CARTA HOLDINGS

English Translation
This is a translation of the original release in Japanese.
In the event of any discrepancy, the original release in Japanese shall prevail.

Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2019 〔Japanese Standards〕（Consolidated）

February 14, 2019

Listed company name:	CARTA HOLDINGS, Inc.	Listed stock exchange:	TSE first section
Stock Code No.: 3688		URL:	https://cartaholdings.co.jp/en/ir/
Representative:	Title Chairman	Name:	Shinsuke Usami
Contact:	Title Director and CFO	Name:	Hidenori Nagaoka TEL +81-3-5459-4226

Date to submit the Securities Report: February 14, 2019
Scheduled date of dividend payments: -
Availability of supplementary information Yes
Holding investors' meeting: Yes
(For security analysts and institutional investors)

(Rounded down to million yen)

1. Consolidated Financial Results for FY 2019 First Three Months (October 1, 2018 – December 31, 2018)

(1)Consolidated results of operations (cumulative total) (The percentage indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY 2019 first three months	7,869	15.7	423	1.9	429	(18.9)	355	0.6
FY 2018 first three months	6,799	3.4	415	(34.6)	530	(25.3)	353	(19.8)

(Note) Comprehensive Income: FY 2019 first three months: ¥139 million (44.2%)
FY 2018 first three months: ¥250 million (52.6%)

	Net income per share	Diluted net income per share
	¥	¥
FY 2019 first three months	29.84	29.33
FY 2018 first three months	29.13	28.52

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	Yen
December 31, 2018	16,587	8,767	51.1	709.47
September 30, 2018	16,794	8,777	50.8	717.22

(Reference) Owned capital: December 31, 2018 ¥8,480 million
September 30, 2018 ¥8,527 million

Tax expenses for the period are calculated by multiplying net income before income taxes for the period by the reasonably estimated annual effective tax rate after applying tax effect accounting which is calculated based on the estimated net income before income taxes for the entire fiscal year.

2. Dividend status

	Annual dividends					
	1Q end	2Q end	3Q end	4Q end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen	Yen
FY 2018	—	0.00	—	—	15.00	15.00
FY 2019	—					
FY 2019 (Forecast)		—	8.00	—	8.00	16.00

(Note) Revisions to dividend forecast for the current quarter: Yes

For more information, please refer to the "Notice on Revision of the Full-Year Consolidated Performance Forecast and the Dividend Forecast" which has been released today (February 14, 2019).

3. Forecast of Consolidated Financial Results for FY 2019 (October 1, 2018 － December 31, 2019)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	Yen
Full year	26,000	—	2,500	—	2,500	—	1,600	—	63.00

(Reference) EBITDA: Full year ¥3,900 million

EBITDA noted above (earnings before interest, tax, depreciation and amortization) is calculated by adding interest expenses, depreciation, amortization, and amortization of goodwill to the Company's profit before income taxes.

(Note) Revisions to dividend forecast for the current quarter: Yes

For more information, please refer to the "Notice on Revision of the Full-Year Consolidated Performance Forecast and the Dividend Forecast" which has been released today (February 14, 2019).

※ Notes

(1) Changes in significant subsidiaries during the period : None
(Change of specified subsidiaries that lead to a change in the scope of consolidation)

(2) Specific accounting procedures : Yes
(Note) For more information, see page 12, "2. Consolidated Financial Statements (3) Notes to Condensed Interim Consolidated Financial (Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements) ".

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

1) Changes in accounting policy resulting from revisions to accounting standards : None
2) Changes in accounting policy other than above : None
3) Changes in accounting estimates : None
4) Retrospective restatements : None

(4) Number of shares issued (common stock)

1)Number of shares issued and outstanding (including treasury stock)

Year ended December 31, 2018	11,952,746	Year ended September 30, 2018	11,890,346

2) Number of treasury stock issued and outstanding

Year ended December 31, 2018	－	Year ended September 30, 2018	－

3) Average number of shares during the period (quarterly consolidated cumulative accounting period)

Year ended December 31, 2018	11,912,128	Year ended December 31, 2017	12,124,923

※ Notice regarding audit procedures

This financial result is excluded from audit procedures.

※ Explanations related to appropriate use of the performance forecast other special instructions

(Note on forward - looking statements)

Earnings forecasts and other forward-looking statements in this report are based on information currently available and certain assumptions judged to be reasonable. Therefore, these statements do not constitute a guarantee of achievement. Actual results may differ materially for various reasons.

Please refer to the section of "1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information" on page 7 of the attached documents.

(Supplementary materials)

Supplementary materials on quarterly financial results are on our website (in English and Japanese).

Attachment

Contents

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

(1) Analysis of Operating Results

With regard to the online advertising market where CARTA HOLDINGS, INC. (the "Company") and its consolidated subsidiaries and equity-method affiliates (collectively, the "Group") operate their mainstay business, according to research by Dentsu Inc., in 2017, internet advertising spending reached ¥1,509.4 billion, up 15.2% year on year, supported by growth of the performance-based advertising on mobile devices (Note 1.) and the video advertising. In addition, performance-based advertising costs rose 27.3% year on year to ¥940.0 billion, due to the fact that more advertisers are using data and technology as well as the spread of programmatic ad trading (Note 2.), with its increasing significance in branding and market reach.

Under these economic circumstances, the Group has developed its business in three reportable segments, namely: 1) the "Ad Platform segment" which operates ad distribution platforms, 2) the "Points Media segment" which plans and operates promotional online media such as point collection websites and point exchange websites, 3) the "Incubation segment" which develops a variety of new businesses in the internet services field.

As a result, the Group posted net sales of ¥7,869 million in the period under review (up 15.7% year on year), operating income of ¥423 million (up 1.9% year on year), ordinary income of ¥429 million (down 18.9% year on year), and profit attributable to owners of parent of ¥355 million (up 0.6% year on year).

Financial results for each segment were as follows. Sales of each segment include intersegment sales and transfers.

1) Ad Platform Business

The Ad Platform segment mainly operates the service for advertisers "Zucks" and the SSP (Note 3.) "fluct". With the rapid spread of programmatic ad trading in the online advertising market, "Zucks" was robust as the Group enhanced its services and functions, while capturing demand of clients. In addition, the Group has made efforts particularly in proposing the introduction of "fluct" for smartphone publishers and using it to provide support in maximizing advertising revenues.

However, mainly due to the effect of the decline in ad distribution by major advertising companies in the operation of "fluct", the Ad Platform segment recorded sales of ¥4,935 million in the period under review (up 6.5% year on year), and segment income of ¥242 million (down 24.0% year on year).

2) Points Media Business

The Points Media segment operates the marketing solutions business for companies, while running its own media that utilizes points, mainly "EC Navi" and "PeX". In its own media, the Group has tackled a drastic restructuring, including enhancing the return of points to users and cutting costs, in order to achieve business growth over the medium- to long-term.

As a result of continuous efforts since last fiscal year, the Points Media segment recorded sales of ¥1,690 million in the period under review (up 9.6% year on year), and segment income of ¥101 million (up 103.9% year on year).

3) Incubation Business

In the Incubation segment, the HR field, EC field and FinTech field are considered expansion fields, and the Group is actively investing in these fields in order to create businesses that will be a third pillar in the medium- to long-term. Currently, the Group operates the new graduate recruitment services business in the HR field, the planning and direct selling business of mail order cosmetics as well as the hometown tax business “Furusato Honpo” in the EC field, the digital gift services business in the FinTech field, and mainly the game publishing business in the other fields. In the hometown tax business “Furusato Honpo” that started last fiscal year, due to the increase in the number of participating local governments and the effect of campaign appeals, the amount collected from contributors increased significantly, which was larger than it had been expected at the beginning and contributed in a major way to the business performance.

Consequently, both sales and operating income increased in the entire segment, and the Incubation segment recorded sales of ¥1,305 million in the period under review (up 93.8% year on year), and segment income of ¥79 million (up 70.6% year on year).

(Notes)

1. Performance-based advertising is a method of advertising with platforms that process vast amounts of data to help optimize ad distribution either automatically or instantaneously. Typical examples include search engine advertising, certain ad networks, as well as DSPs (systems that aid advertisers in maximizing their advertisements’ effectiveness), ad exchanges, and SSPs (mechanisms that aid publishers in maximizing advertising efficiency). Selling advertising space, tie-ups and affiliate advertising are not included in performance-based advertising. (Source: Advertising Expenditures in Japan, 2015, Dentsu Inc.)
2. Programmatic ad trading is a form of trading that enables the automatic online purchase of advertising space based on audience data, where advertisers (buyers of advertising space) and publishers (sellers of advertising space) make transactions through ad distribution platforms such as a DSP or SSP.
3. SSP (Supply Side Platform) is an ad distribution platform for maximizing publishers’ advertising revenues. SSP connects to multiple ad networks, DSPs, and ad exchanges, delivering the most appropriate, highly profitable ads for publishers.

(2) Analysis of Financial Position

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and other standards have been adopted from the beginning of the first quarter of the fiscal year ending December 31, 2019. With respect to the financial position, figures as of the end of the previous fiscal year have been retroactively adjusted for comparison.

(Assets)

Consolidated assets as of the end of the period under review totaled ¥16,587 million, a ¥206 million decrease from the end of the previous fiscal year, primarily due to a decrease in cash and deposits offsetting an increase in supplies.

(Liabilities)

Consolidated liabilities as of the end of the period under review totaled ¥7,820 million, a ¥197 million decrease from the end of the previous fiscal year, primarily due to a decrease in income taxes payable resulting from the payment of income taxes.

(Net Assets)

Consolidated net assets as of the end of the period under review totaled ¥8,767 million, a ¥9 million decrease from the end of the previous fiscal year, primarily due to a decrease in retained earnings resulting from the payment of dividends and a decrease in valuation difference on available-for-sale securities, despite an increase in retained earnings from the recording of profit attributable to owners of parent.

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

The consolidated performance forecast for the full fiscal year has been revised based on the initiatives in the medium-term management plan announced today (February 14, 2019) and the impacts that will emerge in conjunction with the management integration.

For more information, please refer to the "Notice on Revision of the Full-Year Consolidated Performance Forecast and the Dividend Forecast" which has been released today (February 14, 2019).

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	5,679,809	4,972,039
Accounts receivable - trade	3,639,618	3,983,938
Supplies	472,122	822,014
Other	746,878	922,108
Allowance for doubtful accounts	(75)	(75)
Total current assets	10,538,354	10,700,025
Non-current assets		
Property, plant and equipment	192,770	184,610
Intangible assets		
Goodwill	1,468,564	1,416,442
Other	351,475	318,232
Total intangible assets	1,820,040	1,734,675
Investments and other assets		
Investment securities	3,558,911	3,376,438
Other	684,473	592,383
Allowance for doubtful accounts	—	(350)
Total investments and other assets	4,243,384	3,968,471
Total non-current assets	6,256,194	5,887,756
Total assets	16,794,549	16,587,782
Liabilities		
Current liabilities		
Accounts payable - trade	2,549,450	2,459,743
Current portion of long-term loans payable	489,988	462,242
Provision for point card certificates	2,837,684	2,897,817
Asset retirement obligations	50,736	50,736
Income taxes payable	295,364	67,485
Other	935,097	1,266,266
Total current liabilities	7,158,320	7,204,292
Non-current liabilities		
Long-term loans payable	498,912	404,159
Other	359,974	211,580
Total non-current liabilities	858,886	615,739
Total liabilities	8,017,206	7,820,032

(Thousands of yen)

	As of September 30, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	1,073,304	1,085,643
Capital surplus	1,063,308	1,075,646
Retained earnings	5,229,730	5,406,857
Total shareholders' equity	7,366,343	7,568,147
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,167,607	918,029
Foreign currency translation adjustment	(5,955)	(5,952)
Total accumulated other comprehensive income	1,161,652	912,077
Share acquisition rights	1,908	1,898
Non-controlling interests	247,438	285,626
Total net assets	8,777,342	8,767,750
Total liabilities and net assets	16,794,549	16,587,782

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

(Thousands of yen)

	Three months ended December 31, 2017	Three months ended December 31, 2018
Net sales	6,799,128	7,869,644
Cost of sales	4,758,963	5,380,787
Gross profit	2,040,165	2,488,856
Selling, general and administrative expenses	1,624,356	2,065,260
Operating profit	415,809	423,596
Non-operating income		
Share of gain of entities accounted for using equity method	–	10,615
Foreign exchange gains	110	–
investment dividend	137,451	–
Other	355	1,921
Total non-operating income	137,917	12,536
Non-operating expenses		
Interest expenses	905	1,629
Share of loss of entities accounted for using equity method	20,164	–
Foreign exchange losses	–	2,857
Miscellaneous losses	1,997	1,454
Other	554	291
Total non-operating expenses	23,622	6,232
Ordinary profit	530,105	429,900
Extraordinary income		
Gain on change in equity	80,184	119,246
Other	8,957	1,464
Total extraordinary income	89,141	120,711
Extraordinary losses		
Loss on valuation of investment securities	10,999	–
Loss on retirement of non-current assets	–	0
Loss on step acquisitions	36,936	–
Other	469	–
Total extraordinary losses	48,406	0
Profit before income taxes	570,840	550,611
Income taxes	214,645	161,350
Profit	356,194	389,261
Profit attributable to non-controlling interests	2,974	33,778
Profit attributable to owners of parent	353,220	355,482

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Three months ended December 31, 2017	Three months ended December 31, 2018
Profit	356,194	389,261
Other comprehensive income		
Valuation difference on available-for-sale securities	(107,227)	(249,577)
Share of other comprehensive income of entities accounted for using equity method	1,356	3
Total other comprehensive income	(105,871)	(249,574)
Comprehensive income	250,322	139,686
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	247,348	105,907
Comprehensive income attributable to non-controlling interests	2,974	33,778

(3) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

None

(Notes on Significant Changes in the Amount of Shareholders' Equity)

None

(Adoption of Accounting Method Specific to Preparation of Quarterly Consolidated Financial Statements)

Tax expenses for the period are calculated by multiplying net income before income taxes for the period by the reasonably estimated annual effective tax rate after applying tax effect accounting which is calculated based on the estimated net income before income taxes for the entire fiscal year.

(Additional Information)

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and Other Standards)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been adopted from the beginning of the first quarter of the fiscal year ending December 31, 2019, whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under non-current liabilities.

(Segment Information)

I For the three-month period ended December 31, 2017 (October1, 2017 to December 31, 2017)

1. Information on sales and income or loss by reportable business segment

(thousands of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Ad Platform Business	Points Media Business	Incubation Business	Total		
Sales						
Outside Sales	4,625,716	1,538,790	634,621	6,799,128	–	6,799,128
Intersegment Sales or Transfer	9,704	3,687	38,974	52,367	(52,367)	–
Total	4,635,421	1,542,478	673,596	6,851,496	(52,367)	6,799,128
Segment Income	319,582	49,804	46,422	415,809	–	415,809

(Note) Segment income is adjusted with operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on noncurrent assets, goodwill and other items by reportable business segment

(Material impairment loss on noncurrent assets)
No significant items to be reported.

(Material changes in goodwill)
No significant items to be reported.

(Material profit from negative goodwill)
No significant items to be reported.

II For the three-month period ended December 31, 2018 (October 1, 2018 to December 31, 2018)

1. Information on sales and income or loss by reportable business segment

(thousands of yen)

	Reportable Segments				Adjustment	Consolidation (Note)
	Ad Platform Business	Points Media Business	Incubation Business	Total		
Sales						
Outside Sales	4,926,523	1,688,737	1,254,383	7,869,644	–	7,869,644
Intersegment Sales or Transfer	9,431	1,938	50,875	62,245	(62,245)	–
Total	4,935,954	1,690,675	1,305,259	7,931,889	(62,245)	7,869,644
Segment Income	242,875	101,540	79,180	423,596	–	423,596

(Note) Segment income is adjusted with operating income on the quarterly consolidated statements of income.

2. Information concerning impairment loss on noncurrent assets, goodwill and other items by reportable business segment

(Material impairment loss on noncurrent assets)
No significant items to be reported.

(Material changes in goodwill)
No significant items to be reported.

(Material profit from negative goodwill)
No significant items to be reported.

(Significant Subsequent Events)

Management Integration between the Company and Cyber Communications Inc.

The Company, Dentsu Inc. ("Dentsu"), and Dentsu's wholly-owned subsidiary, Cyber Communications Inc. ("CCI") carried out a management integration based on a spirit of equal partnership between the Company and CCI (the "Management Integration") on January 1, 2019 (the "Integration Date") with the objective of having the Company and CCI form a close alliance in the online advertising business domain to maximize enterprise value, and carried out a capital and business alliance among the Company, Dentsu, and CCI ("Capital and Business Alliance").

As part of the Management Integration, the Company and CCI carried out a share exchange (the "Share Exchange") having the Company as the share exchange wholly-owning parent company and CCI as the share exchange wholly-owned subsidiary on the Integration Date as the effective date.

In order to shift to the holding company structure as of the Integration Date, after the absorption-type company split (the "Split"), VOYAGE GROUP Successor Preparatory Company (a company that was established on October 31, 2018 as a wholly-owned subsidiary of VOYAGE GROUP, whose trade name was changed to VOYAGE GROUP, INC., conditional upon the Share Exchange becoming effective on the Integration Date; hereinafter, the "Successor Preparatory Company") took over all businesses operated by the Company (excluding, however, the rights and obligations required to manage the businesses of the Successor Preparatory Company and CCI after the Split and the Share Exchange), and the Company changed the trade name from VOYAGE GROUP, INC. to CARTA HOLDINGS, INC.

1. Business Combination through Acquisition
Share exchange between the Company and CCI

(1) Overview of business combination
1) Name of acquired company and description of business
Name of acquired company: VOYAGE GROUP, INC.
(Trade name changed to CARTA HOLDINGS, INC. on the Integration Date)
Description of business: Ad Platform Business, Points Media Business, Incubation Business

2) Date of business combination
January 1, 2019

3) Legal form of business combination
A share exchange by which the Company becomes the share exchange wholly-owning parent company and CCI becomes the share exchange wholly-owned subsidiary.

4) Name of company after business combination
CARTA HOLDINGS, INC.

5) Percentage of voting rights acquired
Percentage of voting rights after acquisition: 100.0%

6) Main grounds for the decision of acquiring company
On the basis of the concept of the method for deciding the acquiring company, which is stipulated in the Accounting Standard for Business Combinations (ASBJ Statement No. 21) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10), it is determined that CCI becomes the acquiring company and the Company becomes the acquired company mainly because shareholders of CCI, the share exchange wholly-owned subsidiary, occupy the largest percentage of voting rights of the company after the business combination.

(2) Acquisition cost of acquired company and breakdown by type of consideration

Consideration for acquisition	The Company's Common shares	¥12,478 million
Acquisition cost		¥12,478 million

(3) Exchange ratio by type of shares, its calculation method, and number of shares delivered
1) Exchange ratio by type of shares
The Company allotted 26 common shares for each common share of CCI.

2) Calculation method

For the purpose of ensuring the fairness and appropriateness of the calculation of the exchange ratio in the Share Exchange, the Company, Dentsu, and CCI have decided to separately request a third-party valuation institution, independent of each company, to calculate the share exchange ratio. The Company appointed Nomura Securities Co., Ltd., and Dentsu and CCI appointed Deloitte Tohmatsu Financial Advisory LLC., as their respective third-party valuation institutions. After repeated negotiations and consultations among the parties based on the calculation results, the Company, Dentsu, and CCI have decided that the exchange ratio in the Share Exchange is appropriate and will not harm the interests of shareholders of each party, and have come to an agreement.

3) Number of shares delivered

Common shares: 13,441,506 shares

(4) Details and amounts of key acquisition-related costs

Advisory costs, etc. ¥171 million

(5) Amount of goodwill occurred, cause of occurrence, and method and period of amortization

Undetermined at this time

2. Transaction under Common Control

Absorption-type Company Split of the Company

(1) Description of targeted business

All businesses operated by the Company

(2) Date of business combination

January 1, 2019

(3) Legal form of business combination

An absorption-type company split whereby the Company is the absorption-type split company and the Successor Preparatory Company becomes the absorption-type split successor company. Since the Split is carried out between a wholly-owning parent company and its subsidiary, the allocation of shares and provision of other compensation is not carried out in the Split.

(4) Overview of other transactions

In order to realize the management integration between the Company and CCI based on a spirit of equal partnership, the shift to the holding company structure is made after the Split.

(5) Overview of accounting methods

Since the Split is a transaction between a wholly-owning parent company and its subsidiary, it constitutes a “transaction under common control” in the Accounting Standard for Business Combinations (ASBJ Statement No. 21) and goodwill (or gain on negative goodwill) will not arise.

Issuance of Solicited Stock Acquisition Rights (Paid-in Stock Acquisition Rights)

At the Board of Directors meeting held on February 14, 2019, the Company resolved to issue the 9th series of stock acquisition rights ("Stock Acquisition Rights") to the Company's directors, and the directors and employees of the Company's subsidiaries as follows, pursuant to the provisions of Article 236, Article 238, and Article 240 of the Companies Act,.

(1) Purpose for issuing Stock Acquisition Rights

The Stock Acquisition Rights will be issued at charge to the Company's directors as well as directors and employees of the Company's subsidiaries for the purpose of further increasing motivation and morale to achieve the medium-term management plan and further raise the level of commitment to expanding earnings as the Company aims to increase its corporate value over the medium to long term.

(2) Classification and number of people eligible to be granted Stock Acquisition Rights

The Company's directors and directors and employees of the Company's subsidiaries: 50 people

(3) Outline of issuance of Stock Acquisition Rights

1) Number of Stock Acquisition Rights:	4,000
2) Issue price:	¥1,487 per Stock Acquisition Right
3) Subscription date:	March 15, 2019
4) Stock Acquisition Rights allotment date:	March 22, 2019
5) Pay-in date:	March 29, 2019

(4) Details of Stock Acquisition Rights

1) Class and number of shares underlying the Stock Acquisition Rights:
400,000 shares of common stock (100 shares for one [1] Stock Acquisition Right)

2) Exercise price:
¥1,074 per share

(5) Exercise period

April 1, 2021 through March 31, 2024

(6) Matters concerning increases in capital stock and legal capital surplus

1) The amount of the increase in capital stock when shares are issued upon exercise of Stock Acquisition Rights shall be one half of the maximum increase in the amount of capital calculated in accordance with Article 17, Paragraph 1 of the Regulation on Accounting of Companies. Fractions of less than one (1) yen resulting from such calculation shall be rounded up to the nearest yen.

2) The amount of the legal capital surplus increase when shares are issued upon exercise of Stock Acquisition Rights shall be the amount calculated by deducting the amount of capital stock to be increased noted in 1) above from the maximum increase in the amount of capital stock noted in 1) above.

(7) Matters related to the transfer of Stock Acquisition Rights

The acquisition of Stock Acquisition Rights via transfer shall require approval by the Company's Board of Directors.

(8) Exercise conditions

1) If the conditions in the following paragraphs are satisfied during any of the fiscal years between the fiscal year ending December 31, 2020 and the fiscal year ending December 31, 2022, Stock Acquisition Rights holders may exercise their Stock Acquisition Rights, up to a maximum number based on the ratios set forth in the following paragraphs. In this case, if the calculation using the applicable ratio results in a fractional number of Stock Acquisition Rights that can be exercised, the number of Stock Acquisition Rights shall be rounded down to the nearest whole number. Even if each of the conditions set forth in the paragraphs are satisfied, the Stock Acquisition Rights may not be exercised if the conditions stated in 2) below are not satisfied.

(a) If the amount of EBITDA is at least ¥5,000 million: 50% of the allotted Stock Acquisition Rights

(b) If the amount of EBITDA is at least ¥6,000 million: 100% of the allotted Stock Acquisition Rights

EBITDA noted above (earnings before interest, tax, depreciation and amortization) is calculated by adding interest expenses, depreciation, amortization, and amortization of goodwill to the Company's profit before income taxes. If there are any material changes to the concept for operating income used as reference due to the application of the International Financial Reporting Standards or other reasons, the Company shall separately establish an applicable indicator as a reference at the Board of Directors meeting.

2) If, during the period from January 1, 2020 until December 31, 2022, the closing price of the Company's stock on a financial instruments exchange satisfies the conditions in the following paragraphs, Stock Acquisition Rights holders may exercise their Stock Acquisition Rights, up to a maximum number based on the ratios set forth in the following paragraphs. In this case, if the calculation using the applicable ratio results in a fractional number of Stock Acquisition Rights that can be exercised, the number of Stock Acquisition Rights shall be rounded down to the nearest whole number. Even if each of the conditions set forth in the paragraphs are satisfied, the Stock Acquisition Rights may not be exercised if the conditions stated in 1) above are not satisfied.

   (a) The closing prices on all days of any five consecutive business days exceed the value of the exercise price of the Stock Acquisition Rights multiplied by 150%: 50% of the allotted Stock Acquisition Rights

   (b) The closing prices on all days of any five consecutive business days exceed the value of the exercise price of the Stock Acquisition Rights multiplied by 200%: 100% of the allotted Stock Acquisition Rights

3) A Stock Acquisition Rights holder must, when exercising Stock Acquisition Rights, be a Director, Audit and Supervisory Board Member, or employee of the Company or an affiliate (an affiliate as stipulated in the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements), unless a legitimate reason is recognized by the Board of Directors.

4) Stock Acquisition Rights may not be exercised by an heir of a Stock Acquisition Rights holder.

5) If exercising Stock Acquisition Rights would result in the Company's total number of shares issued exceeding the number of authorized shares at that time, the Stock Acquisition Rights in question may not be exercised.

6) Fractional Stock Acquisition Rights may not be exercised.