Translation

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# Summary of Consolidated Financial Results for the Three Months Ended March 31, 2024 (Based on Japanese GAAP)

May 9, 2024

Company name: BASE, Inc.
Stock exchange listing: Tokyo
Stock code: 4477 URL https://binc.jp/en
Representative: Representative Director, Senior Executive Officer and CEO Yuta Tsuruoka
Inquiries: Director, Senior Executive Officer and CFO Ken Harada TEL 03(6441)2075
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 meeting: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

**1. Consolidated financial results for the Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)**

(1) Consolidated operating results (cumulative) (% indicates changes from the previous corresponding period)

| | 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 March 31, 2024 | 3,591 | 42.6 | 206 | – | 211 | – | 213 | – |
| Three months ended March 31, 2023 | 2,518 | 0.2 | (271) | – | (269) | – | (358) | – |

(Note) Comprehensive Income (millions of yen) Three months ended March 31, 2024: 211 (–%) Three months ended March 31, 2023: (344) (–%)

| | Earnings per share | Diluted earnings per share |
|---|---|---|
| | Yen | Yen |
| Three months ended March 31, 2024 | 1.85 | 1.82 |
| Three months ended March 31, 2023 | (3.15) | – |

(Notes) 1. Despite the existence of potential shares for the three months ended March 31,2023, diluted earnings per share are not indicated because net loss per share was recorded.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Millions of yen | Millions of yen | % |
| As of March 31, 2024 | 39,368 | 13,212 | 33.6 |
| As of December 31, 2023 | 37,297 | 13,000 | 34.9 |

(Reference) Equity (millions of yen) As of March 31, 2024: 13,212 As of December 31, 2023: 13,000

**2. Cash dividends**

| | Annual dividends per share | | | | |
|---|---|---|---|---|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended December 31, 2023 | – | 0.00 | – | 0.00 | 0.00 |
| Year ending December 31, 2024 | – | | | | |
| Year ending December 31, 2024 (Forecast) | | 0.00 | – | 0.00 | 0.00 |

(Note) Revisions to most recent dividend forecast: None

**3. Forecast of consolidated financial results for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)**

(% indicates changes from the previous fiscal year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 14,700 | 25.9 | 0 | – | 3 | – | 7 | – | 0.06 |

(Note) Revisions to most recent consolidated results forecast: Yes

4. Notes

(1) Changes in significant subsidiaries during the Three months ended March 31, 2024 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

New: – ( ), Exclusion: – ( )

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

| | | | |
|---|---|---|---|
| As of March 31, 2024 | 11,223,823 shares | As of December 31, 2023 | 115,197,823 shares |

Number of treasury shares at the end of the period

| | | | |
|---|---|---|---|
| As of March 31, 2024 | 35,455 shares | As of December 31, 2023 | 19,894 shares |

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

| | | | |
|---|---|---|---|
| Three months ended March 31, 2024 | 115,188,796 shares | Three months ended March 31, 2023 | 113,877,662 shares |

*The summary of quarterly financial results are not subject to a quarterly review by a certified public accountant or an auditing firm.

*Explanation on the appropriate use of business forecasts and other special matters

(Notice regarding forward-looking statements, etc.)

Forward-looking statements or projections contained in this document are based on information that the Company has at the present time and certain premises that the Company deems reasonable. Such forward-looking statements are not intended to represent a commitment on the part of the Company to achieve them. Also, actual results may differ significantly due to various factors. Please see the "1. Qualitative information on results for the three months ended March 31, 2024 (3) Overview of forecast of operating results including consolidated financial results" on page 3 of the attached document for the conditions that form the basis of earnings forecasts and cautions for using earnings forecasts.

(Access to supplementary information on the financial results and explanation on a financial result briefing)

The Company is scheduled to hold a financial result briefing for institutional investors and analysts on Thursday, May 9, 2024. Relevant briefing information is scheduled to be disclosed on our website.

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## 1. Qualitative information on results for the three months ended March 31, 2024

### (1) Overview of operating results

Advocating “Payment to the People, Power to the People.” as its mission, the Company group (the “Group”) actively operates the BASE Business, which provides the online shop creation service “BASE” as well as “Pay ID” shopping service for purchases, and the PAY.JP Business, which provides the online payment service “PAY.JP.” Through these services, the Group focuses on empowering individuals and small teams and supporting start-up companies.

During the three months ended March 31, 2024, the economic outlook remained uncertain due to the global economy. However, the online consumption behavior was getting normalized. In the midst of this business environment, the BASE Business maintains its position as the overwhelming first choice for a wide range of individuals and small teams, while continuing efforts to strengthen its products to achieve sustainable growth over the medium to long term. In the PAY.JP Business, the Group aims to support the growth of its existing merchants while also expanding the number of new merchants by targeting start-up companies and strengthening its products with the aim of creating online payment functions that are simpler and easier to implement and operate.

As a result of the above, the Group’s consolidated net sales for the three months ended March 31, 2024 were ¥3,591 million (42.6% increase year on year), operating profit was ¥206 million (operating loss of ¥271 million in the same period of the previous fiscal year), ordinary profit was ¥211 million (ordinary loss of ¥269 million in the same period of the previous fiscal year), and profit attributable to owners of parent was ¥213 million (loss attributable to owners of parent of ¥358 million in the same period of the previous fiscal year).

A) BASE Business

In the BASE Business, GMV for the three months ended March 31, 2024 was in line with the expectations at the beginning of the fiscal year mainly driven by the growth of shops with large sales due to the monthly fee plan effects. Furthermore, the monthly fee plan price was increased from January 16, 2024, however, less shops have moved to other services than expected, and more shops continue to use “BASE.”

Take rate (Note) for the three months ended March 31, 2024 increased QoQ due to the increase of the monthly fee plan price.

As a result of the above, GMV for the three months ended March 31, 2024 was ¥37,400 million (order amount) and ¥35,004 million (payment amount) (20.9% increase for order amount and 18.6% increase for payment amount year on year), net sales for the three months ended March 31, 2024 were ¥2,119 million (20.6% increase year on year), and segment profit was ¥174 million (segment loss of ¥175 million in the same period of the previous fiscal year).

(Note) Take rate is the ratio of net sales over GMV (payment amount)

B) PAY Business

In the PAY.JP Business, the Group provides the online payment service “PAY.JP.” GMV for the three months ended March 31, 2024 increased significantly more than expected at the beginning of the fiscal year due to the growth of large-scale existing and new merchants.

As a result of the above, GMV for the three months ended March 31, 2024 was ¥46,487 million (71.6% increase year on year), net sales were ¥1,299 million (85.3% increase year on year), and segment profit was ¥51 million (segment loss of ¥9 million in the same period of the previous fiscal year).

C) Other Business

In the Other Business, the Group provides services such as “YELL BANK,” which provides business funds to online shop operators using “BASE.” The number of its users and its usage amount increased more than expected at the beginning of the fiscal year.

As a result of the above, net sales for the three months ended March 31, 2024 were ¥172 million (191.3% increase year on year), and segment profit was ¥61 million (segment loss of ¥14 million in the same period of the previous fiscal year).

**(2) Overview of financial position**

(Assets)

Total assets as of March 31, 2024 were ¥39,368 million, an increase of ¥2,070 million from the end of the previous fiscal year. This was mainly due to increases of ¥522 million in cash and deposits and ¥1,337 million in accounts receivable - trade.

(Liabilities)

Liabilities as of March 31, 2024 were ¥26,156 million, an increase of ¥1,858 million from the end of the previous fiscal year. This was mainly due to an increase of ¥12,158 million in accounts payable - trade, which offset a decrease of ¥10,232 million in deposits received.

(Net assets)

Net assets as of March 31, 2024 were ¥13,212 million, an increase of ¥211 million from the end of the previous fiscal year. This was mainly due to an increase of ¥213 million in retained earnings resulting from the recording of profit attributable to owners of parent.

**(3) Overview of forecast of operating results including consolidated financial results**

The medium to long-term management policy is to return to operating profit in FY2025 and to achieve consolidated gross profit of JPY 10 billion as soon as possible from FY2026 onwards through growth strategies for existing products and group-wide expansion strategies.

Based on this policy, both the BASE and PAY.JP businesses aim to both increase GMV and improve profitability in FY2024 by increasing added value of existing products and optimizing pricing accordingly, as well as improving marketing measures etc. In “Pay ID” and the financial services, mainly “YELL BANK”, offered to “BASE” shops and purchasers, initiatives will be implemented to increase added value of existing products as well as to improve the profitability of the Group as a whole.

The policy is to maintain a disciplined investment policy based on growth and profitability, and to continue working to improve the financial position.

Based on the above, the financial forecast for the consolidated financial year 2024 is as follows.

GMV of BASE and PAY.JP businesses is expected to be JPY 154,000 million and JPY 187,000 million, respectively, as a result of increasing added value of existing products and improving marketing measures, etc.

In addition, the BASE business aims to improve its take rate by raising the price of Monthly-Fee Plan (Growth Plan) and providing paid extensions, etc. The PAY.JP business also aims to improve gross profit margin by optimizing its fee structure and improving the cost of sales ratio. As a result of the above, consolidated net sales and consolidated gross profit are expected to amount to JPY 14,700 million and JPY 6,450 million respectively. This will be revised as necessary in the future, based on the impact of the revised fee plans for the BASE and PAY.JP businesses and the progress of the YELL BANK in the Other Business.

SG&A expenses are expected to increase YoY in FY2024, as SG&A expenses were better controlled than expected in FY2023. As of the beginning of the period, there is a high uncertainty of planned measures, etc. Therefore, from the perspective of providing more useful and reasonable information to investors, the figures are disclosed in the form of a range. But based on the results of the first quarter of the current fiscal year, the figure was revised to 6,450 million yen, which was set as the lower limit (minimum limit) at the beginning of the fiscal year, after a close examination of the second quarter onwards.

As a result of the above, the operating profit forecast was revised upwards towards 0 yen, which was the upper limit at the beginning of the period.

(Note) BASE’s GMV is based on the order date (order amount). PAY.JP’s GMV is based on the payment date (payment amount)

## 2. Quarterly consolidated financial statements and main noted items

### (1) Quarterly Consolidated balance sheets

(Million yen)

| | As of December 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 22,224 | 22,749 |
| Securities | 13,821 | 15,158 |
| Other | 1,117 | 1,304 |
| Allowance for doubtful accounts | (200) | (201) |
| Total current assets | 36,965 | 39,012 |
| Non-current assets | | |
| Property, plant, and equipment | – | 9 |
| Investments and other assets | 331 | 347 |
| Total non-current assets | 331 | 356 |
| Total assets | 37,297 | 39,368 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 13,215 | 25,374 |
| Deposits received | 10,299 | 67 |
| Provision for chargeback | 7 | 4 |
| Contract liabilities | 115 | 143 |
| Other | 606 | 514 |
| Total current liabilities | 24,244 | 26,103 |
| Non-current liabilities | | |
| Other | 52 | 52 |
| Total non-current liabilities | 52 | 52 |
| Total liabilities | 24,297 | 26,156 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,669 | 8,669 |
| Capital surplus | 4,933 | 4,933 |
| Retained earnings | (606) | (393) |
| Treasury shares | (0) | (0) |
| Total shareholders' equity | 12,995 | 13,209 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5 | 3 |
| Total accumulated other comprehensive income | 5 | 3 |
| Total net assets | 13,000 | 13,212 |
| Total liabilities and net assets | 37,297 | 39,368 |

**(2) Quarterly Consolidated statement of income and comprehensive income**

**Consolidated statement of income**

(Three months ended March 31, 2024)

(Million yen)

| | Three Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023) | Three Months Ended March 31, 2024 (from January 1, 2024 to March 31, 2024) |
|---|---|---|
| Net sales | 2,518 | 3,591 |
| Cost of sales | 1,452 | 2,025 |
| Gross profit | 1,065 | 1,565 |
| Selling, general, and administrative expenses | 1,337 | 1,359 |
| Operating profit (loss) | (271) | 206 |
| Non-operating income | | |
| Interest income | 0 | 0 |
| Commission income | − | 2 |
| Lecture fees and other income | 2 | 3 |
| Other | 0 | 0 |
| Total non-operating income | 3 | 6 |
| Non-operating expenses | | |
| Share issuance cost | 0 | 0 |
| Commitment fee | 0 | 0 |
| Total non-operating expenses | 0 | 0 |
| Ordinary profit (loss) | (269) | 211 |
| Extraordinary loss | | |
| Impairment losses | 77 | − |
| Loss on valuation of investment securities | 11 | − |
| Total extraordinary loss | 88 | − |
| Profit (Loss) before income taxes | (357) | 211 |
| Total Income taxes | 1 | (1) |
| Net Profit (loss) | (358) | 213 |
| Profit (Loss) attributable to owners of parent | (358) | 213 |

**Consolidated statement of comprehensive income**

(Three months ended March 31, 2024)

(Million yen)

| | Three Months Ended March 31, 2023 (from January 1, 2023 to March 31, 2023) | Three Months Ended March 31, 2024 (from January 1, 2024 to March 31, 2024) |
|---|---|---|
| Net profit (loss) | (358) | 213 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 14 | (1) |
| Total other comprehensive income | 14 | (1) |
| Comprehensive income | (344) | 211 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (344) | 211 |

## (3) Notes on quarterly consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable.

(Notes on significant changes in amounts of shareholders' equity)

Not applicable.

(Segment information etc.)

Segment Information

Consolidated three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

1. Information on the amount of net sales and loss of each reportable segment, and information regarding disaggregation of revenue

(Million yen)

| | Reportable segment | | | | Reconciliations (Note 1) | Consolidated (Note 2) |
|---|---|---|---|---|---|---|
| | BASE Business | PAY.JP Business | Other Business | Total | | |
| Net sales | | | | | | |
| Goods or services transferred at a point in time | 1,674 | 694 | 5 | 2,374 | － | 2,374 |
| Goods or services transferred over time | 71 | 7 | － | 78 | － | 78 |
| Revenue from contracts with customers | 1,746 | 701 | 5 | 2,452 | － | 2,452 |
| Other revenue | 11 | 0 | 53 | 65 | － | 65 |
| Net sales to external customers | 1,757 | 701 | 59 | 2,518 | － | 2,518 |
| Inter-segment net sales or transfers | － | － | － | － | － | － |
| Total | 1,757 | 701 | 59 | 2,518 | － | 2,518 |
| Segment loss | (175) | (9) | (14) | (199) | (72) | (271) |

(Notes) 1. Reconciliations of segment loss of ¥(72) million are for corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segment.

2. Segment loss is adjusted with operating loss stated in the quarterly consolidated statement of income.

2. Information about impairment losses on non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses on non-current assets)

Impairment losses of ¥77 million were recorded in the “BASE Business.”

Consolidated three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

Information on the amount of net sales and profit of each reportable segment, and information regarding disaggregation of revenue

(Million yen)

| | Reportable segment | | | | Reconciliations (Note 1) | Consolidated (Note 2) |
|---|---|---|---|---|---|---|
| | BASE Business | PAY.JP Business | Other Business | Total | | |
| Net sales | | | | | | |
| Goods or services transferred at a point in time | 2,000 | 1,291 | 8 | 3,300 | － | 3,300 |
| Goods or services transferred over time | 108 | 7 | － | 116 | － | 116 |
| Revenue from contracts with customers | 2,108 | 1,299 | 8 | 3,416 | － | 3,416 |
| Other revenue | 10 | 0 | 164 | 175 | － | 175 |
| Net sales to external customers | 2,119 | 1,299 | 172 | 3,591 | － | 3,591 |
| Inter-segment net sales or transfers | － | 0 | － | 0 | (0) | － |
| Total | 2,119 | 1,299 | 172 | 3,591 | (0) | 3,591 |
| Segment profit | 174 | 51 | 61 | 287 | (81) | 206 |

(Notes) 1. Reconciliations of segment profit of ¥(81) million are corporate expenses that are not allocated to each reportable segment. Corporate expenses consist mainly of general and administrative expenses that do not belong to reportable segments.

2. Segment profit is adjusted with operating profit stated in the quarterly consolidated statement of income.

(Significant subsequent events)

(The issuance of performance target linked share acquisition rights (paid-in stock options))

At the meeting of the Company's Board of Directors held on April 18, 2024, the Company resolved to issue share acquisition rights to the Company's Directors and Senior Executive Officers pursuant to the provisions of Articles 236, 238, and 240 of the Companies Act as follows (the "Share Acquisition Rights"), and the allotment was completed on May 9, 2024.

I. The purpose and reason for the solicitation of share acquisition rights

The Company issues share acquisition rights, which require cash payment, to its Directors and Senior Executive Officers with the purpose of further increasing motivation and morale and further enhancing the Company's cohesion in order to expand the Company's medium- to long-term performance and increase its corporate value in line with the viewpoint of shareholders.

The total number of shares of the Company's common stock that would increase if all of the Share Acquisition Rights were exercised equals 3% of the total number of issued shares. However, the Company recognizes that the achievement of the performance targets set in advance is a condition for the exercise of the Share Acquisition Rights and that the achievement of these targets will contribute to the enhancement of the Company's corporate value and shareholder value. For this reason, the Company recognizes that the issuance of the Share Acquisition Rights can contribute to the interests of its existing shareholders, and the Company believes that the dilutive effect of the shares is reasonable.

II. Outline of the issuance of share acquisition rights

1. Number of share acquisition rights

34,600 units

The total number of shares that may be delivered by exercising the Share Acquisition Rights shall be 3,460,000 shares of the Company's common stock, and if the Number of Granted Shares of the Share Acquisition Rights is adjusted according to 3. (1) below, the number shall be the Number of Granted Shares after adjustment multiplied by the number of the Share Acquisition Rights.

2. Payment of cash in exchange for share acquisition rights

The issue price per Share Acquisition Right shall be ¥100. This amount was determined with reference to the results calculated by Plutus Consulting Co., Ltd., a third-party valuation organization, using a Monte Carlo simulation, which is a general option pricing model, considering the Company's stock price information and other factors.

3. Features of share acquisition rights

(1) Class and number of shares to be issued upon exercise of share acquisition rights

The number of shares to be issued upon exercise of each Share Acquisition Right (the "Number of Granted Shares") shall be 100 shares of the Company's common stock.

The Number of Granted Shares shall be adjusted according to the following formula when the Company conducts a stock split (including gratis allotment of the Company's common stock; the same shall apply hereinafter) or reverse stock split after the allotment date of the Share Acquisition Rights. However, such adjustment shall be made only for the number of shares to be issued upon exercise of the Share Acquisition Rights that have not been exercised at that time, and fractions less than one share resulting from the adjustment shall be discarded.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Ratio of split (or reverse split)

If, after the allotment date of the Share Acquisition Rights, the Company effects a merger, a company split, a share exchange, or a partial share exchange, or in other similar cases where an adjustment in the Number of Granted Shares is required, the Company may make an appropriate adjustment to the Number of Granted Shares to the extent reasonable.

(2) Value or calculation method of assets to be contributed upon exercise of share acquisition rights

The value of assets to be contributed upon the exercise of the Share Acquisition Rights shall be the amount obtained by multiplying the amount to be paid per share (the "Exercise Price") by the Number of Granted Shares.

The Exercise Price shall be ¥271.

If the Company conducts a stock split or reverse stock split after the allotment date of the Share Acquisition Rights, the Exercise Price shall be adjusted according to the following formula, and fractions less than ¥1 due to the adjustment shall be rounded up.

$$\text{Exercise Price after the adjustment} = \text{Exercise Price before the adjustment} \times \frac{1}{\text{Ratio of split (or reverse split)}}$$

If, after the allotment date of the Share Acquisition Rights, the Company issues new shares or disposes of treasury shares at a price below the market price of the Company's common stock (except in the cases of the issuance of new shares and disposal of treasury shares based on the exercise of share acquisition rights, or the cases of the issuance of new shares and delivery of treasury shares through merger, company split, share exchange, and partial share exchange), the Exercise Price shall be adjusted according to the following formula, and fractions less than ¥1 due to the adjustment shall be rounded up.

$$\text{Exercise Price after the adjustment} = \text{Exercise Price before the adjustment} \times \frac{\text{Number of existing shares} + \frac{\text{Number of new shares} \times \text{Amount to be paid per share}}{\text{Market price per share before issuance of new shares}}}{\text{Number of existing shares} + \text{Number of new shares}}$$

In the above formula, "number of existing shares" refers to the total number of issued shares of the Company's common stock less the number of treasury shares of the Company's common stock. In addition, when the Company disposes of treasury shares of the Company's common stock, "number of new shares" shall be read as "number of treasury shares to be disposed of." Furthermore, in addition to the above, if, after the allotment date of the Share Acquisition Rights, the Company effects a merger, a company split, a share exchange, or a partial share exchange, or in other similar cases where an adjustment in the Exercise Price is required, the Company may make an appropriate adjustment to the Exercise Price to the extent reasonable.

(3) Period during which share acquisition rights may be exercised

The period during which the Share Acquisition Rights may be exercised (the "Exercise Period") shall be from April 1, 2027, to May 8, 2034.

(4) Matters concerning capital stock and legal capital surplus to be increased

(i) The amount of capital stock to be increased when shares are issued upon exercise of the Share Acquisition Rights shall be one-half of the maximum amount of increase in capital stock calculated in accordance with Article 17, paragraph (1) of the Regulations on Corporate Accounting. Any fraction less than ¥1 resulting from the calculation shall be rounded up.

(ii) The amount of legal capital surplus to be increased when shares are issued upon exercise of the Share Acquisition Rights shall be the amount obtained by subtracting the amount of capital stock to be increased as set forth in (i) above from the maximum amount of increase in capital stock as set forth in (i) above.

(5) Restriction on acquisition of share acquisition rights by transfer

Acquisition of the Share Acquisition Rights by transfer shall require approval by a resolution of the Board of Directors of the Company.

(6) Conditions for the exercise of share acquisition rights

(i) Holders of share acquisition rights may exercise the Share Acquisition Rights, only if gross profit stated in the Company's consolidated statements of income (or, non-consolidated statements of income if no consolidated statements of income have been prepared) for the two fiscal years, FY2026 and FY2027, satisfies any of the conditions stated in (a) through (c) below, up to the number of shares in the ratio stated in each relevant condition (the "Exercisable Ratio"), respectively. However, if both conditions (b) and (c) are satisfied, the Exercisable Ratio shall be 66%. In addition, the maximum Exercisable Ratio shall be 100%, and any fraction less than one unit in the number of units of share acquisition rights that becomes exercisable shall be discarded.

(a) If gross profit for FY2026 or FY2027 exceeds ¥10,000 million: Exercisable Ratio 100%

(b) If gross profit exceeds ¥8,455 million for FY2026: Exercisable Ratio 33%

(c) If gross profit exceeds ¥9,265 million for FY2027: Exercisable Ratio 33%

In determining gross profit in the above, the Company shall judge based on the amount in the consolidated statements of income (or, non-consolidated statements of income if no consolidated statements of income have been prepared) stated in the securities report for the relevant fiscal year submitted by the Company in accordance with the Financial Instruments and Exchange Act, and if the Board of Directors determines that it is not appropriate to judge based on the actual figures stated in its consolidated statements of income due to a change in applicable accounting standards or the occurrence of an event such as a corporate acquisition that has a significant impact on the Company's performance, the Company may, to the extent reasonable, eliminate the impact of such corporate acquisition, etc. and adjust the actual figures used for the judgment.

(ii) Holders of share acquisition rights shall be required to be Directors, Senior Executive Officers, Executive Officers, or employees of the Company or its subsidiaries at the time of the exercise of share acquisition rights. However, this shall not apply if the Board of Directors of the Company acknowledges that there is a justifiable reason such as the expiration of the term of office.

(iii) Heirs of the holders of share acquisition rights may not exercise the Share Acquisition Rights.

(iv) If the exercise of the Share Acquisition Rights would cause the total number of issued shares of the Company to exceed the total number of shares authorized to be issued at the time of such exercise, such Share Acquisition Rights may not be exercised.

(v) Each Share Acquisition Right of less than one unit may not be exercised.

4. Allotment date of share acquisition rights

May 9, 2024

5. Matters concerning the acquisition of share acquisition rights

(1) In the event that the approval of the General Meeting of Shareholders (or a resolution of the Board of Directors if approval by the General Meeting of Shareholders is not required) is obtained with respect to a merger agreement in which the Company will be the absorbed company, a split agreement or split plan with respect to a company split in which the Company will be the splitting company, or a share exchange agreement, partial share exchange plan, or share transfer plan in which the Company will be a wholly-owned subsidiary, the Company may acquire all of the Share Acquisition Rights without compensation upon the arrival of a date separately determined by the Board of Directors of the Company.

(2) In the event that the exercise of the Share Acquisition Rights becomes impossible pursuant to the provisions of 3. (6) above prior to the exercise of the Share Acquisition Rights by holders of share acquisition rights, the Company may acquire such Share Acquisition Rights that become unable to be exercised without compensation upon the arrival of a date separately determined by the Board of Directors of the Company.

6. Treatment of share acquisition rights at the time of organization restructuring actions

In the event that the Company conducts a merger (limited to the case where the Company is absorbed as a result of a merger), absorption-type company split, incorporation-type company split, share exchange, or share transfer (collectively, the "Organization Restructuring Actions"), share acquisition rights of the companies as set forth in Article 236, paragraph (1), item (viii) (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share acquisition rights as of the effective date of the Organization Restructuring Actions in each case under the following conditions. However, this provision shall be limited to the cases where the delivery of the share acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in the absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number as the number of share acquisition rights held by the holders of share acquisition rights shall be delivered respectively.
(2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
The class of shares shall be common stock of the Reorganized Company.
(3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
To be determined in accordance with 3. (1) above, taking into consideration the conditions of the Organization Restructuring Actions.
(4) Value of assets to be contributed upon exercise of share acquisition rights
The value of assets to be contributed upon the exercise of each share acquisition rights to be delivered shall be the amount obtained by multiplying the Exercise Price after the restructuring obtained by adjusting the Exercise Price prescribed in 3. (2) above, by the number of shares of the Reorganized Company to be issued upon exercise of such share acquisition rights determined in accordance with 6. (3) above, after taking into consideration the conditions of the Organization Restructuring Actions, etc.
(5) Period during which share acquisition rights may be exercised
The exercise period shall be from the later date of either the first day of the Exercise Period set forth in 3. (3) above or the effective date of the Organization Restructuring Actions to the last day of the Exercise Period set forth in 3. (3) above.
(6) Matters concerning capital stock and legal capital surplus to be increased when shares are issued upon exercise of share acquisition rights
To be determined in accordance with 3. (4) above.
(7) Restrictions on acquisition of share acquisition rights by transfer
Restrictions on acquisition by transfer shall require approval by a resolution of the Board of Directors of the Reorganized Company.
(8) Other conditions for the exercise of share acquisition rights
To be determined in accordance with 3. (6) above.
(9) Reasons and conditions for the acquisition of share acquisition rights
To be determined in accordance with 5. above.
(10) Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

7. Matters concerning certificates of share acquisition rights
The Company shall not issue certificates of the Share Acquisition Rights.

8. The due date for the payment of cash in exchange for share acquisition rights
May 9, 2024

9. Application due date
May 8, 2024

10. Persons and the number of persons to be allotted the Share Acquisition Rights, and the number of the Share Acquisition Rights to be allotted
Two (2) Directors of the Company: 21,625 units
Three (3) Senior Executive Officers of the Company: 12,975 units

(The issuance of new shares as restricted stock-based compensation)
At a meeting of the Board of Directors held on April 18, 2024, the Company resolved to issue new shares as restricted stock-based compensation, and the payment was completed on May 9, 2024.

1. Issuance Summary

| | |
|---|---|
| (1) Payment Date | May 9, 2024 |
| (2) Class and Number of Shares for Issuance | Company common stock: 450,767 shares |
| (3) Issue Price | 271 yen per share |
| (4) Total Issue Price for All Shares | 122,157,857 yen |
| (5) Planned Allottees | 4 Company Directors (including Outside Directors): 131,920 shares<br>3 Company Senior Executive Officers: 97,419 shares<br>3 Company Executive Officers: 33,213 shares<br>25 Company Employees: 188,215 shares |
| (6) Other | In accordance with the Financial Instruments and Exchange Act, Extraordinary Report for this issuance of new shares has been submitted. |

2. Purpose and Reason for Issuance
At a meeting of the Company's Board of Directors held on February 13, 2020, it was resolved to introduce a new restricted stock-based compensation plan (the "Plan") for the Company's Directors (the "Eligible Directors") to provide them with incentives to continuously improve the Company's corporate value and to encourage greater shared value with shareholders. In addition, at the 7th Ordinary General Meeting of Shareholders held on March 25, 2020, it was approved that the total amount of monetary compensation claims to be paid to the Eligible Directors as compensation for the grant of transfer-restricted stock under the

Plan, in addition to the existing monetary compensation limit, shall be ¥100 million or less per year (including ¥10 million or less for Outside Directors). Subsequently, at the 8th Ordinary General Meeting of Shareholders held on March 25, 2021, it was approved to revise the total amount of these monetary compensation claims to ¥500 million or less per year (including ¥50 million or less for Outside Directors).

3. Plan Overview

The grant of transfer-restricted stock under the Plan shall be made by way of issuance or disposal of shares of common stock of the Company in exchange for contribution in kind of all monetary compensation claims paid to the Eligible Directors.

The total number of shares of the Company's common stock to be issued or disposed of under the Plan shall not exceed 57,000 shares per year (including 5,700 shares for Outside Directors).

(Note) As the Company conducted a 5-for-1 stock split of shares of common stock on April 1, 2021, the total number of the Company's common stock to be issued or disposed of has been changed so as to not exceed 285,000 shares per year (including 28,500 shares for Outside Directors), from 57,000 shares per year (including 5,700 shares for Outside Directors).

In addition, upon the issuance or disposal of shares of the Company's common stock under the Plan, the Company shall execute a restricted stock allotment agreement between the Company and the Eligible Director to receive the allotment, which shall include the following items.

① The Eligible Director shall not transfer, create a security interest in, or otherwise dispose of the shares of common stock of the Company allotted to him/her under the restricted stock allotment agreement for a period of three (3) years or longer as determined by the Board of Directors, or for a period from the date of delivery of said shares until the date the Eligible Director retires or resigns from his/her position as a Director of the Company or other position determined by the Board of Directors of the Company.

② The Company may acquire, without consideration, the shares of common stock upon the occurrence of certain events.

On this basis, at a meeting of the Board of Directors held on April 18, 2024, the Company resolved issue 450,767 shares of Company common stock (including 28,008 shares for Outside Directors; the "Allotted Shares") to four (4) Directors, three (3) Senior Executive Officers, three (3) Executive Officers (collectively, the "Eligible Officers") and 25 employees (the "Eligible Employees"; together with the Eligible Officers, the "Eligible Personnel"). Issuance shall be in exchange for the contribution in kind of monetary compensation claims or monetary claims totalling ¥122,157,857 (including ¥7,590,168 for Outside Directors) and shall be in consideration of the purpose of this plan, the scope of each Eligible Personnel's responsibilities and various other circumstances.

4. Restricted Stock Allotment Agreement Overview

In connection with the New Share Issuance, the Company shall enter into a restricted stock allotment agreement with the Eligible Personnel, a summary of which is as follows.

(1) Transfer Restriction Period

The Eligible Officers shall not transfer, create a security interest in, or otherwise dispose of the Allotted Shares during the period from May 9, 2024 (the payment date) to May 8, 2027.

The Eligible Employees shall not transfer, create a security interest in, or otherwise dispose of the Allotted Shares granted from May 9, 2024 (the payment date) during the following periods for the following amounts: for one-third of the Allotted Shares, by May 8, 2025; for the following one-third, before May 8, 2026; and for the remaining portion, before May 8, 2027.

(2) Conditions for Lifting of Transfer Restrictions

The restriction on transfer of all of the Allotted Shares shall be lifted on the expiration date of the restriction period, provided that the Eligible Officer has continuously held the position of Director, Senior Executive Officer, Executive Officer, employee, or advisor of the Company or any of its subsidiaries during the restriction period. In addition, the restriction on transfer shall be lifted for the Allotted Shares related to each of the restriction periods in (1) above on the condition that the Eligible Employee, during the corresponding restriction periods, has continuously held the position of Director, Senior Executive Officer, Executive Officer, employee, or advisor of the Company or any of its subsidiaries. However, in the event that an Eligible Officer loses their position as a Director, Senior Executive Officer, Executive Officer, employee or advisor of the Company or any of its subsidiaries due to the expiration of their term of office, death, or any other reason deemed justifiable by the Board of Directors of the Company during a transfer restriction period, as of the time of such loss of position, restrictions on transfer shall be lifted for the number of shares calculated by dividing the number of months from and including the month following the payment date up to and including the month where the loss of position falls by 36, multiplied by the number of shares of Allotted Stock (any fractional shares arising from this calculation shall be truncated). In addition, in the event that an Eligible Employee loses their position as a Director, Senior Executive Officer, Executive Officer, employee or advisor of the Company or any of its subsidiaries to the expiration of their term of employment (however, for those re-employed after retirement at the mandatory age, this shall be the expiration of their term of re-employment), death, or any other reason deemed justifiable by the Board of Directors of the Company during a transfer restriction period, as of the time of such loss of position, restrictions on transfer shall be lifted for the Allotted Shares at an amount reasonably adjusted in accordance with the period until the loss of position.

(3) Gratis Acquisition by the Company

The Company shall naturally acquire the Allotted Shares for which transfer restrictions have not been lifted without consideration at the expiration of the restriction period or immediately after the Eligible Personnel loses their position as a Director, Senior Executive Officer, Executive Officer, employee, or advisor of the Company or any of its subsidiaries during the restriction period.

(4) Management of Stock

The Allotted Stock are managed in a dedicated account for transfer-restricted stock opened by Eligible Personnel at SMBC Nikko Securities Inc. during the Restriction Period to ensure shares cannot be transferred, granted as a security interest, or otherwise disposed of during the restriction period.

(5) Treatment for Reorganization, Etc.

If, during the restriction period, the Company's General Meeting of Shareholders (or Company's Board of Directors if approval by the Company's General Meeting of Shareholders is not required for the reorganization, etc. in question) approves a merger agreement in which the Company is the dissolved company, a stock transfer agreement in which the company becomes a wholly owned subsidiary, or stock transfer plan or other organizational restructuring, etc., then, by

resolution of the Board of Directors, transfer restrictions shall be lifted for Allotted Shares immediately preceding the business day before the effective date of the reorganization, etc. as follows: for Eligible Officers, the number of shares calculated by dividing the number of months from and including the month following the payment date up to and including the month where the day of the approval of the reorganization, etc. falls by 36, multiplied by the number of shares of Allotted Stock held at the time (any fractional shares arising from this calculation shall be truncated); for Eligible Employees, the number of Allotted Shares at an amount reasonably adjusted in accordance with the period from and including the month following the payment date until the day of the approval of the reorganization, etc.

5. Basis for Calculation of Payment Amount and Details Thereof

The New Share Issuance is made using monetary compensation claims or monetary claims paid to the Planned Allottees under the Plan as contributory assets. Here, in order to ensure a non-arbitrary price, the payment amount shall be ¥271, the closing price of the Company's common stock on the Tokyo Stock Exchange on April 17, 2024 (the business day immediately preceding the date of resolution of the Board of Directors). As the market share price immediately prior to the date of the Board of Directors' resolution, in the absence of special circumstances indicating that the most recent share price cannot be relied upon, we believe that this is a reasonable price that appropriately reflects the Company's corporate value and does not constitute a particularly favourable price for the Eligible Personnel.