

Consolidated Financial Results for the Nine Months Ended May 31, 2022 [Japanese GAAP]



July 8, 2022

Company name: CURVES HOLDINGS Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange Prime Market

Stock code: 7085

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Scheduled date of filing quarterly securities report: July 12, 2022

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended May 31, 2022 (September 1, 2021 to May 31, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2022	20,449	12.5	2,432	85.0	2,710	90.7	1,799	118.1
May 31, 2021	18,170	(7.1)	1,314	(23.9)	1,421	(18.0)	824	(26.5)

(Note) Comprehensive income: Nine months ended May 31, 2022: 3,141 million yen [up 162.2%]

Nine months ended May 31, 2021: 1,197 million yen [down 3.5%]

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
May 31, 2022	19.32	-
May 31, 2021	8.79	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
May 31, 2022	35,961	10,259	28.5
August 31, 2021	36,284	9,163	25.3

(Reference) Equity: As of May 31, 2022: 10,259 million yen

As of August 31, 2021: 9,163 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2021	-	0.00	-	5.00	5.00
Fiscal year ending August 31, 2022	-	3.50	-		
Fiscal year ending August 31, 2022 (Forecast)				3.50	7.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2022 (September 1, 2021 to August 31, 2022) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	27,300	10.6	2,700	66.4	3,230	88.1	2,150	23.15

(Note) Revision to the financial results forecast announced most recently: Yes

For the consolidated financial results forecast, please see the “Notice of Revisions to the Full-Year Financial Results Forecast” released today (July 8, 2022).

*** Notes:**

(1) Changes in significant subsidiaries during the nine months ended May 31, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

Newly added: — (Name:) Excluded: — (Name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Total number of issued shares (common shares)

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

May 31, 2022: 93,857,493 shares

August 31, 2021: 93,857,493 shares

2) Total number of treasury shares at the end of the period:

May 31, 2022: 1,800,121 shares

August 31, 2021: 121 shares

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

Nine months ended May 31, 2022: 93,137,372 shares

Nine months ended May 31, 2021: 93,857,372 shares

(Note) The total number of treasury shares at the end of the period include shares of the Company (1,800,000 shares on May 31, 2022 and 0 shares on August 31, 2021) held by Custody Bank of Japan, Ltd. (Trust Account E). In addition, shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) are included in treasury shares that are subtracted in calculating the average number of shares during the period. (720,000 shares during the nine months ended May 31, 2022 and 0 shares during the nine months ended May 31, 2021)

* This summary of the quarterly financial results is outside the scope of quarterly review by certified public accountants or audit firms.

* Explanation of the proper use of financial results forecast and other notes

(Note on forward-looking statements, etc.)

The financial results forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. Such forward-looking statements are not intended to represent a commitment on the part of the Company to achieve them. Actual results may vary significantly due to various factors. See “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” in the section, “1. Qualitative Information on Quarterly Financial Results for the Period under Review,” on page 4 of the attached material for the assumptions used in the financial results forecast and precautions for using the financial results forecast.

(How to obtain supplementary briefing material on the financial results)

The Company has posted supplementary briefing material on the financial results for this quarter on TDnet and the Company’s website (<https://www.curvesholdings.co.jp/>).

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operations Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Primary Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
(3) Notes to Quarterly Consolidated Financial Statements	10
(Notes on going concern assumption)	10
(Notes in the case of significant changes in shareholders' equity)	10
(Changes in accounting policies)	10
(Additional information)	11

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

(1) Explanation of Operations Results

The Group (the Company and consolidated subsidiaries, hereinafter referred to as the “Group”) has been striving to contribute to the extension of health life expectancy through its core business, Curves, a 30-minute fitness club for women. The Group has endeavored to enhance the satisfaction of its members and expand membership by strengthening customer services as “community-based health infrastructure” that contributes to solving social issues.

It is the Group’s understanding that the market environment during and after the COVID-19 pandemic will change dramatically in the following two ways:

(i) Growth of the health market: The pandemic forced people to focus on their lives and health, and the trend toward taking care of their own health will gain momentum over the medium- to long-term, promoting substantial growth of the disease-prevention and health market.

(ii) Growing demand for contactless services: Extending beyond the end of the COVID-19 pandemic, consumer sentiment, society and the economy will remain “scared” by COVID-19, and qualitative changes will occur, such as an increase in demand for non-contact services.

In this management environment, the Group aims to achieve a business recovery and establish business models in the new management environment by the end of December 2022. It is pursuing strategies positioning the fiscal year ending August 31, 2022 (from September 1, 2021, to August 31, 2022) as the fiscal year for ensuring that such goals are achieved.

The net increase in the number of members, the most important indicator of the Group’s business recovery, was 43K from 693K as of the end of the previous fiscal year and totaled 737K (including online members).

Looking at the third quarter under review (March 2022 to May 2022), the Group broadcast new TV commercials in March and April 2022 and conducted a media mix-oriented marketing campaign that included online advertising. Consequently, net number of members increased 18K from the level at the end of the previous quarter. This indicates steady progress in the top priority issue, enabling the number of members to recover as quickly as possible. In addition, by further increasing customer satisfaction, the Group succeeded in maintaining the monthly membership attrition rate below the pre-COVID-19 level. However, with social activity stagnant through late March, mainly due to the spread of the Omicron variant and the enforcement of COVID-19 quasi-emergency measures, the acquisition of new members, particularly senior members (65 years old or above), remained slow, causing the number of members at the end of the first nine months under review to fall below initial expectations.

Sales of merchandise to members continued to be strong during the third quarter of the fiscal year under review and surpassed expectations, chiefly reflecting a rise in the number of members who entered into protein products subscription contracts and growth in per-customer spending due to the offering of new highly functional products introduced during the second quarter of the fiscal year under review.

The Group proceeded with the closure and merging of the clubs that have been severely affected by COVID-19, and approximately 70% of the members of closed and merged clubs have moved to other clubs.

Accordingly, the number of Curves facilities (excluding Men’s Curves) and membership in Japan as of May 31, 2022 were as follows.

Number of Curves facilities (excluding Men's Curves) and membership in Japan

Number of Curves facilities (excluding Men's Curves) and membership in Japan					* Reference: Numbers before COVID-19 As of February 29, 2020
	As of August 31, 2021	As of May 31, 2022			
			Changes from end of previous fiscal year		
Number of facilities	1,958 facilities	1,948 facilities	A decrease of 10 facilities	(0.5)%	2,014 facilities
Of which, number of corporate operated facilities	75 facilities	75 facilities	—	—	65 facilities
Number of franchisee facilities	1,883 facilities	1,873 facilities	A decrease of 10 facilities	(0.5)%	1,949 facilities
Membership	693K	737K	43K	6.3%	832K

(Notes) 1. In the third quarter of the fiscal year under review, the number of new club opening was 3 and the number of clubs closed and merged was 6.

2. Curves membership in Japan includes the number of members of online fitness program, Ouchi de Curves (Curves at Home).

Regarding Men's Curves, a physical exercise facility for men, the Group opened its 10th facility in the Katahira campus of Tohoku University (Sendai, Miyagi Prefecture) in March 2022. Going forward, it will expand the area of its joint research with Tohoku University.

In overseas business, the Group considers Europe where it acquired the franchiser operations in July 2019 to be its priority market. As of the end of the first nine months of the fiscal year under review (March 31, 2022 (two-month lag due to difference in fiscal year end)), there were 153 Curves facilities in Europe (UK, Italy, Spain and five other countries, all facilities are franchisees' facilities).

Selling, general and administrative expenses increased 519 million yen compared to the second quarter of the fiscal year under review and 99 million yen compared to the second quarter of the previous year, mainly due to increase in advertising and marketing expenses to roll out the strategic marketing activities.

As a result, net sales for the first nine months of the fiscal year under review were 20,449 million yen (up 12.5% year on year), leading to operating profit of 2,432 million yen (up 85.0% year on year). Ordinary profit was 2,710 million yen (up 90.7% year on year) due to the generation of foreign exchange gains at Curves International, Inc., which did not have an impact on changes in cash. Profit attributable to owners of parent was 1,799 million yen (up 118.1% year on year) mainly due to the posting of income taxes - current of 1,022 million yen.

Since the Group operates in a single business segment, the Curves business, the segment information is omitted.

(2) Explanation of Financial Position

(Assets)

Total assets as of May 31, 2022 decreased by 323 million yen, compared to the end of the previous fiscal year to 35,961 million yen (down 0.9% from the end of the previous fiscal year).

Current assets decreased by 1,415 million yen to 13,546 million yen (down 9.5% year on year). This was mainly due to a decrease of 2,002 million yen in cash and deposits.

Property, plant and equipment decreased by 33 million yen to 472 million yen (down 6.6% year on year).

Intangible assets increased by 1,192 million yen to 21,320 million yen (up 5.9% year on year). This was primarily due to an increase of 997 million yen in trademark right, which resulted from currency exchange fluctuations.

Investments and other assets decreased by 66 million yen to 622 million yen (down 9.7% year on year).

Total non-current assets increased by 1,091 million yen to 22,415 million yen (up 5.1% year on year).

(Liabilities)

Current liabilities decreased by 84 million yen to 8,845 million yen (down 0.9% year on year). This was primarily due to a decrease of 359 million yen in accounts payable - other, which more than offset an increase of 228 million yen in notes and accounts payable - trade.

Non-current liabilities decreased by 1,334 million yen to 16,857 million yen (down 7.3% year on year). This was mainly due to a decrease of 1,551 million yen in long-term borrowings.

Total liabilities decreased by 1,419 million yen to 25,702 million yen (down 5.2% year on year).

(Net assets)

Net assets increased by 1,095 million yen to 10,259 million yen (up 12.0% year on year). This was mainly because treasury shares stood at 1,247 million yen as a result of the purchase of treasury shares associated with the introduction of Employee Stock Ownership Plan (J-ESOP and Board Benefit Trust, or BBT), which was partly offset by an increase of 1,001 million yen in retained earnings that resulted from the recording of profit attributable to owners of parent of 1,799 million yen and payment of dividends of 797 million yen.

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

Consolidated financial results forecast has been revised as announced in the “Notice of Revisions to the Full-Year Financial Results Forecast” as of July 8, 2022.

In the revised full-year consolidated financial results forecast, the Company expects net sales of 27.3 billion yen (up 10.6% year on year), operating profit of 2.7 billion yen (up 66.4% year on year), ordinary profit of 3.23 billion yen (up 88.1% year on year) and profit attributable to owners of parent of 2.15 billion yen (up 90.3% year on year).

Details are as follows.

The Group aims to achieve a business recovery and establish business models in the new management environment by the end of December 2022. It is pursuing strategies positioning the fiscal year ending August 31, 2022 (from September 1, 2021, to August 31, 2022) as the year for ensuring that such goals are achieved.

The Group recognizes that in order to early achieve business recovery and establish business models in the new management environment in these circumstances, the following measures continue to be important.

(i) Further improve customer satisfaction and protect and foster the Group’s operating base, including the stabilization of franchisee management.

(ii) Recover membership first by strengthening marketing and actively using funds.

(iii) Quickly get new business models such as the online fitness program, Ouchi de Curves (Curves at Home) on track.

The Group plans to continue executing strategic investment actively in target areas, including bolstered marketing in the fourth quarter.

Domestic Business

- Net sales and operating profit are predicted to surpass the previously announced forecasts, supported by an increase in the number of members and strong sales of merchandise to members.

- The Group plans to open 15 facilities while closing or integrating 26 franchisees heavily affected by COVID-19 in the fiscal year ending August 31, 2022. It has revised its forecast of the number of facilities at the end of the fiscal year to 1,947, a net decrease of 11 facilities.

Franchisees are getting more motivated to open additional facilities due to the recovery of their facilities’ performance and also the number of requests for the opening of a facility from commercial complexes and other business facilities is rising. However, facility openings scheduled for the third and fourth quarters would be postponed until the following or subsequent fiscal years due to construction delays mainly attributable to a short supply of construction materials. Meanwhile, the number of facility closings/integrations is expected to fall, reflecting the recovery of facilities’ performance.

- The number of members showed a steady net growth in the third quarter, as in previous quarters. However,

the progress of the plan announced on October 8, 2021 for raising this number (including online members) to 798K by the end of the fiscal year ending August 31, 2022 has been slow. Accordingly, the forecast for membership for the current fiscal year ending August 31, 2022 has been revised to 760K members (including online members).

- Sales of merchandise to members are expected to surpass the initial forecast. However, their costs are expected to be higher due to rises in prices for the raw materials of mainstay protein products, etc.

- To achieve business recovery and establish business models in the new management environments by the end of 2022, the quick recovery of membership is a priority issue. For that reason, the Group plans to make additional strategic investments in advertising and marketing.

Overseas Business

- The number of members is recovering in Europe (including the UK, Italy and Spain), a priority region, following the resumption of operations. To facilitate the growth of business, the Group will continue to experiment with new business models, including the provision of online fitness programs, and strive to plan and implement strategies in response to changing management environments. The Group expects that it will continue to record operating loss on a full-year basis in the foreseeable future that it positions as a preparation period for growth.

(Non-Operating Income and Loss)

- Non-operating income is expected to increase due to the posting of foreign exchange gains at Curves International, Inc. without causing any change in cash position.

Any further revisions to the financial results forecast necessitated by changes in the business environment due to future COVID-19 conditions and other factors will be promptly disclosed.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of August 31, 2021	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	9,760,075	7,758,065
Notes and accounts receivable - trade	3,857,456	4,156,554
Merchandise	1,092,413	1,312,680
Raw materials and supplies	4,249	8,261
Other	423,056	492,420
Allowance for doubtful accounts	(176,103)	(181,862)
Total current assets	14,961,146	13,546,120
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	208,262	210,561
Vehicles, tools, furniture and fixtures, net	297,468	261,758
Total property, plant and equipment	505,730	472,320
Intangible assets		
Goodwill	1,346,271	1,420,270
Trademark right	17,431,010	18,428,800
Software	815,317	1,067,020
Other	535,473	404,266
Total intangible assets	20,128,072	21,320,358
Investments and other assets		
Investment securities	60,200	28,120
Leasehold and guarantee deposits	291,474	293,545
Deferred tax assets	288,275	245,026
Other	53,529	60,846
Allowance for doubtful accounts	(3,561)	(4,553)
Total investments and other assets	689,917	622,984
Total non-current assets	21,323,720	22,415,663
Total assets	36,284,867	35,961,784

(Thousands of yen)

	As of August 31, 2021	As of May 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,690,879	1,918,953
Current portion of long-term borrowings	3,090,000	3,290,400
Accounts payable - other	868,646	509,533
Accrued expenses	324,313	269,772
Income taxes payable	694,617	403,084
Provision for bonuses	238,117	133,149
Provision for point card certificates	69,880	100,018
Provision for shareholder benefit program	19,810	-
Deposits received	1,731,552	1,880,530
Other	202,056	339,748
Total current liabilities	8,929,876	8,845,191
Non-current liabilities		
Long-term borrowings	14,330,000	12,778,700
Deferred tax liabilities	3,728,604	3,945,413
Asset retirement obligations	132,778	132,929
Total non-current liabilities	18,191,383	16,857,043
Total liabilities	27,121,259	25,702,234
Net assets		
Shareholders' equity		
Share capital	848,666	848,666
Capital surplus	828,666	828,666
Retained earnings	6,988,449	7,989,965
Treasury shares	(76)	(1,247,476)
Total shareholders' equity	8,665,706	8,419,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,294	5,311
Foreign currency translation adjustment	471,607	1,834,415
Total accumulated other comprehensive income	497,902	1,839,726
Total net assets	9,163,608	10,259,549
Total liabilities and net assets	36,284,867	35,961,784

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Nine Months Ended May 31, 2022

(Thousands of yen)

	For the nine months ended May 31, 2021	For the nine months ended May 31, 2022
Net sales	18,170,734	20,449,718
Cost of sales	10,503,608	11,482,013
Gross profit	7,667,126	8,967,705
Selling, general and administrative expenses	6,352,310	6,535,646
Operating profit	1,314,815	2,432,059
Non-operating income		
Interest income	128	249
Foreign exchange gains	86,700	284,246
Subsidy income	26,151	22,704
Compensation income	30,000	4,176
Other	19,066	15,730
Total non-operating income	162,045	327,107
Non-operating expenses		
Interest expenses	50,097	42,086
Other	5,641	6,476
Total non-operating expenses	55,738	48,562
Ordinary profit	1,421,122	2,710,603
Extraordinary losses		
Loss on retirement of non-current assets	1,503	3,461
Total extraordinary losses	1,503	3,461
Profit before income taxes	1,419,618	2,707,141
Income taxes - current	835,902	1,022,125
Income taxes - deferred	(241,217)	(114,286)
Total income taxes	594,685	907,838
Profit	824,933	1,799,303
Profit attributable to owners of parent	824,933	1,799,303

Quarterly Consolidated Statement of Comprehensive Income
 Nine Months Ended May 31, 2022

(Thousands of yen)

	For the nine months ended May 31, 2021	For the nine months ended May 31, 2022
Profit	824,933	1,799,303
Other comprehensive income		
Valuation difference on available-for-sale securities	33,489	(20,983)
Foreign currency translation adjustment	339,528	1,362,808
Total other comprehensive income	373,018	1,341,824
Comprehensive income	1,197,951	3,141,128
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,197,951	3,141,128
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Because the Company has introduced an Employee Stock Ownership Plan ("J-ESOP") and a Board Benefit Trust (BBT) during the second quarter of the fiscal year under review, Mizuho Trust & Banking Co., Ltd. as the trustee acquired 1,800,000 shares of the Company for 1,247,400,000 yen. As a result, treasury shares were 1,247,476,000 yen as of May 31, 2022.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 dated March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard"), etc. at the beginning of the first three months of the fiscal year under review. Under this standard, revenue is recognized, when the Company transfers the control of a promised good or service to a customer, in an amount that the Company expects to receive in exchange for such good or service.

As a result, while the Company had previously recognized franchise fees as revenues at a single point in time, the Company made a switch to the method of estimating the degree of progress concerning obligation performance and recognizing revenues over a fixed period based on the degree of progress.

The Company applies the Revenue Recognition Accounting Standard, etc. pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. However, adopting the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not apply the new accounting policies retroactively to contracts prior to the beginning of the first quarter wherein almost all revenues are recognized in accordance with the previous treatment.

As a result, the effect of the application of the above accounting standard on the profit and loss of the first nine months of the fiscal year under review is insignificant. There is also no impact on the balance of retained earnings at the beginning of the fiscal year under review.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers for the first nine months of the previous fiscal year is not stated.

(Application of accounting standard for fair value measurement, etc.)

The Company has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first three months of the fiscal year under review and to continue to apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates on the impact of the COVID-19 pandemic)

There are no significant changes to our assumptions regarding the spread of COVID-19 pandemic and the time it will end that we stated in the securities report of the previous fiscal year as additional information.

(Transactions of delivering the Company's shares to employees, etc. through the trust)

Based on the resolution passed by the Board of Directors on October 18, 2021, the Company introduced an Employee Stock Ownership Plan (J-ESOP; hereinafter, the "Plan"), an incentive plan under which the Company's stock is granted to employees of the Company and its subsidiaries (hereinafter, "Eligible Employees"), on January 31, 2022.

(i) Overview of transactions

The Plan is a system that provides benefits in the form of the Company's stock to Eligible Employees who meet certain requirements set forth in the Stock Benefit Regulations that were established by the Company when it introduced the Plan.

To acquire stock to grant in the future, the Company has entrusted money as trust asset under the plan to Custody Bank of Japan, Ltd. (Trust Account E), which has acquired the Company's stock by using the entrusted money.

(ii) Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value and number of these treasury shares were 1,074,150,000 yen and 1,550,000 shares as of May 31, 2022.

(Transactions of delivering the Company's shares to directors, etc. through the trust)

Based on the resolution passed at the General Shareholders Meeting that was held on November 25, 2021, the Company introduced on January 31, 2022 the Board Benefit Trust (hereinafter, "BBT"), a new stock compensation plan for the Company's directors (excluding directors who are Audit and Supervisory Committee members and other directors who are outside directors; the same applies hereinafter unless otherwise noted), the Company's executive officers, directors of the Company's subsidiaries (excluding outside directors; the same applies hereinafter unless otherwise noted), and executive officers of the Company's subsidiaries (hereinafter, directors and executive officers of the Company and its subsidiaries are collectively referred to as "Eligible Officers").

(i) Overview of transactions

Under BBT, the Company's stock is granted to Eligible Officers who meet beneficiary requirements set forth in the Officer Stock Benefit Regulations that were established by the Company when it introduced BBT.

To acquire stock to grant in the future, the Company has entrusted money as trust asset under BBT to Custody Bank of Japan, Ltd. (Trust Account E), which has acquired the Company's stock by using the entrusted money.

(ii) Treasury shares remaining in the trust

The Company's shares remaining in the trust are recorded at the book value (excluding all incidental expenses) in the section of net assets as treasury shares in the trust. The book value and number of these treasury shares were 173,250,000 yen and 250,000 shares as of May 31, 2022.