

KUMIAI CHEMICAL INDUSTRY CO., LTD.

Consolidated Financial Results for the First Quarter Ended January 31, 2021 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)
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Scheduled Filing of Quarterly Securities Report: March 15, 2021
 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, 2021)

(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	
	¥	(%)	¥	(%)	¥	(%)	¥	(%)
Three months ended January 31, 2021	¥22,925	(3.7)%	¥1,630	1.1%	¥1,978	(5.2)%	¥1,241	(8.7)%
Three months ended January 31, 2020	23,802	(1.9)	1,612	(24.2)	2,088	(15.8)	1,359	(26.1)

Notes: 1. Comprehensive income: Three months ended January 31, 2021: ¥(760) million [—%] Three months ended January 31, 2020: ¥1,339 million [75.5%]
 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, 2021	¥ 9.92	¥ —
Three months ended January 31, 2020	10.86	—

(2) Consolidated Financial Position

(Millions of yen, except percentages)

	Total Assets	Net Assets	Equity Ratio
As of January 31, 2021	¥159,285	¥102,156	60.6%
As of October 31, 2020	154,857	103,959	63.6

(Reference) Shareholders' equity: As of January 31, 2021: ¥96,542 million As of October 31, 2020: ¥98,414 million

2. Cash Dividends for Shareholders of Common Stock

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

	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, 2020	¥ —	¥4.00	¥ —	¥8.00	¥12.00
Year ending October 31, 2021	—				
Year ending October 31, 2021 (Forecast)		4.00	—	8.00	12.00

Note: Most recently announced revisions to dividend forecast: No

3. Consolidated Earnings Forecast (for the fiscal year ending October 31, 2021)

(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
	¥	(%)	¥	(%)	¥	(%)	¥	(%)	¥
Six months ending April 30, 2021	¥ 57,000	(2.4)%	¥3,700	(25.6)%	¥4,300	(21.4)%	¥2,900	(23.8)%	¥23.19
Year ending October 31, 2021	113,000	5.3	7,300	(11.9)	9,200	(7.2)	6,200	(6.3)	49.57

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

2. 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: No

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, 2021	As of October 31, 2020
a) Number of shares issued (including treasury stock)	133,184,612 shares	133,184,612 shares
b) Number of treasury stock	8,137,356 shares	8,136,495 shares
	Three months ended January 31, 2021	Three months ended January 31, 2020
c) Average number of shares issued in the period	125,047,622 shares	125,116,604 shares

**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, 2020 to January 31, 2021), the outlook for the Japanese economy remained uncertain as the impact of the COVID-19 pandemic became prolonged, and the economy stagnated due to self-imposed restraints on economic activity and other factors.

Against this backdrop, the Group formulated the Medium-Term Business Plan, Create the Future—The Challenge for New Possibilities, to start in this fiscal year. It also worked toward accomplishing the priority measures in each department.

In the period under review, net sales decreased by ¥876 million (3.7%) year on year to ¥22,925 million due to the fact that, despite strong sales in Japan, overseas shipments from Japan were lower than in the previous fiscal year and sales of some fine chemicals decreased. Operating income increased by ¥18 million (1.1%) year on year to ¥1,630 million as a result of efforts to curb selling, general and administrative expenses. Ordinary income was ¥1,978 million, down by ¥110 million (5.2%) year on year due to a decrease in equity in earnings of affiliates. Net income attributable to owners of the parent decreased by ¥118 million (8.7%) to ¥1,241 million.

The percentage of net sales to markets overseas in the first-quarter period under review was 37.5%.

Business results by segment were as follows

(Millions of yen, except percentages)

Segment	Three months ended January 31, 2020			Three months ended January 31, 2021			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	¥17,224	72.4%	¥1,647	¥16,382	71.5%	¥1,474	¥(841) [(4.9)]	¥(174) [(10.5)]
Fine Chemicals Business	4,835	20.3	198	4,329	18.9	281	(506) [(10.5)]	84 [42.3]
Other Businesses	1,743	7.3	103	2,214	9.7	239	471 [27.0]	136 [131.7]
Total	23,802	100.0	1,612	22,925	100.0	1,630	(876) [(3.7)]	18 [1.1]

Notes: 1. Consolidated segment operating income for the cumulative first quarter period of the previous fiscal year includes ¥336 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 ¥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).

1) Agricultural Chemicals and Agriculture-Related Businesses segment

Sales in the Japanese market increased with the full-scale market launch of Disarta, a new fungicide, and strong sales of Effeeda, including sales of its active ingredients. However, sales to markets outside Japan declined from the same period of the previous fiscal year, impacted by U.S. shipment plans, even though shipments from Japan of Axeev remained steady for Brazil and Argentina.

As a result of the factors above, net sales in the Agricultural Chemicals and Agriculture-Related Businesses segment came to ¥16,382 million, down by ¥841 million (4.9%) compared with the same period of the previous fiscal year. Operating income decreased by ¥174 million (10.5%) year on year to ¥1,474 million.

2) Fine Chemicals Business segment

Sales of chloroxylene based chemical products and bismaleimides were impacted by the COVID-19 pandemic and remained sluggish, but 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 ¥4,329 million, down by ¥506 million (10.5%) compared with the same period of the previous fiscal year. Operating income increased by ¥84 million (42.3%) year on year to ¥281 million as a result of efforts to curb selling, general and administrative expenses.

3) Other Businesses segment

Sales in the construction business were significantly higher than in the previous fiscal year due to increases in work carried forward and percentage of completion method work. Sales in the printing business and the logistics business also remained steady. As a result, net sales in the Other Businesses segment amounted to ¥2,214 million, up ¥471 million (27.0%) compared with the same period of the previous fiscal year. Operating income increased ¥136 million (131.7%) year on year to ¥239 million.

(2) Explanation of Financial Position

Total assets on a consolidated basis as of January 31, 2021 stood at ¥159,285 million, up by ¥4,428 million from the end of the previous fiscal year. This was mainly because of increases in merchandise and finished products and other factors.

Liabilities increased ¥6,230 million compared with previous fiscal year-end to ¥57,128 million. This was mainly because short-term loans payable increased in addition to other factors.

Net assets totaled ¥102,156 million as of January 31, 2021, resulting in an equity ratio of 60.6% and net assets per share of ¥772.05.

(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, 2021 published at the December 14, 2020 announcement of the financial results for the fiscal year ended October 31, 2020.

At present, the outlook for containment of COVID-19 infections is uncertain, but it is assumed that economic conditions will improve in 2021.

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, 2020	As of January 31, 2021
ASSETS		
Current assets:		
Cash and deposits	19,390	18,594
Notes and accounts receivable-trade	27,617	27,360
Marketable securities	—	300
Merchandise and finished products	26,007	34,422
Work in process	9,571	8,499
Raw materials and supplies	6,555	6,767
Other current assets	1,745	1,216
Allowance for doubtful accounts	(83)	(41)
Total current assets	90,803	97,117
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	10,566	10,418
Machinery, equipment and vehicles, net	7,342	7,200
Land	12,139	12,138
Construction in progress	2,482	3,292
Other property, plant and equipment, net	1,500	1,426
Total property and equipment	34,029	34,474
Intangible fixed assets:		
Goodwill	3,729	3,594
Other intangible assets	1,420	1,475
Total intangible assets	5,148	5,069
Investments and other assets:		
Investments securities	22,280	19,983
Long-term loans	310	309
Deferred tax assets	936	913
Net defined benefit asset	103	101
Other	1,377	1,457
Allowance for doubtful accounts	(130)	(139)
Total investments and other assets	24,876	22,625
Total fixed assets	64,054	62,168
Total assets	154,857	159,285

	Millions of yen	
	As of October 31, 2020	As of January 31, 2021
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	15,194	15,311
Short-term loan payable	10,309	18,809
Accounts payable-other	4,637	2,882
Income taxes payable	834	878
Provision for bonuses	1,545	633
Provision for environmental measures	426	421
Other current liabilities	875	1,010
Total current liabilities	33,820	39,944
Long-term liabilities:		
Long-term loan payable	9,434	9,696
Deferred tax liabilities	2,135	2,120
Provision for directors' retirement benefits	642	355
Net defined benefit liability	4,315	4,270
Asset retirement obligations	40	40
Other long-term liabilities	511	702
Total long-term liabilities	17,078	17,184
Total liabilities	50,898	57,128
NET ASSETS		
Shareholders' equity:		
Capital stock	4,534	4,534
Capital surplus	37,081	37,081
Retained earnings	65,314	65,554
Less treasury stocks, at cost	(5,374)	(5,375)
Total shareholders' equity	101,555	101,795
Accumulated other comprehensive income:		
Valuation differences on available-for-sale securities	1,110	1,411
Foreign currency translation adjustments	(4,114)	(6,534)
Remeasurements of defined benefit plans	(137)	(130)
Total accumulated other comprehensive loss	(3,142)	(5,253)
Non-controlling interests	5,545	5,614
Total net assets	103,959	102,156
Total liabilities and net assets	154,857	159,285

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

Consolidated Statements of Income

	Millions of yen	
	Three months ended January 31, 2020	Three months ended January 31, 2021
Net sales	23,802	22,925
Cost of sales	17,631	16,811
Gross profits	6,171	6,114
Selling, general and administrative expenses	4,559	4,484
Operating income	1,612	1,630
Non-operating income:		
Interest income	9	4
Dividend income	89	78
Equity in earnings of affiliates	350	66
Foreign exchange gains	—	95
Reversal of allowance for doubtful accounts	19	33
Other	74	93
Total non-operating income	541	370
Non-operating expenses:		
Interest expenses	17	18
Foreign exchange losses	30	—
Other	19	4
Total non-operating expenses	65	21
Ordinary income	2,088	1,978
Extraordinary income:		
Gain on sales of fixed assets	23	113
Insurance income	8	—
Total extraordinary income	31	113
Extraordinary loss:		
Loss on disposal of fixed assets	17	53
Loss on valuation of investment securities	0	—
Loss on valuation of golf club membership	0	—
Compensation expenses	24	—
Loss on disaster	4	—
Total extraordinary loss	45	53
Income before income taxes and non-controlling interests	2,073	2,038
Income taxes	705	694
Net income	1,368	1,344
Net income attributable to non-controlling interests	9	103
Net income attributable to owners of parent	1,359	1,241

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended January 31, 2020	Three months ended January 31, 2021
Net income	1,368	1,344
Other comprehensive income:		
Valuation difference on available-for-sale securities	104	305
Foreign currency translation adjustment	(48)	41
Remeasurements of defined benefit plans	7	8
Share of other comprehensive income of associates accounted for using equity method	(92)	(2,457)
Total other comprehensive loss	(29)	(2,103)
Comprehensive income (loss)	1,339	(760)
(Breakdown)		
Comprehensive income (loss) attributable to owners of the parent	1,330	(870)
Comprehensive income attributable to non-controlling interests	9	110

(Segment Information, etc.)

[Segment Information]

For the first quarter ended January 31, 2019 (From November 1, 2018 to January 31, 2020)

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	17,224	4,835	22,059	1,743	23,802	—	23,802
Inter-segment	—	14	14	788	802	(802)	—
Total	17,224	4,848	22,072	2,531	24,603	(802)	23,802
Segment income/(loss)	1,647	198	1,845	103	1,948	(336)	1,612

(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 ¥336 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, 2020 (From November 1, 2019 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.

(Significant Subsequent Event)

[Business Combination through Acquisition]

At the meeting of the Board of Directors held on December 14, 2020, the Company concluded a share purchase agreement with Asiatic Agricultural Industries Pte. Ltd. for the purchase of 60% of its shares. On February 1, 2021, the Company completed the acquisition as per the agreement.

(1) Overview of the Business Combination

1) Name and business description of the acquired company

Name of the acquired company: Asiatic Agricultural Industries Pte. Ltd. (AAI)

Business description: Manufacture and sale of agrochemicals and OEM business for agrochemical companies

2) Main reasons for the business combination

Through the share acquisition, the Company intends to supplement and strengthen the sales networks it has already constructed in the Asia and Africa regions.

3) Date of the business combination

February 1, 2021

4) Legal form of business combination

Acquisition of shares

5) Name of company after the business combination

No change

6) Percentage of voting rights acquired

60%

7) Main grounds leading determination of acquired company

Acquisition of shares by the Company in exchange for cash

(2) Acquisition cost and consideration paid, by type for the acquired company

Based on the agreement reached by the two companies, the acquisition cost will not be disclosed.

(3) Details and amounts of main acquisition-related expenses

Yet to be finalized

(4) Amount of goodwill generated, grounds for generation, amortization method and period

Yet to be finalized

(5) Breakdown of principal amounts of assets acquired and liabilities assumed on the date of the combination

Yet to be finalized

[Disposition of treasury shares as restricted share-based remuneration]

The meeting of the Board of Directors held on February 19, 2021 (hereinafter referred to as “the Allotment Resolution Date”) resolved to implement a disposition of treasury shares (“disposition of treasury shares” or “disposition”) as outlined below.

(1) Overview of disposition

1) Date of disposition	March 18, 2021
2) Class and number of shares subject to disposition	56,000 common shares of the Company
3) Disposition price	891 yen per share
4) Total amount of disposition	49,896,000 yen
5) Persons to be allotted shares, number of shares to be allotted, and number of persons	Total of 32,500 shares for six Directors (excluding Outside Directors) Executive officers not concurrently serving as Directors: 11, 23,500 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, 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. 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.

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 consideration.

On this occasion, it has been decided to grant a total of 49,896,000 yen in monetary credit (hereinafter referred to as “the Monetary Credit”) and 56,000 common shares, 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

- 1) Transfer restriction period: From March 18, 2021 to March 18, 2051
- 2) 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, advisor, counsellor, or a person with any other equivalent position.

3) 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

(a) 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, 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.

(b) Number of shares subject to cancellation of transfer restrictions

The number of shares subject to cancellation of transfer restrictions shall be the number of allotted shares owned by the Eligible Director, etc. at the time of the retirement or resignation provided for above in (a); 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 (however, the number shall be rounded down if the calculation produces a fraction that is less than a trading unit.)

4) Acquisition without compensation by the Company

The Company will acquire without compensation allotted shares that are not subject to the cancellation of the transfer restrictions on the transfer restriction expiry or cancellation provided for above in (3).

5) 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.

6) 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 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). (However, the number 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 monetary credit as in-kind contributions provided as remuneration in the form of restricted shares for the Company's 73rd business year. In order to eliminate any discretion, the disposition price has been set at 891 yen, which is the closing price of the Company's common shares on the First Section of the Tokyo Stock Exchange on February 18, 2021 (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.