

# Summary of Consolidated Financial Results for the Three Months Ended June 30, 2019 (J-GAAP)

August 2, 2019

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: August 9, 2019

Scheduled Date to Start Dividend Payment: —

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 Three Months Ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

### (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	%
Three months ended June 30, 2019	2,169	56.3	1,242	121.8	1,241	114.9	847	115.5
Three months ended June 30, 2018	1,387	20.5	559	15.3	577	18.8	393	19.3

Note: Comprehensive income Three months ended June 30, 2019: 847 million yen (115.5%)  
Three months ended June 30, 2018: 393 million yen (19.0%)

	Profit per share—basic	Profit per share—diluted
	Yen	Yen
Three months ended June 30, 2019	47.56	—
Three months ended June 30, 2018	22.09	—

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 June 30, 2019	5,916	4,446	75.1
As of March 31, 2019	5,051	4,008	79.4

Reference: Shareholders' equity As of June 30, 2019: 4,446 million yen  
As of March 31, 2019: 4,008 million yen

## 2. Dividends

	Full-year dividend				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen —	Yen 15.00	Yen —	Yen 23.00	Yen 38.00
Fiscal year ending March 31, 2020	—				
Fiscal year ending March 31, 2020 (Forecast)		20.00	—	25.00	45.00

Note: Revision of dividends forecast since last announcement: None

## 3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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
First half	—	—	—	—	—	—	—	—	—
Full year	6,000	24.3	2,150	49.9	2,150	48.5	1,450	48.4	81.32

Note: Revision of consolidated results forecast since last announcement: Yes

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 (3) Notes Relating to the Consolidated Financial Statements” on page 14 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 June 30, 2019	17,825,310 shares
As of March 31, 2019	17,825,310 shares
  - 2) Number of treasury shares at the end of the period
 

As of June 30, 2019	839 shares
As of March 31, 2019	817 shares
  - 3) Average number of shares during the period
 

April – June 2019	17,824,487 shares
April – June 2018	17,811,308 shares

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

The number of shares issued at the end of the period, the number of treasury shares at the end of the period and the average number of shares during the period have been calculated on the assumption that the stock split was carried out at the beginning of the previous fiscal year.

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 Three Months Ended June 30, 2019 (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: Wednesday, August 21, 2019

# 1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2019

## (1) Operating Results

### 1) General overview

During the three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019), uncertainties in global politics and the economy increased. Despite certain Japanese companies having bottomed out, concerns over revenue growth for the time being prevailed overall and instability continued to mount in the stock markets. In these circumstances, the overseas and domestic institutional shareholders, who are the biggest shareholders in Japan, as well as others holding shares for pure investment purposes, including individual shareholders, engaged in the rigorous exercise of their voting rights at shareholder meetings, in order to voice their concern for the insufficient drivers of revenue growth among the listed companies, the strengthening of oversight over corporate governance by outside directors and the policies for shareholder returns, among other issues. The number of proposals by shareholders, including activists, who are increasingly attracting the market's attention, reached a record high. Some of their proposals were approved, which is indicative of the drastic transformation taking place, i.e. our capital market entering an age when shareholders deciding management members and important issues has become a self-evident truth. The beginnings of European- and U.S.-type M&As are being seen in the M&A market as well. These deals are conducted for the purpose of ownership battles and management reorganization, prompting the Ministry of Economy, Trade and Industry to formulate the new "Fair M&A Guidelines." Thus, in M&A services as well, we have entered an era that requires new initiatives.

The Group has established an unparalleled concrete system by making ceaseless investments in the personnel, systems, AI areas, etc. of the IR/SR consulting system and stock transfer agency system in Kasumigaseki, the research system in Manhattan, New York, and the investment banking system in Marunouchi. The system offers equity solutions capable of meeting sophisticated and complex capital risks in a timely and an appropriate manner. Such solutions are in strong demand by the Japanese listed companies that are the Group's clients. As a result, we have been able to achieve a dramatic increase in the number of entrustments in consulting services that organically combine M&As, proxy fights, IR/SR, corporate governance, matters related to the Companies Act and the stock transfer agency business.

During the first quarter of the fiscal year ending March 31, 2020, net sales and every profit item increased significantly over the same period of the previous fiscal year and achieved record highs as well as increases in both sales and profits. Net sales during the first quarter of the fiscal year ending March 31, 2020 increased 56.3% year on year, to ¥2,169 million, operating profit increased 121.8% year on year, to ¥1,242 million, due to further improvement in profitability as a result of the completion of annual investments to expand the system, ordinary profit increased 114.9% year on year, to ¥1,241 million and profit attributable to owners of parent increased 115.5% year on year, to ¥847 million. EBITDA increased 104.8% year on year, to ¥1,304 million.

(Millions of yen)

	Three Months ended June 30, 2019 (April to June 2019)			Three Months ended June 30, 2018 (April to June 2018)	
	Amount	Change	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	2,169	781	56.3	1,387	20.5
Operating profit	1,242	682	121.8	559	15.3
Ordinary profit	1,241	664	114.9	577	18.8
Profit attributable to owners of parent	847	454	115.5	393	19.3
(Reference) EBITDA	1,304	667	104.8	636	17.6

(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	Three Months ended June 30, 2019 (April to June 2019)			Three Months ended June 30, 2018 (April to June 2018)	
	Net sales	Percentage of net sales	Percentage change (YoY)	Net sales	Percentage change (YoY)
IR/SR Consulting	2,046	94.3	65.3	1,237	23.2
Disclosure Consulting sales	75	3.5	-23.5	98	6.0
Databases and Other sales	47	2.2	-7.2	51	-4.5
Total net sales	2,169	100.0	56.3	1,387	20.5

### 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 significantly, by 65.3% year on year. The urgent issue currently facing public and private pensions, as well as overseas sovereign funds, university endowment funds, etc. is to maximize continuous investment returns. This fact has encouraged the rapid expansion of global ESG (Environment, Social and Governance) investments. Against the backdrop of these strong demands by funding sponsors, the overseas and domestic institutional shareholders, who are the biggest shareholders in the Japanese stock market, have been intensifying their exercise of voting rights by rejecting proposals. Activists are increasingly attracting the attention on their roles and functions in the capital markets. They have also submitted adept and innovative shareholder proposals and even proposals to elect themselves as directors, without overlooking Japanese companies' insufficient drivers of revenue growth and the overhaul of assets through selection and concentration, policies for shareholder returns dictated by high levels of internal reserves and convention, M&A strategies, scandals, governance and other issues of corporate governance. While the proposals did not gather the necessary votes for passage, a number of them managed to gain the approval of some institutional and general shareholders. Furthermore, approval by traditional institutional shareholders of proposals submitted by activists and individual shareholders is becoming a growing trend. The number of listed companies receiving shareholder proposals from activists, institutional shareholders and individual shareholders has also reached a record high.

Securing stable votes has become a daunting task for listed companies that are under intense scrutiny regarding the significance of their strategic holding of shares, including the mutual holding of shares, and shareholder identification and analysis with accuracy and speed have become more important than ever. The Company has been speeding up its efforts to reinforce its research system, which is capable of independent and thorough research and analysis of the status of the exercise of voting rights of over 5,000 pension and fund managers worldwide by fully utilizing cutting-edge AI and systems, while improving the quality of human resources in the front offices of SR Consulting. Additionally, we increased the number of entrustments for "Activist Analytics," a consulting service using AI that was developed proprietary by the Group, to provide sophisticated solutions for responding to activists. At the same time, we reinforced our proxy advisory (PA) services for proxy fights that fully utilize the Company's stock transfer agency infrastructure. These services are the source of our overwhelming competitive advantage, and we increased the number of their entrustments.

Furthermore, as our entrusted projects undergo a transformation from proxy fight projects to M&A projects, our financial advisor (FA) services, another one of our strengths, have also been increasing the number of entrustments organically, by taking advantage of our unique features that incorporate the perspectives of the independent and minority shareholders. The Fair M&A Guidelines of the Ministry of Economy, Trade and Industry mention ways of utilizing independent FAs in solving the problem of conflicts of interest. The Company, in line with these demands of the times, is steadily building pipelines both in terms of defense and offense in its investment banking and FA businesses and will proactively deploy them going forward. As for M&As, in a project to transfer business to a listed company related to the business succession, etc. of unlisted companies, we are steadily providing FA services by further deepening our ties with listed companies, which have long been our clients.

In the investment banking services, on June 14, 2019, we completed the registration of a change to expand the scope of our operations for the handling of Type I Financial Instruments Business. With this change, the Company is now able to engage in “the handling of a Public Offering or Secondary Distribution of Securities, or the handling of a Private Placement of Securities or exclusive Offer to Sell, etc. to Professional Investors” as per Article 2, Paragraph 8, Section 9 of the Financial Instruments and Exchange Act (the “Act”) and “intermediation for the purchase and sale of securities” as per Article 2, Paragraph 8, Section 2 of the Act. Under a sophisticated compliance structure, we, as a Type I Financial Instruments Business Operator, intend to propose various capital policies that leverage our strengths. We will make optimal use of our network of existing institutional shareholders built through our surveys to identify actual shareholders, to provide services including the arrangement of placements to shareholders selected by the issuer, and expand our solutions to listed companies.

In governance consulting, the number of entrustments for outside director referral services continued to increase, backed by a trend among institutional shareholders to demand tighter independence criteria for outside directors, as well as diversity and a higher ratio of outside directors on boards of directors. Furthermore, entrustments for services for evaluations of boards of directors have also increased, in conjunction with greater demands, mainly by institutional shareholders to utilize third-party organizations in evaluating the effectiveness of boards of directors.

In the stock transfer agency business, as of August 2, 2019, entrustments with 80 companies have been completed, and the number of shareholders under administration reached 354,784 (compared with entrustments concluded with 69 companies and 315,132 shareholders under administration in the same period of the previous fiscal year). The importance of shareholder information of stock transfer agency organizations which are on the front line of shareholders and its flexible response capability to shareholders has been growing from the standpoint of corporate defense against activists and hostile takeovers. The Company intends to deploy a strategic approach, unlike conventional stock transfer agency organizations, as an organization with expertise in corporate defense, as it leverages its acquired knowledge of shareholder voting rights in critical situations such as ownership battles.

#### 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 decreased 23.5% from the same period of the previous fiscal year. The decrease was a result of our efforts to rigorously select profitable projects from among various projects including integrated reports, despite the increase in entrustments for consulting services relating to ESG disclosures, in response to the rising interest in ESG by the fund providers and institutional investors.

#### 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 7.2% 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 June 30, 2019 increased ¥865 million from the end of the previous fiscal year, to ¥5,916 million, due primarily to increases in cash and deposits of ¥240 million and notes and accounts receivable—trade of ¥574 million.

### 2) Liabilities

Total liabilities of the Group as of June 30, 2019 increased ¥427 million from the end of the previous fiscal year, to ¥1,470 million, due primarily to increases in income taxes payable of ¥211 million and accounts payable—trade of ¥96 million.

### 3) Net assets

Net assets of the Group as of June 30, 2019 increased ¥437 million from the end of the previous fiscal year, to ¥4,446 million, due primarily to an increase in retained earnings of ¥847 million from profit and a decrease in retained earnings of ¥409 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, 2020

Forecast for consolidated operating results for the fiscal year ending March 31, 2020  
(as of August 2, 2019)

	Forecast			Actual	
	Year ending March 31, 2020			Year ended March 31, 2019	
	Amount	Amount change (YoY)	Percentage change (YoY)	Amount	Percentage change (YoY)
Net sales	6,000	1,172	24.3	4,827	16.8
Operating profit	2,150	715	49.9	1,434	24.0
Ordinary profit	2,150	702	48.5	1,447	25.1
Profit attributable to owners of parent	1,450	473	48.4	976	18.9

The forecast for the fiscal year ending March 31, 2020 is based on reasonable grounds for calculation as of August 2, 2019.

The Company has made upward revisions to net sales and each profit item for the fiscal year ending March 31, 2020, as a steady increase in sales of IR/SR Consulting and particularly strong progress in the pipeline of proxy advisor and financial advisor services are expected. Profitability is expected to further improve with the completion of investments in business foundation improvements including offices, systems, AI, etc.

### 2) Basic Policy Concerning the Distribution of Profits and Dividend Distributions for the Fiscal Year Ending March 31, 2020

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.

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.

For the fiscal year ending March 31, 2020, the Company is currently scheduled to pay ¥20 per share as an interim dividend and ¥25 per share as a year-end dividend for a full-year dividend of ¥45 per share (an increase of ¥7).

Additionally, the Company resolved on May 14, 2019 to acquire its treasury shares in an effort to improve capital efficiency and implement flexible capital policies in line with changes in the management environment as well as to enhance distribution of profits to its shareholders. However, the acquisition was not carried out due to changes in the market price and the conditions for purchase, which were set at the time of the resolution, during the acquisition period. Subsequently, the Company once again resolved on



August 2, 2019, to acquire its treasury shares (up to 105,000 shares / ¥300 million).

	Fiscal year ended March 31, 2019	Fiscal year ending March 31, 2020 (Forecast)
Dividend per share	38 yen	45 yen
Interim dividend	15 yen	20 yen
Year-end dividend	23 yen	25 yen
Dividend payout ratio	69.3%	55.3%

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	2,761,534	3,002,326
Notes and accounts receivable—trade	710,261	1,284,308
Work in process	11,571	56,886
Other	113,900	133,248
Allowance for doubtful accounts	(1,927)	(3,483)
Total current assets	3,595,339	4,473,287
Non-current assets		
Property, plant and equipment	354,269	350,527
Intangible assets		
Software	414,928	390,922
Other	11,345	29,925
Total intangible assets	426,273	420,847
Investments and other assets		
Other	748,151	745,045
Allowance for doubtful accounts	(73,799)	(73,799)
Total investments and other assets	674,351	671,246
Total non-current assets	1,454,895	1,442,620
Deferred assets		
Organization expenses	99	65
Total deferred assets	99	65
Total assets	5,051,214	5,916,594
<b>Liabilities</b>		
Current liabilities		
Accounts payable—trade	23,732	120,113
Short-term borrowings	200,000	200,000
Accounts payable—other	77,626	124,052
Income taxes payable	194,541	406,109
Provision for bonuses	85,777	53,041
Provision for bonuses for directors (and other officers)	7,500	—
Other	395,383	508,098
Total current liabilities	984,561	1,411,415
Non-current liabilities		
Long-term accounts payable—other	50,710	50,710
Retirement benefit liability	7,706	8,374
Total non-current liabilities	58,416	59,084
Total liabilities	1,042,978	1,470,499

(Thousands of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Share capital	818,292	818,292
Capital surplus	506,400	506,400
Retained earnings	2,683,909	3,121,620
Treasury shares	(691)	(749)
Total shareholders' equity	4,007,911	4,445,563
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35	50
Total accumulated other comprehensive income	35	50
Total net assets	4,008,236	4,446,094
Total liabilities and net assets	5,051,214	5,916,594

(2) Consolidated Statements of Income and Comprehensive Income  
Consolidated Statements of Income  
For the Three Months Ended June 30, 2019

	(Thousands of yen)	
	Three Months of FY2018 (from April 1, 2018 to June 30, 2018)	Three Months of FY2019 (from April 1, 2019 to June 30, 2019)
Net sales	1,387,457	2,169,082
Cost of sales	278,446	316,747
Gross profit	1,109,010	1,852,335
Selling, general and administrative expenses	549,043	610,303
Operating profit	559,966	1,242,031
Non-operating income		
Interest income	0	0
Dividend income	170	197
Late penalties received	17,927	—
Gain on forfeiture of unclaimed dividends	386	151
Other	141	76
Total non-operating income	18,626	426
Non-operating expenses		
Interest expenses	274	314
Loss on sales of notes receivable - trade	11	32
Foreign exchange losses	343	140
Amortization of organization expenses	293	293
Total non-operating expenses	923	781
Ordinary profit	577,669	1,241,676
Profit before income taxes	577,669	1,241,676
Total income taxes	184,272	394,002
Profit	393,396	847,673
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	393,396	847,673

Consolidated Statements of Comprehensive Income  
For the Three Months Ended June 30, 2019

	(Thousands of yen)	
	Three Months of FY2018 (from April 1, 2018 to June 30, 2018)	Three Months of FY2019 (from April 1, 2019 to June 30, 2019)
Profit	393,396	847,673
Other comprehensive income		
Valuation difference on available-for-sale securities	79	205
Total other comprehensive income	79	205
Comprehensive income	393,475	847,879
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	393,475	847,879
Comprehensive income attributable to non-controlling interests	—	—

(3) 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 first quarter of the fiscal year ending March 31, 2020 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.

Significant Subsequent Events

At a meeting of its Board of Directors held on August 2, 2019, the Company, based on the matters previously resolved (at a meeting of its Board of Directors held on May 14, 2019), resolved the following matters regarding the acquisition of treasury shares pursuant to the provisions of Paragraph 1, Article 156, of the Companies Act as applied by replacing certain terms under the provisions of Paragraph 3, Article 165, of the same Act.

1. Reasons for the acquisition of treasury shares

Treasury shares shall be acquired in an aim to improve capital efficiency and to implement flexible capital policies in line with changes in the management environment as well as to enhance distribution of profits to shareholders.

2. Class of shares to be acquired

Common stock of the Company

3. Total number of shares to be acquired

105,000 shares (maximum)

(Percentage of total number of shares issued (excluding treasury shares): 0.59%)

4. Total acquisition price

¥300 million (maximum)

5. Acquisition period

From August 5, 2019 to December 30, 2019

6. Acquisition method

Market purchase