths in the new business field of financial expertise organically combining IR/SR consulting, investment banking and stock transfer agency, which is a cluster of ESG literacy, the Group has realized entrustments from existing as well as new clients for services that offer higher added value by accurately developing and providing a range of consulting services that can address such changes. Furthermore, net sales for the Group increased 13.2% year on year to ¥2,560 million, achieving record highs on both for the second quarter and for the six-month period. The rise was due to a steady increase in the number of entrustments in the investment banking business, including FA services and proxy advisory services that leverage the Group's strong relationships with the listed companies that are the entrustors. Operating profit increased 7.9% year on year, despite an increase of expenses related to the opening of the Investment Banking Department office, a rise in consultant personnel and other factors. Ordinary profit increased 9.8% year on year, reflecting the impact of late penalties received under non-operating income, while profit attributable to owners of parent increased 10.9% year on year. EBITDA increased 9.2% year on year to ¥998 million.

The Company changed its market listing to the First Section of the Tokyo Stock Exchange on September 27, 2018. We will continue our efforts to develop and provide unique and high-value-added services for the development of the capital market, setting "Power of Equity" as our corporate identity.

(Millions of yen)

	Six months ended September 30, 2018 (April to September 2018)			Six months ended September 30, 2017 (April to September 2017)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	2,560	298	13.2	2,262	8.5
Operating profit	863	63	7.9	800	14.4
Ordinary profit	879	78	9.8	801	14.6
Profit attributable to owners of parent	599	58	10.9	540	26.4
(Reference) EBITDA	998	84	9.2	914	14.3

(Note) EBITDA: Ordinary Profit + Interest Expenses + Depreciation

2) Net sales by type of service

The Group is engaged in the consulting business specializing in IR/SR activities, which constitutes a single business segment. An overview of net sales by service type is as follows.

(Millions of yen)

Service	Six months ended September 30, 2018 (April to September 2018)			Six months ended September 30, 2017 (April to September 2017)	
	Amount	Percentage of net sales	Percentage change (YoY)	Amount	Percentage change (YoY)
IR/SR Consulting	2,097	81.9	14.2	1,837	13.6
Disclosure Consulting sales	368	14.4	14.2	322	-10.6
Databases and Other sales	94	3.7	-7.4	102	-3.8
Total net sales	2,560	100.0	13.2	2,262	8.5

IR/SR Consulting

IR/SR Consulting is the Group's core lineup of services, including shareholder identification surveys, proxy voting simulation, proxy advisory (comprehensive strategy planning for shareholder meetings), the investment banking business, and the stock transfer agency business.

During the period under review, net sales from IR/SR Consulting increased 14.2% year on year.

Stably securing voting rights at general meetings of shareholders has become more difficult for the listed companies that are the Group's clients. Amid a growing number of problems related to securing shareholder voting rights, including take-over defense measures, M&As, stagnant ROE, scandals, and proposals by activists, questions are being raised about issues such as the rationality of holding shares of other listed companies. These questions have emerged as a result of the accelerated adoption of the Stewardship Code by institutional shareholders and the enforcement of the revised Corporate Governance Code. The Group is highly regarded for its unique ability as an independent financial consulting company to accurately and speedily provide voting-rights information on institutional shareholders worldwide, and SR Consulting services related to specific solutions for securing voting rights have grown considerably. Entrustments have expanded in particular for the Group's activist solution system that uses cutting-edge AI, data gathering and analysis technologies. Sales of solution systems for individual shareholders are also growing steadily.

In the Investment Banking Department, the Group's efforts to secure expert personnel at its new office in Marunouchi, including certified public accountants, lawyers, and professionals with experience in M&A advisory, have paid off. As a result, the Group successfully concluded FA services, including an M&A of an unlisted manufacturing company by a listed manufacturing company (a business succession-related M&A), an M&A of a land transport logistics company and a marine transport logistics company, and a transfer of shares mediated through an MBO of a major shareholder of a listed company. The number of proxy advisory (PA) entrustments related to large-scale M&As also increased. In addition, the pipeline for FA services and PA services related to new M&As is steadily increasing at this time.

The Group acquired certification in December 2017 for J-Adviser services, which provide support for companies seeking to list on the TOKYO PRO Market. Work is progressing on the Group's first project, for the listing of a design development company involved in semiconductor manufacturing equipment. The Group aims for the realization of the company's financing at the time of its listing on the TOKYO PRO Market for the first time in six and a half years.

In governance consulting, there was a marked increase in services for the referral of independent outside director candidates, against the backdrop of greater diversity on boards of directors and the growing role of outside directors. Meanwhile, the number of inquiries for third-party evaluation of the effectiveness of boards of directors rose further based on the Group's track record to date.

In the stock transfer agency business, as of November 2, 2018, entrustments with 76 companies, a significant increase, have been completed, and the number of shareholders under administration reached 333,382 (compared with entrustments concluded with 49 companies and 265,807 shareholders under administration in the same period of the previous fiscal year). From the perspective of corporate defense, there is a gradual trend for companies to reconsider the stock transfer agency business, which is on the front-line of shareholder response, and the strengths of the Group's stock transfer agency services are gaining recognition. For example, a major listed company in the field of restaurant information retrieval changed its entrustment to the Group, expecting to benefit from the advanced solutions offered by our stock transfer agency services. Meanwhile, we will continue to thoroughly enhance risk management of the stock transfer agency business.

Disclosure Consulting

Disclosure Consulting consists of IR tool consulting services (support for the planning and creation of various disclosure documents required for IR activities, including annual reports, integrated reports, and shareholder newsletters) and legal documentation services (the creation of a variety of disclosure documents in English and the translation of such documents from Japanese to English in connection with business reorganization and M&As).

Sales from Disclosure Consulting for the period under review increased 14.2% from the same period of the previous fiscal year. Fund providers and institutional shareholders are paying greater attention to ESG in their investment criteria, and the number of new entrustments for information disclosure consulting to meet global ESG disclosure standards expanded.

Databases and Other

Databases and Other provides web-based IR support services via IR-Pro, a comprehensive support system for corporate IR activities that provides information on shareholdings revealed through reports on the possession of large volume and publicly offered domestic and overseas investment trusts, and the Analyst

Network, which allows listed companies to accept reservations for IR explanatory meetings and manage attendee information in a single step. IR Japan also operates the *Kabunushi-Hiroba*, a survey system for individual investors.

Sales from Databases and Other for the period under review decreased 7.4% from the same period of the previous fiscal year.

3) Seasonal fluctuations

The Group's quarterly net sales tend to be concentrated in the first and second quarters because of the nature of the core business, IR/SR Consulting services. These services are usually in great demand around June, when Japanese companies organize shareholder meetings. Recently, however, opportunities for recording net sales have grown also in the third and fourth quarters, and the customary seasonal fluctuations are tending toward flattening out, thanks to large-scale service demand distributed evenly throughout the year, as well as to the investment banking business and the stock transfer agency business, both of which are non-seasonal operations.

(2) Financial Position

1) Assets

Total assets of the Group as of September 30, 2018 increased ¥302 million from the end of the previous fiscal year, to ¥4,892 million, due primarily to an increase in cash and deposits of ¥562 million and a decrease in notes and accounts receivable—trade of ¥266 million.

2) Liabilities

Total liabilities of the Group as of September 30, 2018 decreased ¥10 million from the end of the previous fiscal year, to ¥992 million, due primarily to an increase in income taxes payable of ¥84 million and a decrease in deposits received included under other of ¥132 million.

3) Net assets

Net assets of the Group as of September 30, 2018 increased ¥313 million from the end of the previous fiscal year, to ¥3,900 million, due primarily to an increase in retained earnings of ¥599 million from profit attributable to owners of parent and a decrease in retained earnings of ¥311 million as a result of payment of dividends.

(3) Forward-looking Statements Including Consolidated Results Forecast

1) Forecast for the fiscal year ending March 31, 2019

Forecast for consolidated operating results for the fiscal year ending March 31, 2019
(as of May 14, 2018)

(Millions of yen)

	Forecast Year ending March 31, 2019			Actual Year ended March 31, 2018	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	4,600	466	11.3	4,133	7.7
Operating profit	1,300	143	12.4	1,156	14.5
Ordinary profit	1,300	142	12.3	1,157	14.7
Profit attributable to owners of parent	888	66	8.1	821	18.2

The forecast for the fiscal year ending March 31, 2019 is based on reasonable grounds for calculation as of May 14, 2018.

2) Basic Policy Concerning the Distribution of Profits and Dividend Distributions for the Fiscal Year Ending March 31, 2019

The Company makes it a basic policy to distribute profits to its shareholders in line with its business results, while maintaining its financial strength by securing sufficient internal reserves to carry out sound business operations. The Company's Articles of Incorporation stipulate that a decision on the distribution of surplus and other matters as specified in each item of Paragraph 1, Article 459, of the Companies Act can be made by a resolution of the Board of Directors, unless otherwise specified by laws and regulations, while a decision on year-end dividends is to be made at the General Meeting of Shareholders. The Company's Articles of Incorporation also stipulate that an interim dividend can be provided with the date of record being September 30 of each year.

For the fiscal year ending March 31, 2019, the Company was initially scheduled to pay ¥12.5 per share as an interim dividend. However, the Company has increased the amount by ¥2.5 to ¥15.0 per share, in light of higher revenues and profits during the six months ended September 30, 2018. The Company is currently scheduled to pay ¥17.5 per share as a year-end dividend. As a result, the full-year dividend including the interim dividend will be ¥32.5 per share, an increase of ¥2.5 compared with the previous fiscal year.

In terms of shareholder returns, the Company intends to remain flexible going forward, including future dividend increases and the purchase of treasury shares, in light of performance trends and other factors.

Moreover, the Company would like to appropriate the internal reserves for strategic investments for the reinforcement of existing businesses and for future growth business areas to increase its corporate value.

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	(Prior to taking into account the stock split) Fiscal year ending March 31, 2019 (Forecast)	(After taking into account the stock split) Fiscal year ending March 31, 2019 (Forecast)
Dividend per share	40 yen	60 yen	65 yen	32.5 yen
Interim dividend	15 yen	25 yen	30 yen	15 yen
Year-end dividend	25 yen	35 yen	35 yen	17.5 yen
Dividend payout ratio	51.5%	65.0%	65.2%	65.2%

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	2,328,254	2,890,943
Notes and accounts receivable—trade	746,829	479,882
Work in process	14,501	45,189
Other	118,140	120,502
Allowance for doubtful accounts	(2,251)	(1,450)
Total current assets	3,205,474	3,535,067
Non-current assets		
Property, plant and equipment	387,746	361,529
Intangible assets		
Software	446,926	420,367
Other	21,480	16,807
Total intangible assets	468,406	437,175
Investments and other assets		
Other	599,924	630,951
Allowance for doubtful accounts	(73,799)	(73,799)
Total investments and other assets	526,124	557,151
Total non-current assets	1,382,278	1,355,856
Deferred assets		
Deferred organization expenses	2,155	1,567
Total deferred assets	2,155	1,567
Total assets	4,589,908	4,892,491
Liabilities		
Current liabilities		
Accounts payable—trade	37,907	42,787
Short-term loans payable	200,000	200,000
Accounts payable—other	71,949	73,661
Income taxes payable	201,674	286,383
Provision for bonuses	89,730	88,000
Provision for directors' bonuses	9,600	—
Other	334,925	243,459
Total current liabilities	945,785	934,290
Non-current liabilities		
Long-term accounts payable—other	51,294	50,710
Net defined benefit liability	6,057	7,219
Total non-current liabilities	57,351	57,930
Total liabilities	1,003,137	992,221

	(Thousands of yen)	
	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	805,797	818,292
Capital surplus	794,599	807,094
Retained earnings	2,286,071	2,573,953
Treasury shares	(300,975)	(301,347)
Total shareholders' equity	<u>3,585,491</u>	<u>3,897,993</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,279	2,277
Total accumulated other comprehensive income	<u>1,279</u>	<u>2,277</u>
Total net assets	<u>3,586,771</u>	<u>3,900,270</u>
Total liabilities and net assets	<u>4,589,908</u>	<u>4,892,491</u>

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income
For the Six Months Ended September 30, 2018

	(Thousands of yen)	
	Six Months of FY2017 (from April 1, 2017 to September 30, 2017)	Six Months of FY2018 (from April 1, 2018 to September 30, 2018)
Net sales	2,262,232	2,560,943
Cost of sales	543,297	581,935
Gross profit	1,718,935	1,979,008
Selling, general and administrative expenses	918,821	1,115,882
Operating profit	800,113	863,125
Non-operating income		
Interest income	5	5
Commission fee	1,325	—
Late penalties received	—	17,927
Miscellaneous income	1,146	—
Other	164	699
Total non-operating income	2,640	18,632
Non-operating expenses		
Interest expenses	357	540
Loss on sales of notes receivable - trade	186	11
Foreign exchange losses	464	694
Amortization of deferred organization expenses	587	587
Total non-operating expenses	1,596	1,834
Ordinary profit	801,158	879,923
Profit before income taxes	801,158	879,923
Income taxes	260,540	280,343
Profit	540,618	599,580
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	540,618	599,580

Consolidated Statements of Comprehensive Income
For the Six Months Ended September 30, 2018

(Thousands of yen)

	Six Months of FY2017 (from April 1, 2017 to September 30, 2017)	Six Months of FY2018 (from April 1, 2018 to September 30, 2018)
Profit	540,618	599,580
Other comprehensive income		
Valuation difference on available-for-sale securities	2,765	997
Total other comprehensive income	2,765	997
Comprehensive income	543,384	600,578
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	543,384	600,578
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six Months of FY2017 (from April 1, 2017 to September 30, 2017)	Six Months of FY2018 (from April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	801,158	879,923
Depreciation	113,038	118,223
Share-based compensation expenses	5,451	8,632
Increase (decrease) in allowance for doubtful accounts	139	(800)
Increase (decrease) in provision for bonuses	575	(1,730)
Increase (decrease) in provision for directors' bonuses	(8,100)	(9,600)
Increase (decrease) in net defined benefit liability	2,042	1,162
Foreign exchange losses (gains)	433	95
Interest income	(5)	(5)
Interest expenses	357	540
Decrease (increase) in notes and accounts receivable— trade	(105,630)	266,947
Increase (decrease) in notes and accounts payable— trade	4,234	4,879
Increase (decrease) in accounts payable—other	(2,330)	(4,116)
Other, net	12,395	29,997
Subtotal	823,760	1,294,149
Interest and dividend income received	155	177
Interest expenses paid	(409)	(459)
Income taxes paid	(104,785)	(326,989)
Income taxes refund	83,974	—
Net cash provided by (used in) operating activities	802,695	966,878
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,536)	(4,064)
Purchase of intangible assets	(137,378)	(50,881)
Payments for lease and guarantee deposits	(126,621)	(1,224)
Purchase of investment securities	—	(35,000)
Net cash provided by (used in) investing activities	(277,535)	(91,170)
Cash flows from financing activities		
Increase in short-term loans payable	100,000	—
Cash dividends paid	(221,985)	(312,352)
Purchase of treasury shares	—	(371)
Net cash provided by (used in) financing activities	(121,985)	(312,723)
Effect of exchange rate change on cash and cash equivalents	(446)	(294)
Net increase (decrease) in cash and cash equivalents	402,727	562,688
Cash and cash equivalents at beginning of period	1,872,420	2,293,254
Cash and cash equivalents at end of period	2,275,148	2,855,943

(4) Notes Relating to the Consolidated Financial Statements

Notes Relating to the Going Concern Assumption

None applicable

Notes Regarding Significant Changes in the Amount of Shareholders' Equity

None applicable

Application of Special Accounting Treatments in Preparing Consolidated Financial Statements

The Company reasonably estimates an effective tax rate after applying tax effect accounting to profit before income taxes for the fiscal year in which the second quarter of the fiscal year ending March 31, 2019 is included, and calculates tax expenses by multiplying quarterly profit before income taxes by the estimated effective tax rate.

Segment Information and Others

This is not applicable as the Group engages in consulting business specializing in IR/SR activities, which constitutes a single business segment.

Additional Information

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2019, the Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018)," etc. Accordingly, deferred tax assets are stated separately under investments and other assets.

Significant Subsequent Events

(Cancellation of Treasury Shares)

The Company resolved at a Board of Directors meeting held on November 2, 2018, to cancel its treasury shares as follows based on the provisions of Article 178 of the Companies Act.

1. Reason for the cancellation of treasury shares

The Company decided to cancel its treasury shares to improve capital efficiency and promote shareholders' interests.

2. Details of the cancellation of treasury shares

Type of shares: Common shares

Number of shares to be cancelled: 772,000 shares (4.15% of the number of outstanding shares prior to the cancellation)

Date of cancellation: November 30, 2018

Number of outstanding shares after the cancellation: 17,825,310 shares