Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 9, 2024

Consolidated Financial Results for the Nine Months Ended March 31, 2024 (Under Japanese GAAP)

Company name: URBANET CORPORATION Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 3242
URL: https://www.urbanet.jp/en/
Representative: Atsushi Tanaka, President and Representative Director
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Telephone: +81-3-6630-3051
Scheduled date to file quarterly securities report: May 9, 2024
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended March 31, 2024 (from July 1, 2023 to March 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	17,466	49.3	1,632	88.0	1,438	125.4	990	143.9
March 31, 2023	11,698	(20.6)	868	(32.5)	638	(43.3)	406	(44.9)

Note: Comprehensive income For the nine months ended March 31, 2024: 1,023 million yen [133.2%]
For the nine months ended March 31, 2023: 438 million yen [(43.0)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2024	31.75	31.66
March 31, 2023	12.96	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	49,763	15,887	28.6
June 30, 2023	44,237	15,192	30.6

Reference: Equity As of March 31, 2024: 14,210 million yen
As of June 30, 2023: 13,551 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	–	9.00	–	10.00	19.00
Fiscal year ending June 30, 2024	–	10.00	–		
Fiscal year ending June 30, 2024 (Forecast)				10.00	20.00

Note: Revisions to the forecast of cash dividends most recently announced: None

The second quarter-end dividend per share for the fiscal year ended June 30, 2023 comprises an ordinary dividend of 8.00 yen and a commemorative dividend of 1.00 yen.

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending June 30, 2024	27,000	33.2	2,550	4.9	2,300	7.5	1,550	7.1	49.73

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	32,174,100 shares
As of June 30, 2023	31,374,100 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2024	402,463 shares
As of June 30, 2023	402,462 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended March 31, 2024	31,196,001 shares
Nine months ended March 31, 2023	31,325,997 shares

Note: The number of treasury shares at the end of the period includes the Company's shares held in the trust account used as a result of the introduction of a trust-based stock compensation plan for directors (excluding outside directors) of the Company, and the Company's shares held in the trust account are included in the treasury shares excluded from the calculation of the average number of shares outstanding during the period.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Urbanet Group and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors. For the assumptions underlying the earnings forecasts and notes on their use, please refer to "1. Qualitative Information on the Quarterly Financial Results for the Period under Review (3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information" on page 3 of the Attached Material.

(Means of access to contents of supplementary material on financial results and financial results briefing)

Materials on financial results will be disclosed on the Timely Disclosure network (TDnet) and available on the Group's website at the same time as this financial summary.

We plan to hold the following financial results briefing for investors.

Videos recorded at this event are to be posted promptly on the Group's website following the briefing.

Friday, May 10, 2024: Financial results briefing for institutional investors and analysts

Attached Material

1. Qualitative Information on the Quarterly Financial Results for the Period under Review 2
(1) Explanation of Results of Operations 2
(2) Explanation of Financial Condition 2
(3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information 3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto 4
(1) Quarterly Consolidated Balance Sheet 4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income 5
(3) Quarterly Consolidated Statement of Cash Flows 7
(4) Notes to Quarterly Consolidated Financial Statements 8
Going Concern Assumption 8
Significant Changes in Shareholders' Equity 8
Segment Information, Etc. 8
Significant Subsequent Events 9

1. Qualitative Information on the Quarterly Financial Results for the Period under Review

(1) Explanation of Results of Operations

For the period under review, the Urbanet Group companies (hereinafter "the Urbanet Group" or "the Group") reported net sales of 17,466 million yen (up 49.3% from the same period of the previous fiscal year), operating profit of 1,632 million yen (up 88.0% from the same period of the previous fiscal year), ordinary profit of 1,438 million yen (up 125.4% from the same period of the previous fiscal year), and profit attributable to owners of parent of 990 million yen (up 143.9% from the same period of the previous fiscal year).

The significant year-on-year increase in both sales and profits was mainly due to the fact that the recording of sales for projects in the previous fiscal year was weighted toward the fourth quarter of the fiscal year. During the current fiscal year, the Group plans to sell 651 units in one-room condominiums for investment, etc. During the period under review, the Group sold 503 units, and it plans to sell the remainder during the fourth quarter of the current fiscal year. The Group's core business is the development and sale of buildings with one-room condominiums for investment, and the timing, amount, and profit ratio of sales upon completion of construction vary greatly from project to project and from year to year, causing quarterly sales and profits to fluctuate significantly each year. At present, net sales and profits are both generally progressing in line with initial plans.

The performance by each business segment is explained below.

(Real Estate Business)

Net sales in the Real Estate Business were 17,300 million yen (up 49.2% from the same period of the previous fiscal year), and segment profit was 2,450 million yen (up 48.8% from the same period of the previous fiscal year).

Among these, the total amount of net sales from real estate development and sales was 16,913 million yen (up 51.3% from the same period of the previous fiscal year), attributable to the sale of 503 units in a total of seven one-room condominiums for investment and the sale of one tract of land for sites. The total amount of sales from real estate purchase and sales was 46 million yen (up 23.7% from the same period of the previous fiscal year) with revenues from the purchase and resale of a pre-owned condominium (one unit). In the other real estate business, net sales were 340 million yen (down 9.4% from the same period of the previous fiscal year) due to real estate brokerage and real estate leasing.

(Hotel Business)

In the hotel business, net sales were 165 million yen (up 61.6% from the same period of the previous fiscal year) and segment profit was 33 million yen (compared with a segment loss of 4 million yen in the same period of the previous fiscal year) due to room charges and other factors at Hotel Asyl Tokyo Kamata.

(2) Explanation of Financial Condition

(i) Analysis of Financial Position

As for the financial position at the end of the third quarter of the current fiscal year under review, compared to the end of the previous fiscal year, total assets increased 5,525 million yen to 49,763 million yen, liabilities increased 4,830 million yen to 33,875 million yen, and net assets increased 694 million yen to 15,887 million yen.

The increase in total assets was mainly due to an increase of 3,839 million yen in inventories, and an increase of 1,110 million yen in non-current assets as a result of making K-nine Co., Ltd. a subsidiary. As for sale of buildings with one-room condominiums for investment, which is our core business, acquisition of land for sites, completion of construction, and delivery are progressing smoothly.

The increase in liabilities was mainly due to an increase of 1,067 million yen in accounts payable - trade, and increases of 4,088 million yen in short-term borrowings and long-term borrowings (including the current portion of long-term borrowings) as a result of making K-nine Co., Ltd. a subsidiary.

The increase in net assets was mainly due to an increase in profit attributable to owners of parent and increases in share capital and legal capital surplus as a result of the exercise of share acquisition rights, which outweighed a decrease in the payment of year-end dividends and other factors.

(ii) Analysis of Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the third quarter of the current fiscal year under review increased by 81 million yen compared to the end of the previous fiscal year to 9,212 million yen due to an increase in funds in operating and investing activities, while funds decreased in financing activities.

Cash flows from operating activities

Net cash provided by operating activities amounted to 814 million yen (compared with net cash used of 7,429 million yen in the same period of the previous fiscal year). This was mainly due to the recording of profit before income taxes and an increase in trade payables, which outweighed the decrease in the funds due to the income taxes paid.

Cash flows from investing activities

Net cash provided by investing activities amounted to 30 million yen (compared with net cash used of 807 million yen in the same period of the previous fiscal year). This was mainly due to a decrease in investments and other assets and proceeds from cancellation of insurance funds, which outweighed purchase of shares of subsidiaries resulting in change in scope of consolidation and payments of leasehold and guarantee deposits.

Cash flows from financing activities

Net cash used in financing activities amounted to 763 million yen (compared with net cash provided of 6,025 million yen in the same period of the previous fiscal year). This was mainly due to the repayment of long-term borrowings in connection with sales of properties, which outweighed proceeds from long-term borrowings in connection with purchase of land for sites.

(3) Explanation Concerning the Forecast of Consolidated Financial Results and Other Forward-looking Information

The Group's financial results for the nine months of the current fiscal year were as follows: net sales of 17,466 million yen, operating profit of 1,632 million yen, ordinary profit of 1,438 million yen, and profit attributable to owners of parent of 990 million yen. The significant year-on-year increase in both sales and profits was mainly due to the fact that the recording of sales for projects in the previous fiscal year was weighted toward the fourth quarter of the fiscal year. During the current fiscal year, the Group plans to sell 651 units in one-room condominiums for investment, etc. During the period under review, the Group sold 503 units, and it plans to sell the remainder during the fourth quarter of the current fiscal year. The Group's core business is the development and sale of buildings with one-room condominiums for investment, and the timing, amount, and profit ratio of sales upon completion of construction vary greatly from project to project and from year to year, causing quarterly sales and profits to fluctuate significantly each year. At present, net sales and profits are both generally progressing in line with initial plans—including at K-nine Co., Ltd., which became a subsidiary on February 29, 2024—and the Group has thus decided to leave unchanged the full-year consolidated earnings forecast for the current fiscal year disclosed on December 22, 2023. The earnings forecast figures for March 1, 2024 and thereafter have already been adjusted to incorporate the figures for K-nine Co., Ltd. Although sales contracts have been completed for all the projects scheduled for the Group's current fiscal year, we will pay close attention to uncertainties such as the occurrence of unexpected additional construction, the impact of the supply status of construction materials and soaring prices on construction schedules and costs, as well as the impact of the future financial environment, etc., on sales, and will promptly disclose revised consolidated earnings forecasts if necessary.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	9,141,018	9,234,055
Real estate for sale	85,101	2,006,915
Real estate for sale in process	27,979,965	29,893,371
Work in process	2,312	6,395
Other	202,864	685,736
Total current assets	37,411,263	41,826,474
Non-current assets		
Property, plant and equipment	5,853,329	7,078,843
Intangible assets	2,765	142,556
Investments and other assets	970,288	715,285
Total non-current assets	6,826,383	7,936,685
Total assets	44,237,646	49,763,160
Liabilities		
Current liabilities		
Accounts payable - trade	616,338	1,684,211
Short-term borrowings	312,400	2,723,305
Current portion of long-term borrowings	7,651,408	8,182,918
Lease liabilities	10,839	10,418
Income taxes payable	427,186	124,460
Provision for bonuses	–	32,667
Provision for warranties for completed construction	–	12,620
Other	1,329,792	1,022,893
Total current liabilities	10,347,965	13,793,496
Non-current liabilities		
Long-term borrowings	18,271,910	19,417,928
Lease liabilities	27,237	34,753
Provision for share awards for directors (and other officers)	28,594	55,038
Retirement benefit liability	59,405	62,396
Other	309,630	511,769
Total non-current liabilities	18,696,777	20,081,885
Total liabilities	29,044,743	33,875,382
Net assets		
Shareholders' equity		
Share capital	2,693,701	2,843,661
Capital surplus	2,191,829	2,341,789
Retained earnings	8,792,432	9,151,417
Treasury shares	(126,494)	(126,494)
Total shareholders' equity	13,551,468	14,210,373
Share acquisition rights	–	3,405
Non-controlling interests	1,641,434	1,674,000
Total net assets	15,192,903	15,887,778
Total liabilities and net assets	44,237,646	49,763,160

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income (For the Nine-month Period)

(Thousands of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Net sales	11,698,375	17,466,514
Cost of sales	9,678,464	14,613,127
Gross profit	2,019,910	2,853,386
Selling, general and administrative expenses	1,151,589	1,220,674
Operating profit	868,320	1,632,711
Non-operating income		
Interest income	63	1,035
Dividend income	–	8,049
Distributions received	–	15,450
Other	3,429	10,696
Total non-operating income	3,492	35,231
Non-operating expenses		
Interest expenses	157,181	167,493
Commission expenses	76,248	54,847
Other	122	6,903
Total non-operating expenses	233,552	229,243
Ordinary profit	638,260	1,438,699
Extraordinary income		
Surrender value of insurance policies	45,754	85,507
Total extraordinary income	45,754	85,507
Extraordinary losses		
Loss on valuation of golf club membership	5,270	–
Total extraordinary losses	5,270	–
Profit before income taxes	678,744	1,524,206
Income taxes - current	225,807	470,464
Income taxes - deferred	14,192	30,710
Total income taxes	239,999	501,174
Profit	438,744	1,023,031
Profit attributable to non-controlling interests	32,654	32,565
Profit attributable to owners of parent	406,090	990,465

Quarterly Consolidated Statement of Comprehensive Income (For the Nine-month Period)

(Thousands of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Profit	438,744	1,023,031
Other comprehensive income	–	–
Comprehensive income	438,744	1,023,031
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	406,090	990,465
Comprehensive income attributable to non-controlling interests	32,654	32,565

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Nine months ended March 31, 2023	Nine months ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	678,744	1,524,206
Depreciation	107,567	101,641
Increase (decrease) in provision for bonuses	32,190	27,610
Increase (decrease) in provision for bonuses for directors (and other officers)	3,392	–
Increase (decrease) in provision for share awards for directors (and other officers)	7,950	26,443
Increase (decrease) in retirement benefit liability	(5,658)	2,991
Interest and dividend income	(63)	(9,084)
Distributions received	–	(15,450)
Interest expenses	157,181	167,493
Surrender value of insurance policies	(45,754)	(85,507)
Decrease (increase) in investments in leases	22,704	25,538
Decrease (increase) in inventories	(8,673,337)	(97,388)
Increase (decrease) in trade payables	1,289,185	810,483
Increase (decrease) in advances received	300,885	(465,569)
Increase (decrease) in accrued consumption taxes	(108,547)	2,296
Other, net	(310,966)	(291,888)
Subtotal	(6,544,526)	1,723,816
Interest and dividends received	64	9,084
Interest paid	(160,054)	(167,032)
Income taxes paid	(724,902)	(751,441)
Net cash provided by (used in) operating activities	(7,429,418)	814,426
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,446)	(1,472)
Purchase of intangible assets	(750)	(3,150)
Proceeds from cancellation of insurance funds	81,378	207,585
Payments of leasehold and guarantee deposits	–	(107,199)
Decrease (increase) in investments and other assets	(228,230)	300,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(632,890)	(377,096)
Other, net	–	11,988
Net cash provided by (used in) investing activities	(807,937)	30,654
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	314,935	664,790
Proceeds from long-term borrowings	11,312,000	5,807,000
Repayments of long-term borrowings	(4,945,562)	(6,945,636)
Purchase of treasury shares	(126,476)	(0)
Repayments of lease liabilities	(13,329)	(8,244)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	298,400
Proceeds from issuance of share acquisition rights	–	4,925
Dividends paid	(516,362)	(584,679)
Net cash provided by (used in) financing activities	6,025,204	(763,444)
Net increase (decrease) in cash and cash equivalents	(2,212,151)	81,636
Cash and cash equivalents at beginning of period	8,485,387	9,131,018
Cash and cash equivalents at end of period	6,273,235	9,212,655

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment Information, Etc.

Segment Information

I Nine months ended March 31, 2023 (July 1, 2022-March 31, 2023)

Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	11,595,873	102,501	11,698,375	–	11,698,375
Inter-segment sales and transfers	–	–	–	–	–
Total	11,595,873	102,501	11,698,375	–	11,698,375
Segment profit (loss)	1,646,817	(4,599)	1,642,218	(773,897)	868,320

Notes: 1. The negative 773,897 thousand yen adjustment to segment profit (loss) is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profit (loss) is consistent with operating profit shown on the quarterly consolidated statement of income.

II Nine months ended March 31, 2024 (July 1, 2023-March 31, 2024)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segments		Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Real Estate	Hotel			
Net sales					
External sales	17,300,917	165,596	17,466,514	–	17,466,514
Inter-segment sales and transfers	–	–	–	–	–
Total	17,300,917	165,596	17,466,514	–	17,466,514
Segment profit	2,450,422	33,098	2,483,520	(850,808)	1,632,711

Notes: 1. The negative 850,808 thousand yen adjustment to segment profit is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profit is consistent with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

(Significant changes in the amount of goodwill)

During the third quarter of the current fiscal year, the Company acquired all shares of K-nine Co., Ltd. and newly included it in the scope of consolidation.

As a result, goodwill of 137,486 thousand yen was recorded in the Real Estate Business.

The amount of goodwill is tentatively calculated since the allocation of the acquisition cost has not been completed as of the end of the third quarter of the current fiscal year.

Significant Subsequent Events

(Introduction of Employee Stock Ownership Plan)

The Company resolved at the Board of Directors' meeting held on May 9, 2024 to introduce an "Employee Stock Ownership Plan" as an incentive plan for the Company's employees (hereinafter referred to as the "Plan"; the trust agreement to be concluded with Resona Bank, Limited with respect to the Plan is hereinafter referred to as the "Trust Agreement"; and the trust to be established in accordance with the Trust Agreement is hereinafter referred to as the "Trust").

1. Purpose of introducing the Plan

   The Company has positioned human capital management as an important item in its management issue and has been striving to upgrade the workplace environment through the relocation to its new head office in July 2024 and to enhance employee engagement through various initiatives such as the introduction of a new personnel system and other measures. Furthermore, now, as part of an incentive plan for the Company's employees, the Company has decided to introduce the Plan, with the aim of increasing the morale and motivation of the Company's employees to contribute to improving the Company's performance and increasing in its corporate value over the medium to long term. The Company has already introduced the "Board Benefit Trust" in February 2023 as a performance-based stock compensation plan for its directors (excluding outside directors) (Refer to "Notice of Determination of Matters Related to a Performance-Based Stock Compensation Plan for Directors (in Japanese only)" dated February 10, 2023.). By introducing the "Employee Stock Ownership Plan," the Company will create a structure with the aim of management and employees working together to continuously improve the Company's corporate value.

2. Outline of the Plan

   The Plan is a system under which the Trust established by the Company uses money contributed by the Company to acquire the Company's shares, and in accordance with the predetermined regulations for the Employee Stock Ownership Plan (hereinafter referred to as the "ESOP Regulations"), the Company's shares and an amount of money equivalent to the market value of the Company's shares (hereinafter collectively referred to as the "Company's Shares, etc.") are provided to the Company's employees who satisfy certain beneficiary requirements.

   The Company grants points to eligible employees of the Company in accordance with the ESOP Regulations, and if the employees satisfy certain beneficiary requirements, they receive the Company's Shares, etc., which correspond to the number of points granted to them, by completing the prescribed procedures. Since the Company contributes the entire amount of money related to the establishment of the Trust, there is no burden on the Company's employees.

   The introduction of the Plan is expected to have an employee retention effect and increase employee motivation for working to improve the Company's performance with an awareness of the share price, since the Company's employees receive economic benefits from the increase in the Company's share price. In addition, since the exercise of voting rights with respect to the Company's shares, which are trust assets of the Trust, reflects the will of the Company's employees who satisfy the beneficiary requirements, the Trust is expected to increase their sense of participation in management.

3. Outline of the Trust Agreement

(1) Name:	Employee Stock Ownership Plan
(2) Trustor:	The Company
(3) Trustee:	Resona Bank, Limited Resona Bank, Limited will enter into a specific comprehensive trust agreement with Custody Bank of Japan, Ltd., and Custody Bank of Japan, Ltd. will be the re-trustee.
(4) Beneficiary:	Employees of the Company who satisfy the beneficiary requirements as stipulated in the ESOP Regulations
(5) Trust administrator:	Select from employees of the Company

(6) Types of trust: Trust of money other than money trust (third-party-benefit trust)

(7) Date of the Trust Agreement: May 16, 2024 (scheduled)

(8) Date of entrusting money: May 16, 2024 (scheduled)

(9) Trust period: From May 16, 2024 (scheduled) until the Trust is terminated

(No specific termination date is set, and the Trust will continue as long as the Plan continues.)

4. Details of acquisition of the Company's shares at the time of establishment of the Trust

(1) Type of shares to be acquired: Common shares of the Company

(2) Amount of money entrusted as funds to acquire shares:

85,000,000 yen

(3) Total number of shares to be acquired (maximum):

200,000 shares

(4) Method of acquisition of shares: Acquisition through the stock market (including off-auction trading)

(5) Share acquisition period: May 16, 2024 - August 15, 2024 (scheduled)