

KUMIAI CHEMICAL INDUSTRY CO., LTD.
Consolidated Financial Results for the First Quarter Ended January 31, 2022
Under Japanese GAAP

This document is an English translation of the consolidated financial results (tanshin) prepared in Japanese. It is only for the reference of non-Japanese readers, and the Japanese version is the original.

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 Stock Exchange Listings: First Section of Tokyo Stock Exchange (Securities code: 4996)
 URL: <https://www.kumiai-chem.co.jp>
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Scheduled Filing of Quarterly Securities Report: March 14, 2022
 Scheduled Commencement of Dividend Payment: —
 Supplementary Materials on Financial Results: None
 IR Presentation on Financial Results: None

Amounts less than one million yen have been omitted.

1. Consolidated Financial Results (for the three months ended January 31, 2022)

(1) Consolidated Operating Results

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Three months ended January 31, 2022	¥32,787	43.0%	¥3,430	110.4%	¥3,954	99.9%	¥2,637	112.5%
Three months ended January 31, 2021	22,925	(3.7)	1,630	1.1	1,978	(5.2)	1,241	(8.7)

Notes: 1. Comprehensive income: Three months ended January 31, 2022: ¥2,769 million [—%] Three months ended January 31, 2021: ¥(760) million [—%]
 2. Percentages indicate the percentage change from the corresponding period of the previous fiscal year.

	Net Income per Share	Net Income per Share (Diluted)
Three months ended January 31, 2022	¥21.65	¥ —
Three months ended January 31, 2021	9.92	—

Note: The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the first-quarter period under review. Figures for the first quarter of the fiscal year ending October 31, 2022 are figures after the application of this accounting standard, etc.

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of January 31, 2022	¥169,575	¥107,146	59.6%
As of October 31, 2021	169,172	109,954	61.4

(Reference) Shareholders' equity: As of January 31, 2022: ¥101,098 million As of October 31, 2021: ¥103,889 million

Note: The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the first-quarter period under review. Figures for the first quarter of the fiscal year ending October 31, 2022 are figures after the application of this accounting standard, etc.

2. Cash Dividends for Shareholders of Common Stock

(Yen)

	Cash Dividends per Share over the Fiscal Year				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual
Year ended October 31, 2021	¥ —	¥5.00	¥ —	¥10.00	¥15.00
Year ending October 31, 2022	—	—	—	—	—
Year ending October 31, 2022 (Forecast)	—	5.00	—	10.00	15.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2022)

(Millions of yen, except per share data and percentages)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of parent		Net Income per Share
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount
Six months ending April 30, 2022	¥ 65,300	11.1%	¥5,700	18.9%	¥ 6,800	5.1%	¥4,800	1.7%	¥38.37
Year ending October 31, 2022	123,900	4.8	9,000	6.4	11,200	(12.7)	7,800	(13.5)	62.35

Notes: 1. Most recently announced revisions to consolidated earnings forecast: No

2. The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. as of the beginning of the first-quarter period under review. Figures for the first quarter of the fiscal year ending October 31, 2022 are figures after the application of this accounting standard, etc.

3. For fiscal-year figures, percentages indicate the percentage change from the previous fiscal year. For first-half figures, percentages indicate the percentage change from the corresponding half of the previous fiscal year.

***Notes:**

(1) Changes in significant subsidiaries during the period under review (changes to subsidiaries that would alter the scope of consolidation): No

(2) Adoption of accounting methods specific to quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

a) Changes in accounting policies due to revisions of accounting standards: Yes

b) Changes in accounting policies due to other reasons: No

c) Changes in accounting estimates: No

d) Restatements of prior period financial statements due to error correction: No

(4) Number of shares issued (common stock)

	As of January 31, 2022	As of October 31, 2021
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	13,083,380 shares	8,083,073 shares
	<u>Three months ended January 31, 2022</u>	<u>Three months ended January 31, 2021</u>
c) Average number of shares issued in the period	121,768,009 shares	125,047,622 shares

Note: The number of shares of treasury stock increased by 5,000,307 shares during the first-quarter period (November 1, 2021 to January 31, 2022) due to the Company's acquisition of treasury stock via the off-floor trading system (Tokyo Stock Exchange Trading Network System transaction type 3) on December 15, 2021, and other reasons.

**The Quarterly Financial Results Report has not been subjected to audit procedures by certified public accountants or an audit corporation.*

**Statement concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items*

Earnings forecasts contained in this document are based on information available to management and provisional assumptions made as of the date of publication regarding uncertain factors that may impact future earnings. Readers are advised that actual results may differ materially from the forecasts due to a variety of factors. For the conditions that form the basis for the results forecasts and precautionary information on the use of results forecasts, please see (3) Explanation of Forecast Data, including Consolidated Results Forecasts under 1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review on page 4 of the attached materials.

Accompanying Materials

1. Qualitative Information Regarding Consolidated Financial Results for the Period under Review

(1) Explanation of Operating Results

During the cumulative first-quarter period under review (November 1, 2021 to January 31, 2022), the outlook for the Japanese economy remained uncertain despite signs of economic recovery, due to the rapid spread of COVID-19 caused by a new variant, soaring raw material costs associated with rising crude oil prices and other factors, disruptions in global marine transportation, and rising transportation costs.

Against this backdrop, the Group implemented the Medium-Term Business Plan, “Create the Future—The Challenge for New Possibilities,” which started in the previous fiscal year, and made every effort to implement priority measures designed to increase corporate value.

In the period under review, net sales increased by ¥9,862 million, or 43.0%, year on year, to ¥32,787 million, driven by continued strong performance of agricultural chemicals and agriculture-related businesses for overseas export and in Japan as well as strong sales of fine chemicals. Operating income was ¥3,430 million, up ¥1,800 million, or 110.4%, year on year. Ordinary income was ¥3,954 million, up ¥1,975 million, or 99.9%, year on year. Net income attributable to owners of the parent amounted to ¥2,637 million, up ¥1,396 million, or 112.5%, year on year. The percentage of overseas net sales was 54.6%.

The Group applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, “Revenue Recognition Accounting Standard”), etc. as of the beginning of the first-quarter period under review. Figures for the first quarter of the fiscal year ending October 31, 2022 are figures after the application of the accounting standard, etc. Year-on-year comparisons are based on figures calculated using different standards.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Three months ended January 31, 2021			Three months ended January 31, 2022			YoY	
	Net sales	Composition ratio	Operating income	Net sales	Composition ratio	Operating income	Net sales [% change]	Operating income [% change]
Agricultural Chemicals and Agriculture-Related Businesses	¥16,382	71.5%	¥1,474	¥25,063	76.4%	¥3,196	¥8,680 [53.0]	¥1,722 [116.9]
Fine Chemicals Business	4,329	18.9	281	5,876	17.9	411	1,547 [35.7]	129 [46.0]
Other Businesses	2,214	9.7	239	1,849	5.6	193	(365) [(16.5)]	(45) [(19.0)]
Total	22,925	100.0	1,630	32,787	100.0	3,430	9,862 [43.0]	1,800 [110.4]

Notes: 1. Consolidated segment operating income for the cumulative first quarter period of the previous fiscal year includes ¥363 million in adjustments, mainly corporate expenses that are not allocated to any reportable segment (general and administrative expenses not attributable to any reportable segment).

2. Consolidated segment operating income for the cumulative first quarter period of the current fiscal year includes ¥370 million in adjustments, mainly corporate expenses that are not allocated to any reportable segment (general and administrative expenses not attributable to any reportable segment).

1) Agricultural Chemicals and Agriculture-Related Businesses segment

In the Japanese market, sales of box-treatment products, including the rice paddy field fungicide Disarta and the rice paddy field herbicide Effeeda, remained strong. In markets outside Japan, shipments of Axeev, a herbicide for field crops, increased significantly as shipments were brought forward in Argentina and demand increased due to a positive market environment in North America. Shipments to Europe of Benthiavalicarb-isopropyl, a fungicide for fruits and vegetables, also remained strong. This resulted in significantly higher segment sales than in the previous fiscal year.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥25,063 million, up by ¥8,680 million (53.0%) compared with the same period of the previous fiscal year. Operating income increased by ¥1,722 million (116.9%) year on year to ¥3,196 million.

2) Fine Chemicals Business segment

Sales of chloroxylene based chemical products and bismaleimides remained strong, and sales of industrial chemicals and polystyrene were in line with the previous fiscal year.

As a result of the factors above, net sales in the Fine Chemicals Business segment came to ¥5,876 million, up by ¥1,547 million (35.7%) compared with the same period of the previous fiscal year. Operating income increased by ¥129 million (46.0%) year on year to ¥411 million.

3) Other Businesses segment

Although sales in the printing business and the logistics business were in line with the previous fiscal year, sales in the construction business were lower than in the previous fiscal year. As a result, net sales in the Other Businesses segment amounted to ¥1,849 million, down ¥365 million (16.5%) compared with the same period of the previous fiscal year. Operating income decreased ¥45 million (19.0%) year on year to ¥193 million.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of January 31, 2022 stood at ¥169,575 million, up by ¥404 million from the end of the previous fiscal year. This was mainly because of increases in merchandise and finished products and construction in progress.

Liabilities increased ¥3,212 million compared with previous fiscal year-end to ¥62,429 million. This was mainly because short-term loans payable increased in addition to other factors.

Total net assets amounted to ¥107,146 million, a decrease of ¥2,808 million compared with the end of the previous fiscal year. The decrease in total net assets was mainly due to the purchase of treasury stock.

The equity ratio stood at 59.6%, and net assets per share were ¥841.77.

(3) Explanation of Forecast Data, including Consolidated Results Forecasts

No changes have been made to the forecasts for the interim and full-year results for the fiscal year ending October 31, 2022 published at the December 14, 2021 announcement of the financial results for the fiscal year ended October 31, 2021.

At present, accounting estimates for the impact of COVID-19 assume that the impact will continue through the end of the second quarter of the fiscal year ending October 31, 2022.

The impact of COVID-19 on the Company's consolidated results forecasts is considered to be limited. The Company will inform investors promptly of any factors of concern going forward.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of October 31, 2021	As of January 31, 2022
ASSETS		
Current assets:		
Cash and deposits	19,755	19,153
Notes and accounts receivable-trade	33,902	—
Notes, accounts receivable-trade, and contract assets	—	32,513
Marketable securities	300	—
Merchandise and finished products	32,542	33,667
Work in process	9,554	9,909
Raw materials and supplies	5,748	6,283
Other current assets	3,617	2,551
Allowance for doubtful accounts	(214)	(161)
Total current assets	105,203	103,915
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	12,848	12,801
Machinery, equipment and vehicles, net	9,293	9,651
Land	12,145	12,159
Construction in progress	1,263	2,855
Other property, plant and equipment, net	1,731	1,675
Total property and equipment	37,281	39,140
Intangible fixed assets:		
Goodwill	4,081	3,916
Other intangible assets	1,558	1,509
Total intangible assets	5,639	5,424
Investments and other assets:		
Investments securities	18,441	18,405
Long-term loans	318	318
Deferred tax assets	918	987
Net defined benefit asset	104	96
Other	1,398	1,422
Allowance for doubtful accounts	(130)	(132)
Total investments and other assets	21,048	21,096
Total fixed assets	63,968	65,660
Total assets	169,172	169,575

	Millions of yen	
	As of October 31, 2021	As of January 31, 2022
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	16,710	17,569
Short-term loan payable	6,089	16,179
Accounts payable-other	7,051	2,638
Income taxes payable	2,842	912
Provision for bonuses	1,628	665
Provision for environmental measures	280	211
Other current liabilities	1,031	1,551
Total current liabilities	35,630	39,725
Long-term liabilities:		
Long-term loan payable	16,303	15,238
Deferred tax liabilities	1,603	1,885
Provision for directors' retirement benefits	414	419
Provision for environmental measures	164	70
Net defined benefit liability	4,130	4,146
Asset retirement obligations	41	41
Other long-term liabilities	934	904
Total long-term liabilities	23,587	22,704
Total liabilities	59,218	62,429
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,370	37,370
Retained earnings	72,710	73,917
Less treasury stocks, at cost	(5,334)	(9,414)
Total shareholders' equity	109,281	106,408
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	1,320	1,169
Foreign currency translation adjustments	(6,728)	(6,500)
Remeasurements of defined benefit plans	17	21
Total accumulated other comprehensive loss	(5,392)	(5,310)
Non-controlling interests	6,065	6,049
Total net assets	109,954	107,146
Total liabilities and net assets	169,172	169,575

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	Millions of yen	
	Three months ended January 31, 2021	Three months ended January 31, 2022
Net sales	22,925	32,787
Cost of sales	16,811	24,635
Gross profits	6,114	8,152
Selling, general and administrative expenses	4,484	4,722
Operating income	1,630	3,430
Non-operating income:		
Interest income	4	9
Dividend income	78	62
Equity in earnings of affiliates	66	79
Foreign exchange gains	95	364
Reversal of allowance for doubtful accounts	33	28
Other	93	30
Total non-operating income	370	572
Non-operating expenses:		
Interest expenses	18	36
Other	4	12
Total non-operating expenses	21	48
Ordinary income	1,978	3,954
Extraordinary income:		
Gain on sales of fixed assets	113	—
Insurance income	—	1
Total extraordinary income	113	1
Extraordinary loss:		
Loss on disposal of fixed assets	53	39
Total extraordinary loss	53	39
Income before income taxes and non-controlling interests	2,038	3,916
Income taxes	694	1,241
Net income	1,344	2,675
Net income attributable to non-controlling interests	103	38
Net income attributable to owners of parent	1,241	2,637

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended January 31, 2021	Three months ended January 31, 2022
Net income	1,344	2,675
Other comprehensive income:		
Valuation difference on available-for-sale securities	305	(152)
Foreign currency translation adjustment	41	36
Remeasurements of defined benefit plans	8	4
Share of other comprehensive income of associates accounted for using equity method	(2,457)	206
Total other comprehensive income (loss)	(2,103)	94
Comprehensive income (loss)	(760)	2,769
(Breakdown)		
Comprehensive income (loss) attributable to owners of the parent	(870)	2,719
Comprehensive income attributable to non-controlling interests	110	51

(Segment Information, etc.)

[Segment Information]

For the first quarter ended January 31, 2021 (From November 1, 2020 to January 31, 2021)

1. Information regarding sales and income or loss of reportable segments

	Millions of yen						
	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Agricultural Chemicals and Agriculture- Related	Fine Chemicals	Total				
Net sales:							
Outside customers	16,382	4,329	20,711	2,214	22,925	—	22,925
Inter-segment	—	12	12	1,085	1,097	(1,097)	—
Total	16,382	4,341	20,723	3,299	24,023	(1,097)	22,925
Segment income/(loss)	1,474	281	1,755	239	1,994	(363)	1,630

(Notes)

1. The Other Businesses segment was not included under reportable segments. It is comprised of the leasing business, power generation and electricity sales business, construction business, printing business, logistics business, and information services business.
2. The segment income adjustment of ¥363 million consists of corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general administrative expenses that are not attributable to reportable segments.
3. Segment income was reconciled to operating income in the quarterly consolidated statements of income.

For the first quarter ended January 31, 2022 (From November 1, 2021 to January 31, 2022)

1. Information regarding sales and income or loss of reportable segments

	Millions of yen						
	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Agricultural Chemicals and Agriculture- Related	Fine Chemicals	Total				
Net sales:							
Outside customers	25,063	5,876	30,939	1,849	32,787	—	32,787
Inter-segment	0	7	7	1,319	1,327	(1,327)	—
Total	25,063	5,883	30,946	3,168	34,114	(1,327)	32,787
Segment income/(loss)	3,196	411	3,607	193	3,800	(370)	3,430

(Notes)

1. The Other Businesses segment was not included under reportable segments. It is comprised of the leasing business, power generation and electricity sales business, construction business, printing business, logistics business, and information services business.
2. The segment income adjustment of ¥370 million consists of corporate expenses not allocated to each reportable segment. Corporate expenses primarily consist of general administrative expenses that are not attributable to reportable segments.
3. Segment income was reconciled to operating income in the quarterly consolidated statements of income.

2. Matters Related to Changes in Reportable Segments

As described in Changes in Accounting Policies, the Company applied the Revenue Recognition Accounting Standard from the beginning of the first-quarter period under review. As the accounting methods for revenue recognition have been changed, the method of calculating segment profit and loss also has been changed in the same manner.

As a result of the changes, compared with the previous method, net sales decreased ¥141 million in the Agricultural Chemicals and Agriculture-Related Businesses segment and ¥34 million in the Fine Chemicals Business segment and increased ¥27 million in the Other Businesses segment.

(Significant Subsequent Event)

[Disposition of Treasury Shares as Restricted Share-Based Remuneration]

The meeting of the Board of Directors held on January 28, 2022 (hereinafter referred to as “the Allotment Resolution Date”) resolved to implement a disposition of treasury shares (hereinafter referred to as “disposition of treasury shares” or “disposition”) as outlined below. The disposition of treasury shares was implemented on February 25, 2022.

(1) Overview of disposition

1) Date of disposition	February 25, 2022
2) Class and number of shares subject to disposition	59,000 common shares of the Compan
3) Disposition price	772 yen per share
4) Total amount of disposition	45,548,000 yen
5) Persons to be allotted shares, number of shares to be allotted, and number of person	Total of 35,000 shares for six Directors (excluding Outside Directors) Executive officers not concurrently serving as Directors: 11, 24,000 shares
6) Other	The Company has submitted a securities notice regarding the disposition of treasury shares based on the Financial Instruments and Exchange Act.

(2) Objectives and reasons for disposition

The meeting of the Board of Directors held on December 14, 2020 resolved to introduce a restricted share-based remuneration plan (hereinafter referred to as “the Plan”) for the Company’s Directors, excluding the Outside Directors (hereinafter referred to as “Eligible Directors”), as a new remuneration system for the Eligible Directors with the objectives of providing a long-term incentive and promoting shareholder value. Furthermore, the 72nd General Meeting of Shareholders held on January 28, 2021 approved the payment of an annual amount of up to 100 million yen in monetary credit to the Eligible Directors as monetary compensation for making the in-kind contribution for the acquisition of restricted shares (hereinafter referred to as “Restricted Share Remuneration”). The Meeting also approved the establishment of a period of 30 years from the date of payment or the date of disposition as the transfer restriction period for the restricted shares in the Plan.

The meeting of the Board of Directors held on February 19, 2021 resolved to introduce the same restricted-share plan as the one for the Eligible Directors for the Company’s executive officers not concurrently serving as Directors (hereinafter referred to collectively with the Eligible Directors as “the Eligible Directors, etc.”), and an outline of the Plan is as follows.

(Outline of the Plan)

The Eligible Directors, etc. will receive issuance or disposition of the Company’s common shares by making in-kind contribution of all of the monetary credit granted by the Company under the Plan. The total number of common shares to be issued or disposed by the Company to the Eligible Directors, etc. under the Plan shall not exceed 150,000 shares per year. The per-share paid-in amount shall be decided by resolution of the Board of Directors. The resolution shall be based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately preceding the resolution (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day), to the extent that it will not constitute an action that is especially advantageous to the concerned Eligible Directors, etc. subscribing to the shares.

In addition, on the issuance or disposition of the Company’s common shares, the Company and each of the Eligible Directors, etc. shall conclude a restricted shares allotment agreement, including the following items.

- 1) The Eligible Directors, etc. shall not transfer, create a security interest on, or otherwise dispose of the common shares of the Company allotted under the restricted shares allotment agreement for a certain period.

2) In the event that certain causes arise, the Company shall acquire the common shares without compensation.

On this occasion, it has been decided to grant a total of 45,548,000 yen in monetary credit (hereinafter referred to as “the Monetary Credit”) and allot 59,000 common shares upon payment of the monetary compensation credit, following consultation with the Nomination and Remuneration Committee, composed mainly of Outside Directors. This decision was made taking into consideration the objectives of the Plan, the Company’s business conditions, the scope of responsibilities of the Eligible Directors, etc. and various other circumstances, with the objectives of further increasing the motivation of each of the Eligible Directors and promoting further shareholder value. To provide a long-term incentive and realize the sharing of increased shareholder value, which are the objectives of the Plan, the transfer restriction period is set at 30 years.

In the disposition of treasury shares, the 17 Eligible Directors, etc. who are the planned allottees, will receive the Company’s common shares after disposition of treasury shares (hereinafter referred to as “the Allotted Shares”) by making in-kind contribution of all the Monetary Credit to the Company. The outline of the restricted share allotment agreement (hereinafter referred to as “the Allotment Agreement”) concluded by the Company with each of the Eligible Directors, etc. in relation to the disposition of treasury shares is as follows in (3).

(3) Outline of the Allotment Agreement

a. Transfer restriction period: From February 25, 2022 to February 25, 2052

b. Cancellation conditions of the transfer restrictions

The transfer restrictions on all of the Allotted Shares will be cancelled on the expiry of the transfer restriction period subject to the condition that the Eligible Director, etc. remains continuously during the transfer restriction period in the position of either a Director, Executive Officer not serving concurrently as a Director, an Audit & Supervisory Board Member, an employee, corporate advisor, counsellor, or a person with any other equivalent position.

c. Handling in the event that the Eligible Director, etc. resigns or retires before the expiry of the transfer restriction period due to the expiry of term of office, mandatory retirement, or any other justifiable cause

1) Timing of cancellation of transfer restrictions

If an Eligible Director, etc. resigns or retires from his or her position as a Director, Executive Officer not serving concurrently as a Director, an Audit & Supervisory Board Member, an employee, corporate advisor, counsellor, or a person with any other equivalent position before the expiry of the transfer restriction period due to the expiry of term of office, mandatory retirement, or any other justifiable cause (including retirement due to death), the transfer restrictions will be cancelled immediately following the retirement or resignation of such Eligible Director, etc.

2) Number of shares subject to cancellation of transfer restrictions

The number of shares subject to cancellation of transfer restrictions shall be the number of the Allotted Shares owned by the Eligible Director, etc. at the time of the retirement or resignation provided for in 1); multiplied by the number of months of the term of office from the Allotment Resolution Date until date of retirement or resignation of the Eligible Director; divided by 12 (if the number so obtained exceeds 1, the number shall be 1). (However, the number of shares shall be rounded down if the calculation produces a fraction that is less than a trading unit.)

d. Acquisition without compensation by the Company

The Company will acquire without compensation the Allotted Shares that are not subject to the cancellation of the transfer restrictions on the transfer restriction expiry or cancellation provided for above in (c).

e. Management of shares

During the transfer restriction period, the Allotted Shares will be managed through a dedicated account that the Eligible Directors, etc. opened at Nomura Securities Co. Ltd. so that they cannot transfer, create a security interest on or otherwise dispose of the Allotted Shares before the expiry of the transfer restriction period. In order to ensure the effectiveness of the transfer restrictions on the Allotted Shares, the Company has concluded an agreement with Nomura Securities on the management of the accounts for the Allotted Shares owned by each Eligible Director, etc. The Eligible Directors, etc. shall agree to the details of account management.

f. Handling in a reorganization, etc.

If, during the transfer restriction period, a merger agreement in which the Company is the absorbed company, a share exchange agreement in which the Company becomes a wholly owned subsidiary, a share transfer plan, or any other matters related to reorganization, etc. are approved by the Company's General Meeting of Shareholders (or by the Company's Board of Directors when approval of the General Meeting of Shareholders is not required for the case), the transfer restrictions will be cancelled based on a resolution of the Board of Directors immediately prior to the business day before the effective date of the reorganization, etc. in the following manner: The transfer restrictions will be cancelled for the number of shares calculated by multiplying the number of the Allotted Shares owned by the Eligible Directors, etc. by the number of months from the Allotment Resolution Date until the reorganization, etc. was approved divided by 12 (if the number so obtained exceeds 1, the number shall be 1). (However, the number of shares shall be rounded down if the calculation produces a fraction that is less than a trading unit.) In addition, the Company will acquire without compensation all of the Allotted Shares not subject to the transfer restriction cancellation immediately after the transfer restrictions have been cancelled.

(4) Basis for calculating the amount to be paid-in and specific details

Based on the Plan, the disposition of treasury shares to the planned allottees will be carried out in exchange for the Monetary Credit as in-kind contributions provided as Restricted Share Remuneration for the Company's 74th business year. In order to eliminate any discretion, the disposition price has been set at 772 yen, which is the closing price of the Company's common shares on the First Section of the Tokyo Stock Exchange on January 27, 2022 (the business day immediately before the Board of Directors' resolution). This is the market price on the day immediately before the resolution of the Board of Directors, and it is considered to be a reasonable and not particularly advantageous price.