Annual Securities Report

This document is a paper version of the Annual Securities Report submitted to the Financial Services Agency via the EDINET (Electronic Disclosure for Investors' NETwork) system.

Sansan, Inc.

(E34960)

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

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Filed Document	Annual Securities Report
Applicable Law	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
Filed to	Director-General of the Kanto Local Finance Bureau
Filing Date	August 30, 2023
Fiscal Year	The 16th Term (from June 1, 2022 to May 31, 2023)
Company Name	Sansan 株式会社 (*Sansan Kabushiki Kaisha*)
Company Name in English	Sansan, Inc.
Name and Title of Representative	Chikahiro Terada, Representative Director & CEO
Address of Head Office	Aoyama Oval Building 13F, 5-52-2 Jingumae, Shibuya-ku, Tokyo (Note) The head office will be relocated effective from July 2024 as below: SHIBUYA TOWER 28F, Shibuya Sakura Stage, 1-1 Sakuragaoka-cho, Shibuya-ku, Tokyo
Phone Number	+81-3-6758-0033
Contact Person	Muneyuki Hashimoto, Director, Executive Officer, CFO
Contact Address	Aoyama Oval Building 13F, 5-52-2 Jingumae, Shibuya-ku, Tokyo
Phone Number	+81-3-6758-0033
Contact Person	Muneyuki Hashimoto, Director, Executive Officer, CFO
Place for Public Inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part One: Company Information

I. Overview of Company

1 Key financial data

(1) Summary of consolidated financial data

Fiscal term		12th term	13th term	14th term	15th term	16th term
Fiscal year ended		May 31, 2019	May 31, 2020	May 31, 2021	May 31, 2022	May 31, 2023
Net sales	(Millions of yen)	10,206	13,362	16,184	20,420	25,510
Ordinary profit (loss)	(Millions of yen)	(891)	435	375	968	122
Profit (loss) attributable to owners of parent	(Millions of yen)	(945)	339	182	857	(141)
Comprehensive income	(Millions of yen)	(950)	331	1,820	(658)	(63)
Net assets	(Millions of yen)	3,372	10,552	12,584	12,093	13,190
Total assets	(Millions of yen)	9,079	22,819	24,310	26,292	31,200
Net assets per share	(Yen)	28.65	84.72	100.89	96.78	105.18
Basic earnings (loss) per share	(Yen)	(10.10)	2.75	1.47	6.87	(1.13)
Diluted earnings per share	(Yen)	–	2.72	1.45	6.77	–
Equity-to-asset ratio	(%)	37.0	46.2	51.5	45.4	40.6
Return on equity	(%)	–	4.9	1.6	7.0	–
Price earnings ratio	(Times)	–	496.3	1,408.6	148.4	–
Cash flows from operating activities	(Millions of yen)	1,072	2,822	3,011	3,123	3,848
Cash flows from investing activities	(Millions of yen)	(2,282)	(7,189)	(551)	(1,014)	1,364
Cash flows from financing activities	(Millions of yen)	3,132	11,563	(2,902)	909	523
Cash and cash equivalents at end of period	(Millions of yen)	5,468	12,663	12,223	15,245	20,985
Number of employees [Separately, average number of temporary employees]	(Persons)	549 [328]	713 [346]	954 [363]	1,205 [449]	1,399 [557]

Notes:
1. As for diluted earnings per share for the 12th term, although there are dilutive shares, they have not been disclosed because shares of the Company were unlisted and thus the average share price during the period was not obtained, and basic loss per share was posted. Diluted earnings per share for the 16th term are not described here because, although there are potentially dilutive shares, basic loss per share was recorded.
2. By resolution at the Board of Directors meeting held on May 29, 2018, the Company implemented a 10,000-for-1 stock split on June 15, 2018. However, net assets per share, basic earnings (loss) per share and diluted earnings per share were calculated on the assumption that said splitting of shares had been made at the beginning of the 12th term.
3. By resolution at the Board of Directors meeting held on October 8, 2021, the Company implemented a 4-for-1 stock split on December 1, 2021. However, net assets per share, basic earnings (loss) per share and diluted earnings per share were calculated on the assumption that said splitting of shares had been made at the beginning of the 12th term.
4. The returns on equity for the 12th term and the 16th term have not been disclosed since losses attributable to owners of parent were recorded.
5. The price earnings ratio for the 12th term has not been disclosed since shares of the Company were unlisted. The price earnings ratio for the 16th term has not been disclosed since loss attributable to owners of parent was recorded.
6. The number of employees represents the number of employed persons (including contract employees). For the number of temporary employees (including part-timers), the annual average number of staff is shown in parentheses and is excluded from the above number.
7. Ordinary loss and loss attributable to owners of parent for the 12th term are mainly due to active advertising activities, development activities, etc. conducted for acquisition of new customers and sales expansion.
8. The Company recorded a loss on valuation of investment securities as an extraordinary loss in the recording of a loss attributable to owners of parent in the 16th term.
9. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the 15th term, and key financial data for the 15th term or later are data resulting from the application of the standard and relevant ASBJ regulations.

10. Starting from the 15th term, figures, which was previously rounded down to thousands, are rounded down to millions. To facilitate the comparison, the unit of presentation was also changed from thousands of yen to millions of yen for the 14th term and before.

(2) Key financial data of reporting company

Fiscal term		12th term	13th term	14th term	15th term	16th term
Fiscal year ended		May 31, 2019	May 31, 2020	May 31, 2021	May 31, 2022	May 31, 2023
Net sales	(Millions of yen)	10,200	13,358	16,042	20,057	24,926
Ordinary profit (loss)	(Millions of yen)	(893)	484	684	1,651	533
Profit (loss)	(Millions of yen)	(947)	388	490	1,429	(473)
Share capital	(Millions of yen)	2,812	6,236	6,312	6,426	6,582
Total number of issued shares	(Shares)	29,432,353	31,138,853	31,183,645	124,963,596	125,410,584
Net assets	(Millions of yen)	3,376	10,612	12,933	13,128	13,352
Total assets	(Millions of yen)	9,082	22,881	24,610	27,202	31,124
Net assets per share	(Yen)	28.68	85.21	103.68	105.60	106.47
Dividends per share [Interim dividends per share]	(Yen)	– [–]	– [–]	– [–]	– [–]	– [–]
Basic earnings (loss) per share	(Yen)	(10.12)	3.14	3.94	11.45	(3.78)
Diluted earnings per share	(Yen)	–	3.11	3.88	11.28	–
Equity-to-asset ratio	(%)	37.1	46.3	52.3	47.7	41.4
Return on equity	(%)	–	5.6	4.2	11.1	–
Price earnings ratio	(Times)	–	434.0	524.4	89.1	–
Payout ratio	(%)	–	–	–	–	–
Number of employees [Separately, average number of temporary employees]	(Persons)	547 [328]	710 [344]	928 [359]	1,166 [443]	1,317 [549]
Total shareholder return [Comparison benchmark: TOPIX]	(%) (%)	– [–]	– [–]	151.6 [123.0]	74.9 [122.3]	125.4 [137.5]
Highest share price	(Yen)	–	6,540	10,300	3,085 [14,570]	1,970
Lowest share price	(Yen)	–	3,435	4,020	876 [7,940]	804

Notes: 1. Dividends per share and payout ratio have not been disclosed because dividends were not paid.

2. As for diluted earnings per share for the 12th term, although there are dilutive shares, they have not been disclosed because shares of the Company were unlisted and thus the average share price during the period was not obtained, and basic loss per share was posted. Diluted earnings per share for the 16th term are not described here because, although there are potentially dilutive shares, basic loss per share was recorded.

3. By resolution at the Board of Directors meeting held on May 29, 2018, the Company implemented a 10,000-for-1 stock split on June 15, 2018. However, net assets per share, basic earnings (loss) per share and diluted earnings per share were calculated on the assumption that said splitting of shares had been made at the beginning of the 12th term.

4. By resolution at the Board of Directors meeting held on October 8, 2021, the Company implemented a stock split at a ratio 4-for-1 on December 1, 2021. However, net assets per share, basic earnings (loss) per share and diluted earnings per share were calculated on the assumption that said splitting of shares had been made at the beginning of the 12th term.

5. The returns on equity for the 12th term and the 16th term have not been disclosed since losses were recorded.

6. The price earnings ratio for the 12th term has not been disclosed since shares of the Company were unlisted. The price earnings ratio for the 16th term has not been disclosed since loss was recorded.

7. The number of employees represents the number of employed persons (including contract employees). For the number of temporary employees (including part-timers), the annual average number of staff is shown in parentheses and is excluded from the above number.

8. The highest share price and the lowest share price are those on the Mothers Section of the Tokyo Stock Exchange up to January 20, 2021, those on the First Section of the Tokyo Stock Exchange from January 21, 2021 up to April 3, 2022, and those on the Prime Market of the Tokyo Stock Exchange from April 4, 2022.

However, not applicable for the share prices for the 12th term, because shares of the Company were listed on the Mothers Section of the Tokyo Stock Exchange as of June 19, 2019.

9. Total shareholder returns and comparison benchmarks from the 12th term up to the 13th term have not been disclosed, because shares of the Company were listed on the Mothers Section of the Tokyo Stock Exchange as of June 19, 2019. Total shareholder returns and comparison benchmarks for the 14th term or later were calculated with those as at the end of the 13th term as the baseline.
10. Ordinary loss and loss for the 12th term are mainly due to active advertising activities, development activities, etc. conducted for acquisition of new customers and sales expansion.
11. The Company recorded a loss on valuation of investment securities as an extraordinary loss in the recording of a loss in the 16th term.
12. The Company implemented a stock split at a ratio of 4-for-1 on December 1, 2021. The share prices for the 15th term represent the highest share price and the lowest share price after the stock split, and the highest share price and the lowest share price before the stock split are shown in parentheses.
13. Starting from the 15th term, figures, which was previously rounded down to thousands, are rounded down to millions. To facilitate the comparison, the unit of presentation was also changed from thousands of yen to millions of yen for the 14th term and before.
14. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the 15th term, and key financial data for the 15th term or later are data resulting from the application of the standard and relevant ASBJ regulations.

2 History

Month/year	Overview
June 2007	SAN SAN, Inc (now Sansan, Inc.) founded at Ichigaya Tamachi, Shinjuku-ku, Tokyo for the purpose of providing business card management services.
September 2007	Started provision of Link Knowledge (currently Sansan, a sales solution for digital transformation [DX])
October 2008	Relocated head office to Yonbancho, Chiyoda-ku, Tokyo
November 2010	Relocated head office to Kudanminami, Chiyoda-ku, Tokyo
February 2012	Started provision of Eight, a contact and career management app
April 2013	Raised approximately 500 million yen through third-party allocation of new shares
August 2013	Changed the service name from Link Knowledge to Sansan
August 2013	Broadcast first Sansan TV commercial “Menshiki Ari (acquainted with them)”
October 2013	Established a subsidiary Sansan Corporation (now a consolidated subsidiary) in the State of Delaware, USA
March 2014	Relocated head office to Jingumae, Shibuya-ku, Tokyo and changed legal name to Sansan, Inc.
May 2014	Raised approximately 1.4 billion yen through third-party allocation of new shares
October 2015	Established a subsidiary Sansan Global Pte. Ltd. (now a consolidated subsidiary) in Singapore
January 2016	Raised approximately 2.0 billion yen through third-party allocation of new shares
July 2017	Raised approximately 4.2 billion yen through third-party allocation of new shares
December 2018	Raised approximately 3.0 billion yen through third-party allocation of new shares
June 2019	Listed on the Mothers Section of the Tokyo Stock Exchange and raised approximately 2.1 billion yen through a public offering of shares
July 2019	Raised approximately 4.7 billion yen through third-party allocation of new shares
May 31, 2020	Started provision of Bill One, a cloud-based invoice management solution
June 2020	Started provision of Virtual Cards function in Sansan service
August 2020	Made logmi, Inc. a subsidiary
January 2021	Change in stock market listing to the First Section of the Tokyo Stock Exchange
May 31, 2021	Started provision of Sansan Meishi Maker service, a comprehensive business card making solution
January 2022	Started provision of Contract One, a contract DX solution
April 2022	Transitioned to the Prime Market of the Tokyo Stock Exchange
March 2023	Acquired stock in CREATIVE SURVEY INC. (now a consolidated subsidiary) to make it a consolidated subsidiary
April 2023	Established Sansan Global Development Center, Inc. (now a consolidated subsidiary) in the Philippines

3 Description of business:

The Group has two reportable segments by business type, Sansan/Bill One Business and Eight Business, with six consolidated subsidiaries as of the end of the fiscal year ended May 31, 2023. Minor other services outside the reportable segments are included in Others, and consolidated eliminations (net sales) and various costs not attributed to any reportable segment are included in Adjustments.

Under the mission of “Turning encounters into innovation” and the vision of “Become business infrastructure,” the Company group (the “Group”) is providing cloud-based solutions that promote digital transformation (DX) and reshape how people work, leading to encounters with people and companies that become business opportunities by using approaches that combine systems that use technology and manpower to digitize analog information with cloud software. Specifically, the Company operates the Sansan/Bill One Business, which includes Sansan service for sales DX and Bill One cloud-based invoice management solution, and the Eight Business, which includes Eight and the event transcription service logmi series. The Technology Division is responsible for research and development related to technologies for digitizing analog information and various types of data, as well as product development, etc., as a common foundation for both businesses, and continues to pursue the development of new technologies and improvement of data entry operations. The following two businesses are the same as the segment classifications listed in “V. Accounting 1 Consolidated financial statements and other information (1) Notes to consolidated financial statements.”

(1) Sansan/Bill One Business

The Sansan/Bill One Business provides Sansan service for sales DX and Bill One cloud-based invoice management solution to corporate clients.

1) Sansan

Based on the concept of “The database to power your sales,” Sansan builds a database by combining corporate information and customer contact information to strengthen the sales capabilities of organizations and individuals. Users can view more than 1 million items of corporate information, including not only companies with which they have contact on Sansan, but also companies with which they have no current contacts. In addition to business cards, users can also store and visualize a variety of contact information with customers on Sansan, including e-mails and website inquiries, etc. By combining such corporate information and contact information, a database unique to each user company can be built and strategically utilized in sales activities.

As a business model, a basic plan for company-wide use is offered. The monthly usage fee is the license fee calculated based on the user company’s corporate size and application use, plus scanner rental and other fees. In addition, when the service is introduced, additional services such as data conversion of large numbers of business cards stored in paper form and introduction support are provided for a fee.

2) Bill One

Bill One is based on the concept of “Receive, digitize & centralize your invoices. Fast monthly closing,” and is an accounting DX service that helps speed up management decision-making by enabling online receipt of all invoices in various formats (paper, PDF, etc.) delivered to multiple offices and departments, and by promoting efficiency in invoice-related operations throughout an entire company. Paper invoices are received by the Bill One scanning service center on behalf of the customer and converted into accurate data in a short period of time. Invoices in PDF format, etc. are also converted to data after Bill One receives them via email. In addition to being able to view the data-coded invoices in the cloud, various workflow processes, such as invoice verification and approval, can be completed in the cloud, contributing to the acceleration of monthly account settlement operations. Since invoice information is managed centrally in a highly searchable database, the data can be used to control costs, create sales opportunities, and maximize future revenue opportunities. In addition, the data can be used in conjunction with other third-party services such as accounting systems. In addition to invoice issuance and mailing services, the Company supports corporate accounting operations by providing a variety of functions, such as the Bill One Business Card, a corporate card that was launched in June 2023.

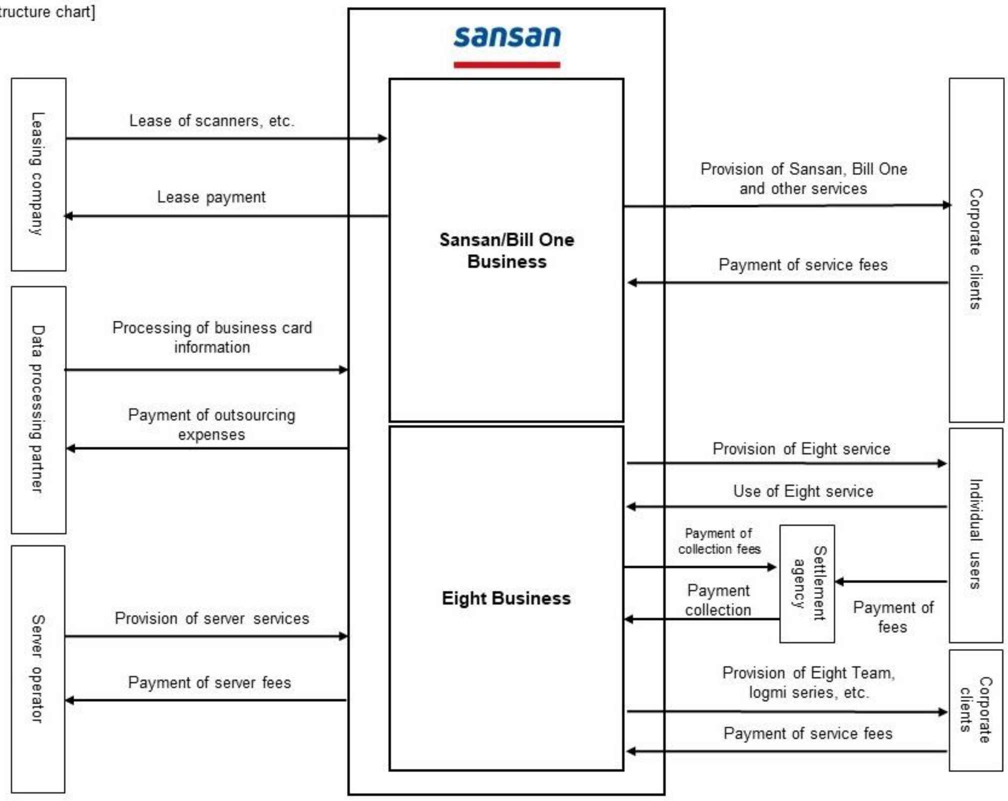
The business model offers fee plans consisting of an initial fee, which includes installation support by a dedicated consultant, and a monthly fee calculated based on the number of invoices converted to data for the user company, with optional features such as invoicing and corporate cards, etc. For companies with 100 or fewer employees, a small business plan with no initial and monthly fees is available, subject to certain conditions.

(2) Eight Business

Like Sansan, Eight enables users to accurately digitize business card data about themselves and the people with whom they exchange business cards by simply scanning them, and to easily manage and search their connections in the cloud. By scanning their own business card, users can first create their own page on Eight that accurately reflects their affiliation, title, etc. Next, by scanning business cards of those with whom they have exchanged business cards, the business card information is accurately converted into data, which can then be managed and searched in the cloud. In addition, users can receive notifications when changes are made to the business cards of those with whom they are connected on Eight, allowing them to obtain information on their recent activities.

The business model is based on offering an application that allows free use of profile management and business card management functions, and includes Eight Premium, a B2C service with expanded functions, Eight Team, a service that enables business card sharing in Eight within companies, and Climbers, a large-scale business event for young business people, etc.

[Business structure chart]



Note: Services with minor impacts on consolidated results are omitted in the business structure chart. Furthermore, reportable segments have been presented for businesses.

4 Subsidiaries and associates

Company name	Address	Share capital	Description of principal business	Ratio of voting rights holding (held) (%)	Related details
Consolidated subsidiaries Sansan Global Pte. Ltd.	Singapore	S$5,620 thousand	Sansan/Bill One Business	100.0	Sales operations and marketing services agency for Singapore region and other locations Interlocking officers
Sansan Corporation	State of Delaware, USA	US$46 thousand	Sansan/Bill One Business	100.0	Sales vendor and agency for some settlement services for U.S. region Interlocking officers
logmi, Inc. (Note 3)	Shibuya-ku, Tokyo	¥16 million	Eight Business	100.0	Interlocking officers
CREATIVE SURVEY INC.	Minato-ku, Tokyo	¥100 million	Sansan/Bill One Business	63.1	Planning, development, operation and sales of web-based surveys and research tools
Sansan Global Development Center, Inc.	Philippines	PHP10,000 thousand	Sansan/Bill One Business	100.0	Interlocking officers
1 other entity					

Notes:
1. Names of segments are provided in the “Description of principal business” of the consolidated subsidiaries.
2. None of the companies file Securities Registration Statements or Annual Securities Reports.
3. This company is an insolvent company, and as of the fiscal year ended May 31, 2023, its liabilities exceeded its assets by ¥45 million.

5 Employees

(1) Consolidated companies

As of May 31, 2023

Name of segment	Number of employees (Persons)	
Sansan/Bill One Business	1,038	(400)
Eight Business	154	(115)
Reportable segments total	1,192	(515)
Corporate (shared)	207	(42)
Total	1,399	(557)

Notes: 1. The number of employees represents the number of employed persons (including contract employees). For the number of temporary employees (including part-timers), the annual average number of staff is shown in parentheses and is excluded from the above number.

2. The number of employees shown as Corporate (shared) represents the number of those who belong to departments that cannot be classified into any specific business segment as well as to the administrative department.

3. The increase in the number of employees by 194 persons during the fiscal year under review is mainly due to regular and mid-term hiring associated with business expansion.

(2) Reporting company

As of May 31, 2023

Number of employees (Persons)		Average age (Years)	Average years of employment (Years)	Average annual salary (Millions of yen)
1,317	(549)	32.3	2.6	7.0

Name of segment	Number of employees (Persons)	
Sansan/Bill One Business	994	(394)
Eight Business	116	(114)
Reportable segments total	1,110	(508)
Corporate (shared)	207	(41)
Total	1,317	(549)

Notes: 1. The number of employees represents the number of employed persons (including contract employees). For the number of temporary employees (including part-timers), the annual average number of staff is shown in parentheses and is excluded from the above number.

2. Average annual salary represents the figure for full-time employees of the Company and includes bonuses and supplemental wages. From the fiscal year under review, the calculation method has been partially changed and is based on full-time employees as of the end of the fiscal year. The average salary for the fiscal year under review based on the calculation method used until the previous fiscal year was ¥6.7 million.

3. The number of employees shown as Corporate (shared) represents the number of those who belong to departments that cannot be classified into any specific business segment as well as to the administrative department.

4. The increase in the number of employees by 151 persons during the fiscal year under review is mainly due to regular and mid-term hiring associated with business expansion.

(3) Labor union

Although a labor union has not been formed for the Group, the labor-management relations have been smooth.

(4) Percentage of female employees in management positions, rate of male employees taking childcare leave, and gender wage gap for workers

1) Reporting company

Percentage of female employees in management positions (%) (Note 1)	Rate of male employees taking childcare leave (%) (Note 2)	Gender wage gap for workers (%) (Note 1)		
		All workers	Of which, full-time employees	Of which, non-full-time employees
17.8	64.8	59.0	84.0	98.9

Note: 1. Calculated based on the provisions of "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Calculated the rate of taking childcare leave in Article 71-4 item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991) based on "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

2) Consolidated subsidiaries

This information is omitted because the consolidated subsidiaries are not obligated to disclose the information pursuant to the provisions of “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015) and “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

II. Status of Business

1 Management policy, management environment, and issues to be addressed, etc.

The Group's management policy, management environment, and issues to be addressed, etc. are as follows.

Matters related to future developments in this text are based on judgements made by the Group at the time this report was submitted.

(1) Basic policy of corporate management

As its corporate philosophy, the Group has established its mission of "Turning encounters into innovation" and its vision to "Become business infrastructure." To realize this mission and vision, the Group is developing services to change the way companies and business people facing various business challenges work and to promote DX, and it believes that the promotion of these business activities will contribute to solving social issues and eventually maximize shareholder value and corporate value of the Group.

(2) Key management indicators and medium-term targets

As the medium-term targets from the fiscal year ended May 31, 2023 to the fiscal year ending May 31, 2025, the Company is aiming for growth in both net sales and profit. First of all, for consolidated net sales, which is the most important management indicator, we are aiming to continue the solid growth of mid-20% or higher. Previously, the target for consolidated net sales for the fiscal year ended May 31, 2023 to the fiscal year ending May 31, 2025 was set at 20% or more growth, however, due to the strong performance of the fiscal year ended May 31, 2023, the target value has been changed.

Next, we have adopted adjusted operating profit (Note 1), which excludes share-based payment expenses and expenses arising from business combinations as a profit indicator to be emphasized, and are aiming to improve adjusted operating profit margin in each fiscal year while making the investments required for growth of net sales in each business. In order to achieve an improved profit margin, we are aiming to record adjusted operating profit of ¥10.0 billion or more in total for the Sansan and Bill One services (Note 2) in the fiscal year ending May 31, 2025, as well as to record stable adjusted operating profit over the full year in Eight Business.

Notes:
1. Adjusted operating profit: Operating profit + Share-based payment expenses + Expenses that arise in conjunction with business combinations (amortization of goodwill and amortization of intangible assets)
2. Total for Sansan and Bill One in Sansan/Bill One Business, excluding the Others category

(3) Medium- to long-term corporate management strategy

The Group's businesses and business domains have the following characteristics, and medium- to long-term management strategies are formulated based on these characteristics.

1) Wide-ranging market opportunities

The market related to the Company's services continues to expand due to changes in work styles caused by the COVID-19 pandemic, a change in awareness of DX, and a growing interest in SaaS business, etc. The DX market is expected to reach ¥5,195.7 billion in 2030 (up ¥3,813.6 billion from 2020) (Note 3), and the domestic SaaS market is expected to reach ¥1,668.1 billion in 2026 (up ¥579.0 billion from 2022) (Note 4).

The Company also believes that documents such as business cards, invoices, and contracts are still used on a daily basis in paper form and have not yet been digitized, leaving significant room for operational efficiency and effective utilization. Regarding the potential market for each service, Sansan has an 81.6% (Note 5) share of the B2B business card management service market, but the number of Sansan users accounts for only about 3% (Note 6) of the total working population in Japan, and the Company believes there is vast room for development. Next, Bill One has established an invoice network consisting of contracted companies, including free users, and companies that send invoices to each contracted company, but as of the end of May 2023, only about 90,000 companies, or 4% (Note 6) of all companies in Japan, were participating in the network, and the Company believes there is vast room for development.

Notes:
3. Based on Market Edition and Vendor Strategy Edition of 2022 Outlook of the Digital Transformation Market by Fuji Chimera Research Institute
4. Based on 2022 New Software Business Markets by Fuji Chimera Research Institute
5. Based on Latest Trends in Business Card Management Services in Sales Support DX 2023 (December 2022, survey by Seed Planning, in Japanese)
6. The denominator, the total number of companies and employees in Japan, is calculated based on the 2021 Economic Census for Business Activity by the Ministry of Internal Affairs and Communications.

2) Mechanisms and technology to achieve 99.9% accuracy in converting analog information into data

The accuracy of data conversion of analog information in each of the services provided by the Group contributes to the essential quality and competitiveness of services provided, and the common strength of Group businesses is having the mechanisms and technology to achieve 99.9% accuracy. The Group's services involve the digitization of analog information through a combination of technology, which is constantly evolving through machine learning and other means, and manpower. Since its founding, the Group has converted vast amounts of business cards and other analog information into data mainly through human data entry, and it is now able to develop and operate proprietary systems that accurately and efficiently convert large amounts of analog information into data. This technological capability and proprietary mechanisms are the source of the Group's competitiveness, and it is pursuing the development of new technologies and operational improvements in order to continuously improve the quality and competitiveness of its services. In addition, these mechanisms and technologies are characterized by their applicability to a wide variety of business fields.

3) Highly stable financial and revenue model

The billing model for Sansan and Bill One is centered on a subscription (monthly billing) model that can be expected to generate ongoing revenue, and it is a model that can be expected to generate stable and continuous business growth. The monthly churn rate for services has averaged less than 1.0% over the last 12 months, and the Company views this as an attractive model because it is easy to promote the maximization of customer LTV (lifetime value) by working to increase sales per contract.

Specific management strategies of the Group are as follows.

(i) Sales maximization of the Sansan/Bill One Business

Sansan and Bill One are services that target many companies regardless of industry or business category, and there is a large potential for customer development in Japan alone. From the beginning of the fiscal year ending May 2024, we established dedicated sales departments for each of Sansan and Bill One toward further sales growth in the future, and strengthened our sales structure mainly targeting medium and large enterprises. We will continue to actively hire personnel to further strengthen our sales structure, and for Sansan, we will continue to acquire new customers and promote the expansion of use by existing customers on the premise that all employees of user companies use the service (company-wide use), while for Bill One we will further expand net sales by acquiring new customers and enhancing optional functions.

Also, in terms of services, both Sansan and Bill One will see further enhancement of functionality to improve the value of services for customers. For Sansan, we will work to add functions that promote DX in sales activities, such as the ability to automatically store and visualize customer e-mails on Sansan. For Bill One, we will work to improve the convenience of the corporate card service added as an optional service, and enhance various functions that will lead to more efficient accounting operations.

In addition, we will work to create new services using the technology developed for Sansan and to strengthen the new services we have launched. In the Contract One contract DX solution, we will focus on developing services for company-wide use of contracts, such as the use of generative AI for summarizing contracts.

(ii) Monetization of the Eight Business

By leveraging the Eight network, which has 3.3 million registered users, and strengthening monetization of B2B services such as business events, as well as shifting to a more profitability-oriented business operation, we aim to return the overall business to profitability on an adjusted operating profit basis for the full year.

(iii) Utilization of M&A

We will promote measures to enhance the corporate value of CREATIVE SURVEY INC., which became a Group company in March 2023, and Institute of Language Understanding Inc., which became a Group company in June 2023, and work to create synergies with the Group's existing services. In addition, we have positioned the use of M&A as one of our important growth strategies and will continue to actively consider this option.

(4) Priority business and financial issues to be addressed

In pursuing the management strategies outlined above, the following are the main issues that must be addressed by the Group.

1) Continuous strengthening of the management system against security risks

Given that the Group handles substantial volumes of important information assets such as personal information, it is crucial that we continuously strengthen our system for managing information. We continue to take the utmost care with respect to implementing measures for safeguarding personal information, including strict management of information assets based on our Policy on Personal Information Protection and Information Security Policy, and we will persist in our efforts to strengthen and maintain our in-house systems and management approaches in that regard going forward.

2) Recruiting and training outstanding talent and ensuring diversity

For the Group to achieve sustainable growth, it is crucial that we hire many talented professionals with diverse career backgrounds, and then improve our sales, development and managerial structures. We are actively engaging in efforts geared to establishing work environments and arrangements that substantially fuel employee motivation for talented professionals who share an understanding of the Group's corporate philosophy and business activities, and will furthermore persist with our efforts to ensure diversity of our people.

3) Enhancing technological strengths

As technology to accurately digitize analog information is the wellspring of the Group’s competitive strengths and acts as a common platform underpinning growth of the various services the Group provides, we believe it is important to continuously improve and strengthen this technology. We accordingly engage in initiatives to improve our technological capabilities and become a leading group of technical experts in Japan, through efforts that involve hiring outstanding technical experts while also investing in and monitoring cutting-edge technologies.

2 Policy and initiatives related to sustainability

The Group’s approach to sustainability and its initiatives are as follows.

Matters related to future developments in this text is based on judgements made by the Group at the end of period of the fiscal year under review.

(1) General sustainability initiatives

1) Governance

The Group believes that helping to resolve social issues through its business activities contributes to the building of a sustainable society, and in turn opens the way to sustainable growth for the Group and to enhancements in the Company’s corporate value. While taking into account such factors as the operating environment, the state of management, and the stage of the business, the Group promotes activities for achieving sustainability through collaboration and cooperation with all of its stakeholders. Based on these concepts, a Director of the Company has been assigned responsibility for each of the material issues (priority issues), under whose supervision response measures and the details of initiatives are considered. Matters that contribute to achieving sustainability, including consideration of these details, are reported to and subsequently supervised by the Board of Directors on an annual basis, and significant issues are deliberated and determined by the Board of Directors.

2) Strategy

The Group uses the following process to identify material issues related to sustainability that should be addressed as a matter of priority.

(i) Selecting candidates for significant issues	In addition to referring to international guidelines and rules, such as the goals and targets contained within the SASB (Sustainability Accounting Standards Board) standards and the SDGs (Sustainable Development Goals), material issue candidates that are highly relevant to the Group are selected through discussions and other communication between Directors of the Company and institutional investors.
(ii) Assessing the importance of issues	The issues selected in (i) are each assessed by all Directors individually along two axes. One is the importance of the issue to society (stakeholders) in terms of achieving a sustainable society, and the other is the importance of the issue in terms of achieving the Group’s vision and driving the growth of the business.
(iii) Discussions and decisions by the Board of Directors	The results of the assessments conducted in (ii) are discussed and deliberated by the Board of Directors, which identifies material issues.

As a result of the above, the Group has selected 10 material issues organized into 5 areas, as follows.

Area (1)	Balance Security and Convenience Besides convenience, we also implement measures to ensure that our employees maintain data privacy and information security, thereby providing society with a highly safe and stable service. Material issues 1. Provide safe and stable infrastructure services 2. Ensure robust protection of data privacy and information security
Area (2)	Transform Work Through Innovative DX Services To become business infrastructure, we will leverage our strengths in digitization to develop and provide innovative DX services that substantively improve social and economic productivity. Material issues 3. Promote DX services that improve productivity 4. Create innovative business infrastructure
Area (3)	Respect Employee Diversity and Producing Innovation To produce innovation that helps solve business challenges through the power of encounters, we promote creation and provision of opportunities and environments for our diverse workforce to succeed. Material issues 5. Promote recruitment, development, and success of human resources 6. Promote diversity, equity and inclusion
Area (4)	Establish a Firm Management Structure to Support Rapid Business Growth To support our growth under a multiproduct structure, we will reinforce our management structure by strengthening corporate governance and ensuring compliance. Material issues 7. Strengthen corporate governance 8. Ensure compliance

Area (5)	Conserve the Environment Through Business We will promote environmental conservation by addressing climate change issues through our business activities, including advancing DX, supporting paperless work, and introducing environmentally friendly services. Material issues 9. Address climate change issues 10. Use natural capital efficiently

3) Risk management

The Group perceives risks related to addressing sustainability to be synonymous with or closely related to risks that could have a significant impact on management and the business, and it analyzes and identifies them as part of its company-wide risk management activities. Details of risks etc., are presented in "II. Status of Business 3. Business risks" Furthermore, risks and opportunities related to climate change are presented in "II. Status of Business 2. Policy and initiatives related to sustainability (2) Initiatives to address climate change issues."

4) Metrics and targets

The Group has set metrics in relation to material issues for sustainability, as well as targets for the fiscal year ending May 31, 2030 as follows, and monitors progress towards them.

Material issues	Metrics and targets for fiscal year ending May 31, 2030	Fiscal year ended May 31, 2023
1. Provide safe and stable infrastructure services	Number of major incidents: 0	0
2. Ensure robust protection of data privacy and information security	Proportion of those qualified as Protection of Individual Information Person: maintained at 80% or higher	88.0%
3. Promote DX services that improve productivity	Number of items converted from analog to digital information using our services: 500 million	190 million
4. Create innovative business infrastructure	Number of users of our services: 20 million people	5.73 million people
5. Promote recruitment, development, and success of human resources	Proportion of recruitment through referrals: 35% Unipos (peer bonus) posting rate: 80%	12.0% 59.6%
6. Promote diversity, equity and inclusion	Ratio of female employees in management positions: 30% or higher Ratio of female employees: 45% or higher	17.8% 34.9%
7. Strengthen corporate governance	Ratio of female Directors: 30% or higher	22.2%
8. Ensure compliance	Number of significant compliance violations: 0 Proportion of employees receiving compliance-related training: 100%	0 100%
9. Address climate change issues	Scope 1+2: carbon neutral	851 t-CO_2
10. Use natural capital efficiently	Number of uses of paperless functions in our services: 120 million	10 million

Notes: 1. Results and targets presented here are for the Company on a non-consolidated basis.
2. "Protection of Individual Information Person" is the name of a certification provided by the All Japan Information Learning Promotion Association.
3. Results for the Company's services are aggregated for Sansan, Bill One, Contract One and Eight.
4. Unipos is a service centered on the peer bonus system provided by Unipos, Inc.
5. Scope 1 is calculated by aggregating direct GHG emissions from the offices and facilities owned by the Company. Scope 2 is calculated by aggregating by indirect GHG emissions from the use of purchased electricity and thermal energy in each office.

(2) Initiatives to address climate change issues

Regarding climate change, the Group determines and oversees business risks and opportunities under an appropriate system. In raising the ability to respond to issues, the Group aims, for example, at stable economic development and securing the foundations for people's livelihoods, and the Group sees this as a vital initiative in advancing the transition to a low-carbon economy and, by extension, a decarbonized society. Based on this idea, the Group has expressed support for the recommendations published by the Task Force on Climate-related Financial Disclosures (TCFD) and makes disclosures based on this framework as follows.

1) Governance

The Group discusses and makes decisions on various policies and important matters that contribute to realizing sustainability at Board of Directors' meetings. The Group has identified addressing climate change as one of the material issues that the Group should proactively address. Under the supervision of the representative director in charge, the Group has set up a Climate Change Response Project—consisting of corporate departments, such as the IR Team, Office Strategy Department, and the Finance & Accounting Department to study the issue. Under this project, matters that include various metrics relating to climate change, as well as business risks and opportunities, are examined, tabulated, and specified. These matters are received and supervised in annual reports by the Board of Directors. Business strategies and plans are then decided upon after duly considering the important matters.

2) Strategy

To strengthen the ability to respond and adapt to the changes in the business environment caused by climate change, the Group mainly uses scenarios including the Intergovernmental Panel on Climate Change (IPCC)'s Shared Socioeconomic Pathways to analyze business environments in which temperature increases are limited to 1.5°C (SSP1-1.9) or below 2°C (SSP1-2.6), as well as those in which 4°C increases (SSP5-8.5). After analyzing the scenarios, the Group identify the business risks, opportunities and countermeasures as shown in the table below.

The analysis covers all businesses of the Group, with short-term analysis covering from the present to 2025, medium-term analysis covering until 2030, and long-term analysis covering until 2050. Profit impact is shown as small for cases with an annual impact of less than 1 billion yen, medium for cases with an impact between 1 billion yen and less than 3 billion yen, and large for cases with an impact of 3 billion yen or more.

(i) Business risk identification

Type		Scenario analysis	Business risks	Time frame	Profit impact (annual) 1.5°C/ below 2°C scenario	Profit impact (annual) 4°C scenario	Countermeasures
Transitional risk	Market	Increasing environmental awareness across society, the use of various paper-based business tools is gradually declining, while the utilization of digital information is expanding.	The frequency and importance of utilization of some functions of the service that digitizes paper business cards, invoices, contracts, and other documents to improve productivity may decrease.	Short to medium term	Small	Small	Provide added value equal to or greater than the value of digitizing analog information by expanding highly convenient functions centered on the use of digital information and enhancing its value as a platform.
Transitional risk	Market	Social demand and requirement for the use of clean energy will increase, and various energy prices are soaring. Additionally, the increased global warming is resulting in an increased cooling load for information and communication equipment.	Increases in server prices and various energy prices such as electricity, which are essential for the business centered on a SaaS-type business model, will lead to higher operating expenses.	Medium to long term	Small to medium	Small	Reduce costs by optimizing procurement of necessary resources and materials, including servers and electricity, and improve efficiency by implementing energy-saving measures to reduce energy use.
Transitional risk	Law and regulation	Many countries and regions will tighten regulations on GHG emissions, and new carbon taxes and higher tax rates will be introduced as carbon pricing.	The expenses associated with tax burdens, as well as the cost of purchasing non-fossil fuel certificates and credits for carbon offsetting, may increase.	Medium to long term	Small	Small	Reduce tax burdens and carbon offset costs by increasing the use of renewable energy and improving energy efficiency through the implementation of energy saving.
Physical risk	Acute	Natural disasters such as torrential rains and floods that cause extensive damage are becoming more severe and more frequent.	Flooding the servers and digitalization centers responsible for tasks such as digitizing paper invoices, leading to service disruptions, as well as the damage to the stored documents of service user companies, resulting in a decline in the service value.	Medium to long term	Small to medium	Small to large	As part of the business continuity plan (BCP), ensure service continuity during natural disasters by using multiple servers for system redundancy, decentralizing important service operation sites, and preparing manuals for emergencies.

(ii) Business opportunity identification

Type	Scenario analysis	Business opportunities	Time frame	Profit impact (annual)		Countermeasures
				1.5°C/ below 2°C scenario	4°C scenario	
Products and services	Growing environmental awareness across society will increase demand for services that help reduce paper use. Additionally, the increased risk of infectious diseases associated with rising temperatures has led to a rise in non-face-to-face and non-contact business activities, increasing the importance of using digital information.	The demand for the various DX services, which are equipped with functions to curb the use of paper while improving the efficiency of various workflows through the use of digital information, may expand.	Medium to long term	Small to medium	Small	Enhance the value provided to users by expanding highly convenient functions centered on the use of digital information, and stimulate further demand by strengthening the sales and marketing activities.

3) Risk management

In consultation with the directors in charge of each field and the Climate Change Response Project, the Group conducts scenario analyses to identify climate-related business risks and opportunities, assesses their importance, calculates their financial impact, and reviews countermeasures. These matters are next reported annually to the Board of Directors, which decides on business strategies and plans after considering important matters including the risks and countermeasures. Important climate change-related risks are also integrated and managed with the results of company-wide risk analyses conducted through internal audits etc.

4) Metrics and targets

The Group has selected GHG emissions as a climate change-related assessment metric. The table below shows actual GHG emissions over the last three years.

In the fiscal year ending May 31, 2024, the Group has newly set a carbon neutrality target by 2030 as part of our reduction goals for Scope 1 and Scope 2 emissions. In addition to embarking on various initiatives to achieve these targets, the Group will continue to comprehensively consider the establishment of Scope 3 reduction targets, taking into account a variety of internal and external factors.

Item	Unit	Fiscal year ended May 31, 2021	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Scope 1	t-CO_2	0	0	0
Scope 2 (location-based)	t-CO_2	477	639	840
Scope 2 (market-based)	t-CO_2	525	668	851
Scope 1 and 2 (market-based)	t-CO_2	525	668	851
Scope 3	t-CO_2	–	15,679	18,638
Scope 1, 2 and 3 (market-based)	t-CO_2	–	16,347	19,489
Scope 1, 2 and 3 emissions intensity (per net sale)	t-CO2 / hundred million yen	–	81.7	78.2

Notes: 1. This figure is based on the non-consolidated results of Sansan, Inc. and covers 97.7% (percentage of non-consolidated net sales to consolidated net sales) of our business scope as of fiscal year ended May 31, 2023.

2. Scope 1 is calculated by aggregating direct GHG emissions from the offices and facilities owned by the Company. Scope 2 is calculated by aggregating by indirect GHG emissions from the use of purchased electricity and thermal energy in each office. Scope 3 is calculated by aggregating the GHG emissions of the entire value chain (Categories 1 through 15), excluding Scope 1 and Scope 2.

3. Due to the refinement of the aggregation method, the results prior to fiscal year ended May 31, 2022 have been recalculated.

(3) Initiatives on Investments in Human Resources

1) Governance

In achieving sustainable business growth and new value creation, the Group positions human resources as one of the most important management capitals, and it is crucial that the Group embraces diversity of human resources and establishes work environments that substantially fuel employee motivation for each of employees with diverse career backgrounds. Under such concepts, the Group has selected promotion of recruitment, training and active participation of human resources and promotion of diversity, equity and inclusion as material issues to work on preferentially, and is considering specific details of initiatives under the lead of Directors/Executive Officers/CHRO who are responsible persons. Initiatives on investments in human resources, including consideration of these details, are reported to and subsequently supervised by the Board of Directors on a regular basis, and significant issues are deliberated and determined by the Board of Directors.

2) Strategy

With regard to human capital, the Group mainly implements the following initiatives as follows.

(i) Recruitment of diverse talented professionals

As part of its important growth strategy, the Group continues to strengthen its recruitment of human resources. The number of employees on a consolidated basis was 1,399 persons as of the end of the fiscal year under review, and various organizations such as development, sales and back offices consist of human resources with diverse backbones. In the recruitment, the Group gives weight to human resources who not only have a high level of expertise and skills but also share an understanding of the Group's corporate philosophy and take a mission-driven attitude. The more the ideal image that human resources have matches the corporate philosophy such as the mission, vision and values, the more actively they are likely to participate after joining the company. Therefore, the Company is reinforcing recruitment through referrals.

(ii) Promotion of training and active participation of human resources

The Group principally implements the following initiatives in order to not only ensure that talented professionals actively participate, but also establish an environment in which organizations absorb their excellent insights, resulting in further growth of people around them.

Name	Description
Katachi discussion	We provides opportunities for all employees to discuss the corporate philosophy, and facing the Company's values and culture is an important opportunity from the perspective of growth of individuals and an increase in productivity.
Unipos (peer bonus)	We strive to instill the company culture and improve employee engagement through visualization of internal appreciation cases by utilizing a platform involving all employees centered on the peer bonus system.
Engagement survey	We conduct engagement survey of permanent employees and contract employees once a month, and utilize an analysis of the responses in self-management and organizational management, formulation of company-wide internal systems and measures, etc.
Know Me	We have established a system to fund food and drink expenses when employees who are involved in different operations interact in a team of three, in order to stimulate internal communications to improve quality of operations.
Coacha	For the purpose of identifying challenges for growth from potentials and possibilities of individuals and encouraging their action, we have established a system in which employees can take one-on-one coaching of the employees who have professional qualifications for coaching.
Geek Seek	For the purpose of improving quality of services, we have established a system to fund costs of purchasing of books and tools necessary for acquisition of knowledge and increase in business efficiency, costs of participating in events, etc. for positions of engineers, researchers and designers.

(iii) Promotion of active participation of women

Under the policy to aggressively recruit and promote outstanding talents regardless of certain attributes such as career background and gender, the Group provides all employees fair opportunities for assessment and promotion. As a result, the ratio of female employees and the ratio of promotions for women have been on a trend of improvement, and the Group will continue fair assessment and operation regardless of certain attributes through monitoring each term, and other means.

(iv) Employment of foreign nationals and people with disability

In being oriented to proactive overseas business development, the Group reinforces recruitment of employees with a foreign citizenship, and endeavors to foster corporate culture of achieving missions while embracing diversity by creating opportunities for interaction between foreign employees at overseas offices and Japanese employees in Japan to stimulate communications. In addition, the Group also makes efforts to create opportunities for people with disability to work and expands opportunities for them to actively participate.

3) Risk management

The Group perceives risks related to human resources to be synonymous with or closely related to risks that could have a significant impact on management and the business, and it analyzes and identifies them as part of its company-wide risk management activities. Details of risks etc., are presented in "II. Status of Business 3. Business risks, etc."

4) Metrics and targets

With regard to initiatives on investments in human resources, the Group has mainly set appraisal metrics as follows, and monitors the progress. In addition, for certain metrics, the Group has established targets for the fiscal year ending May 31, 2030.

Significant issues	Metrics (targets for fiscal year ending May 31, 2030)	Fiscal year ended May 31, 2023
Promote recruitment, development, and success of human resources	Proportion of recruitment through referrals (35%)	12.0%
	Unipos posting rate (80%)	59.6%
	Number of appreciation posts in Unipos	Approximately 45,000 subscriptions
	Response rate for engagement survey	82.6%
	Total participation time for Katachi-related training	Approximately 5,600 hours
	Investments in Geek Seek	¥43 million
	Investments in measures for interaction among employees	¥12 million
	Total number of participants in internal coaching	Approximately 800 people
Promote diversity, equity and inclusion	Ratio of female employees in management positions (30% or higher)	17.8%
	Ratio of female employees (45% or higher)	34.9%
	Ratio of foreign employees	2.6%
	Ratio of employment of people with disability	2.6%

Notes: 1. Results and targets presented here are for the Company on a non-consolidated basis.

2. The ratio of foreign employees was calculated from the Company and Sansan Global Pte. Ltd., its subsidiary.

3. The ratio of employment of people with disability was calculated by replacing the period with the accounting period that ends on March 31 (from April to March of the following year).

3 Business risks

Managerial and business risks of the Group include those related to information security, such as handling of personal information and improvement of systems, since it provides services in which it handles important information of companies including business cards and invoices. In addition, there are highly uncertain risks such as Internet usage environment, technological innovations and user behavior change. To these risks, we strive to establish a management system and countermeasures and work to reinforce the management structure to support the rapid growth of the business.

(1) Risk management

For risks that may have a significant impact on management, the Group stays aware of the probability of their occurrence and establishes a risk management structure and methods to respond to the risks. Furthermore, the Group either prevents them from manifesting themselves or respond to them if they become a reality, in light of changes in the environment surrounding its businesses.

1) Identification and analysis of risks

The Group makes an internal audit plan in accordance with the internal audit regulations, and regularly identifies and analyzes risks in the internal audit process. The Group assesses risks extracted at each department from the perspective of the frequency of occurrence and impact level, and strives to prevent and early detect risks.

2) Incident guidelines

In case of any occurrence of incidents related to provision of services such as disasters, accidents, unauthorized access and vulnerability matters, each department has established guidelines on structure, chain of command, judgment criteria and response procedures for incidents. Specifically, incidents are classified from three perspectives of confidentiality, integrity and availability, and a degree of priority is given to responses to each risk. Then a decision-maker for judgment on and responses to incidents at each department is appointed.

(2) Major risks

The following shows matters that may have a material impact on judgment of investors, among matters that may affect the Group's businesses, status of finance and accounting, etc. The Group's policy is to strive to stay aware of these potential risks and to either prevent them from manifesting themselves or respond to them if they become a reality. However, it believes that investment decisions on the Group's shares need to be made after careful consideration is given to this section together with other descriptions in this document.

Of the following descriptions, matters related to the future were judged by the Group as at the filing date of this document and contain uncertainty, and therefore they may differ from actual results.

Category	Item	Description of risks	Responses
Information security risk	(1) Handling of personal information	・Natural disasters, accidents, unauthorized access from the outside with a malicious intention, and internal leak, loss, alteration or abuse of customer information by intention or negligence	・Establishment and operation of a personal information protection management system ・Obtaining PrivacyMark certification ・ISMS and ISO27017 certification, and issuance of SOC2 ・Requiring all employees to obtain the qualification of Personal Information Protection Specialist ・Collection of information on new legal regulations in Japan and overseas, and implementation of necessary countermeasures ・Thorough legal compliance, and safe management of outsourcing contractors
	(2) Equipment and network stability	・Obstacles posed to the Group's equipment and use of network due to natural disasters such as fire and earthquake, external breakage, system failures due to human errors, or any other unanticipated events	・Distribution of load to multiple servers and regular backups ・Establishment of a real-time access log check function and a system to immediately give notice of any software failure ・Recovery training assuming the time of failure occurrence

Category	Item	Description of risks	Responses
Service risk	(3) Service failures, etc.	・Occurrence of various bugs in the Group’s applications, software and systems ・Detection of any critical bug that poses an obstacle to the operation of the Group’s businesses	・Building and maintenance of the highly reliable development structure, and formulation and implementation of incident guidelines for services
External environment risk	(4) Internet access environments	・Introduction of new regulations on Internet use, and occurrence of an adverse effect	・Collection of information on Internet-related legal regulations, etc. as well as extraction of issues and implementation of solutions
	(5) Cloud business	・Significant downturn in demand for cloud services themselves	・Creation of new value offered ・Proactive adoption of new technologies ・Protection of intellectual property rights through patent acquisition, etc. ・Promotion of M&A, and capital and business alliances
	(6) Responding to technological innovations	・Delay in responding to technological innovations, etc. ・Incurrence of unexpected development expenses, etc.	
	(7) Competition	・Intensified competition with existing business operators and new entrant operators ・Intensified competition due to appearance of any other company’s service with a revolutionary concept	
Investment risk	(8) Upfront investments in advertising and promotions	・Large increase in expenditures due to changes in the policy and plans for advertising and promotions	・Monitoring of cost-effectiveness of advertising and promotions
	(9) Investments such as corporate acquisitions	・Delay in a business plan after an acquisition or investment	・Implementation of sufficient due diligence for target companies ・Thorough monitoring and follow-ups for target companies
	(10) System infrastructure investments	・Unexpected additional investment in hardware and software for stable operation of services	・Thorough monitoring of access from the outside ・Design of appropriate system infrastructure investment according to the business expansion
Personal risk	(11) Establishment of management control system	・Delay in establishment of the business structure and the internal management structure according to the business size	・Thorough development of the internal management structure in line with increases in operations and employees
	(12) Training and securing human resources	・Shortfall in excellent human resources ・Delay in securing sales staff in the Sansan/Bill One Business and loss of them	・Aggressive recruitment of human resources ・Strengthening of the structure by internally fostering personnel, etc. ・Development of the working environment
	(13) Dependence on specific individuals	・Occurrence of any event that brings difficulties for Chikahiro Terada, Representative Director, to continue operations	・Creation of a structure that does not excessively depend on him ・Mutual information sharing among executives and strengthening of the management organization

Category	Item	Description of risks	Responses
Legal risk	(14) Laws and regulations	・Impact of enactment of new privacy-related regulations, laws regulating internet-related business operators, and relevant laws, etc. applicable in line with the expansion of the business environment in Japan and overseas	・Collection of information on legal regulations, etc. as well as extraction of issues and implementation of solutions
	(15) Intellectual property right infringement, etc.	・A claim for damage or injunction request from a third party on the grounds of infringement of patent right or trademark right ・A third party's infringement of intellectual property rights held by the Group	・Implementation of survey on intellectual property right infringement via patent firms ・Patent applications and registrations ・Implementation of legal actions
Overseas risk	(16) Launching overseas	・Occurrence of risks specific to overseas that are difficult to address ・Delay in monetarization of the overseas business	・Collection of information on regions where the Group has developed its businesses as well as extraction of issues and implementation of solutions ・Formulation of appropriate business plans
Other	(17) Granting incentives	・Dilution of value of shares held by existing shareholders through exercise of stock options issued (Note 1)	・Design of stock options with adequate consideration of the market environment, impact on existing shareholders, etc.

Note: 1. The number of shares granted as stock options as of July 31, 2023 was 3,459,544 shares, which account for 2.76% of the total number of issued shares.

4 Management analysis of financial position, operating results, and status of cash flows

(1) Explanation of operating results

An overview of the Group's financial position, operating results, and status of cash flows (hereinafter "Operating Results, etc.") are as follows.

1) Analysis of operating results

Under the mission of "Turning encounters into innovation" and the vision of "Become business infrastructure," the Group is providing cloud-based solutions that promote digital transformation (DX) and reshape how people work, leading to encounters with people and companies that become business opportunities by using approaches that combine systems that use technology and manpower to digitize analog information with cloud software.

Specifically, the Group is developing solutions to promote DX for corporate sales activities, invoicing work, contract work, etc. Moreover, as a result of reforming awareness regarding DX, changes to working styles due to the COVID-19 pandemic, and greater attention being given to SaaS (Software as a Service) products, the DX market in Japan is forecast to reach ¥5,195.7 billion by 2030 (an increase of ¥3,813.6 billion since 2020) (Note 1), while the SaaS market in Japan is forecast to reach ¥1,668.1 billion by 2026 (an increase of ¥579.0 billion since 2022) (Note 2). A sales DX solution Sansan, provided by the Company, holds 81.6% share (Note 3) of the B2B business card management service market, and this market has seen approximately 14-fold expansion from 2013 to 2021 in conjunction with the growth in the Company's services. In addition, Bill One, a cloud-based invoice management solution provided by the Company, captured the number one market share of the online invoice receiving solution in terms of net sales (Note 4), with this market seeing a 226.0% increase year on year in FY2021.

Consolidated financial results for the fiscal year ended May 31, 2023 are as follows.

(Millions of yen, unless otherwise noted)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023	Year-on-year change
Net sales	20,420	25,510	+24.9%
Gross profit	17,904	21,827	+21.9%
Adjusted operating profit (Note 5)	730	942	+28.9%
Ordinary profit	968	122	(87.4)%
Profit attributable to owners of parent	857	(141)	–

In the fiscal year under review, the Group engaged in strengthening the sales structure and enhancing functions for Sansan and Bill One, and increasing future profitability for Eight, in order to improve medium-term net sales growth and adjusted operating profit margin.

Consequently, results were solid in the fiscal year under review with net sales increasing 24.9% year on year, gross profit increasing 21.9% year on year (a gross profit margin of 85.6%). Adjusted operating profit increased 28.9% year on year due to an increase in net sales and other factors. On the other hand, ordinary profit decreased 87.4% year on year due to increase of share-based payment expenses and the recording of a gain on sale of investment securities of ¥979 million in non-operating income in the previous fiscal year. Furthermore, profit attributable to owners of parent was recorded in the red due to factors such as the recording of a loss on valuation of investment securities of ¥980 million in extraordinary losses.

Notes:
1. Based on Market Edition and Vendor Strategy Edition of 2022 Outlook of the Digital Transformation Market by Fuji Chimera Research Institute
2. Based on 2022 New Software Business Markets by Fuji Chimera Research Institute
3. Based on Latest Trends in Business Card Management Services in Sales Support DX 2023 (December 2022, survey by Seed Planning, in Japanese)
4. Deloitte Tohmatsu MIC Research Institute, "The Present and Future of the Market of Online Invoice Receiving Solution Expected to Grow at a Staggering Rate" (MIC IT Report, July 2022)
5. Although operating profit was presented previously, from the fiscal year under review, adjusted operating profit, which is the sum of operating profit plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), is presented instead, because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting expenses related to share-based payment expenses, which may vary significantly depending on the level of the Company's stock price, and expenses that arise from business combinations. Adjusted operating profit is also presented for the fiscal year ended May 31, 2022. In addition, expenses related to the monetary compensation and payment of alternative wages, etc. to

employees, etc. of the Group pertaining to trust-type stock options are included in share-based payment expenses.

Results by segment are as follows.

(i) Sansan/Bill One Business

This business segment includes services such as sales DX solution Sansan, and cloud-based invoice management solution Bill One.

Results for Sansan/Bill One Business in the fiscal year under review are as follows.

(Millions of yen, unless otherwise noted)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023	Year-on-year change
Net sales (Note 6)	18,105	22,516	+24.4%
Sansan	17,214	19,793	+15.0%
Sansan recurring sales	16,349	18,688	+14.3%
Sansan other sales	865	1,104	+27.7%
Bill One	826	2,414	+192.2%
Others	64	308	+379.7%
Adjusted operating profit	5,752	7,005	+21.8%
Sansan			
Number of subscriptions	8,488 subscriptions	8,969 subscriptions	+5.7%
Monthly recurring sales per subscription	¥170 thousand	¥184 thousand	+8.2%
Last 12 months average of monthly churn rate (Note 7)	0.62%	0.44%	(0.18) pt.
Bill One			
MRR (Note 8)	116	316	+172.8%
Number of paid subscriptions (Note 9)	776 subscriptions	1,581 subscriptions	+103.7%
Monthly recurring sales per paid subscription (Note 9)	¥149 thousand	¥200 thousand	+34.2%
Last 12 months average of monthly churn rate (Note 7)	0.49%	0.64%	+0.15 pt.

Notes: 6. The sum of sales to external customers and intersegment sales or transfers

7. Ratio of decrease in monthly fees associated with subscription cancellations to total monthly fees for existing subscriptions for each service
8. Monthly Recurring Revenue, changed value for the fiscal year ended May 31, 2022 due to revision of calculation method
9. Changed value for the fiscal year ended May 31, 2022 due to the revision of the timing of collecting the data from the conclusion of the contract to the start of the service usage

a. Sansan

To further expand the number of Sansan subscriptions and the monthly recurring sales per subscription, the Group remodeled the product Sansan, a B2B business card-based contact management service, and worked to add new functions based on the concept of “The database to power your sales” to create Sansan, a sales DX solution. Specifically, in June 2022, apart from allowing users to view over 1 million items of company information on Sansan, the Group installed functions able to store and visualize contact information not only from business cards but also email signatures, etc. By combining this contact information with corporate information, users of Sansan can build custom databases that also include information for companies with which they have no current contacts. The Group also worked on adding a function whereby emails with customers are automatically stored in Sansan. Backed by these new functions, the Group focused on enhancing its sales capabilities and its sales structure for medium and large enterprises, aiming to acquire new users and to upsell existing users.

As a result of these, the number of subscriptions and the monthly recurring sales per subscription for Sansan were up 5.7% year on year to 8,969 and 8.2% year on year, respectively. Furthermore, the last 12 months average of monthly churn rate was 0.44%, a decrease of 0.18 points year on year, maintaining a low churn rate of less than 1%.

As a result, net sales in Sansan increased 15.0% year on year, of which recurring sales (fixed revenue) was up 14.3% year on year and other sales was up 27.7% year on year.

b. Bill One

Because of efforts such as strengthening the sales structure through measures including personnel hiring and enhancing service functions for continued high growth of Bill One, in May 2023, MRR was up 172.8% year on year and ARR (Note 10) was ¥3,798 million. In addition, steady progress in acquiring new subscriptions

mainly from medium and large enterprises resulted in the increase of number of paid subscriptions, up 103.7% year on year, and the increase of monthly recurring sales per paid subscription, up 34.2% year on year. Furthermore, the last 12 months average of monthly churn rate was 0.64%, an increase of 0.15 points year on year, maintaining a low churn rate of less than 1%.
As a result, net sales in Bill One increased 192.2% year on year. Also, in June 2023, the Group launched Bill One Business Card, a business card option for the Bill One service.

Note: 10. Annual Recurring Revenue

c. Others
The Group focused on the launch of Contract One, a contract DX solution, etc., utilizing the strengths, knowledge, know-how, etc. cultivated through existing services. Also, CREATIVE SURVEY INC. became a consolidated subsidiary and its contributions to consolidated earnings started to be recorded from March 2023.
As a result, net sales of others was up 379.7% year on year.

As a result of these efforts, net sales increased 24.4% year on year and adjusted operating profit increased 21.8% year on year in Sansan/Bill One Business.

(ii) Eight Business
This business segment includes Eight as well as the event transcription service logmi series.
Results for Eight Business in the fiscal year under review are as follows.

(Millions of yen, unless otherwise noted)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023	Year-on-year change
Net sales (Note 11)	2,213	2,867	+29.5%
B2C services	286	303	+6.0%
B2B services	1,927	2,563	+33.0%
Adjusted operating profit	(355)	(170)	–
Eight			
Number of Eight users (Note 12)	3.10 million people	3.31 million people	+0.20 million people
Number of subscriptions for Eight Team	2,819 subscriptions	3,703 subscriptions	+31.4%

Notes: 11. The sum of sales to external customers and intersegment sales or transfers
12. Number of confirmed users who registered their business card to their profile after downloading the app

a. B2C services
In light of the normalization of business due to the ending of the COVID-19 pandemic, the number of Eight users totaled 3.31 million, a steady increase of 0.20 million year on year, and net sales from B2C services increased 6.0% year on year.

b. B2B services
In addition to holding a major business event, etc., the Group worked on monetization of the various B2B services. As a result, the number of Eight Team subscriptions increased 31.4% year on year, and net sales from B2B services increased 33.0% year on year.

As a result of these efforts, net sales in Eight Business increased 29.5% year on year, and adjusted operating loss was curtailed by ¥185 million year on year.

2) Analysis of financial position

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023	Change from previous fiscal year-end
Total assets	26,292	31,200	4,907
Total liabilities	14,199	18,009	3,810
Total net assets	12,093	13,190	1,097
Total liabilities and net assets	26,292	31,200	4,907

Assets

Total assets at the end of the fiscal year under review were ¥31,200 million, up ¥4,907 million from the end of the previous fiscal year. This was primarily due to an increase of ¥5,682 million in cash and deposits, an increase of ¥423 million in accounts receivable - trade, an increase of ¥476 million in goodwill, and a decrease of ¥2,557 million from sale of investment securities.

Liabilities

Total liabilities at the end of the fiscal year under review were ¥18,009 million, up ¥3,810 million from the end of the previous fiscal year.

This was primarily due to an increase of ¥847 million in accounts payable - other, an increase of ¥291 million in new long-term borrowings, an increase of ¥113 million in provision for bonuses, and an increase of ¥2,530 million in advances received from receiving a lump-sum payment of contract term fees from customers.

Net assets

Net assets at the end of the fiscal year under review were ¥13,190 million, up ¥1,097 million from the end of the previous fiscal year. This was primarily due to the recording of share acquisition rights of ¥314 million, increases of ¥155 million each in share capital and capital surplus as a result of exercise of share acquisition rights, and an increase of ¥310 million in change in scope of equity method and retained earnings due to the recording of profit attributable to owners of parent.

3) Analysis of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023	YoY change
Cash flows from operating activities	3,123	3,848	724
Cash flows from investing activities	(1,014)	1,364	2,379
Cash flows from financing activities	909	523	(386)
Cash and cash equivalents at end of period	15,245	20,985	5,739

Cash and cash equivalents (hereinafter “capital”) at the end of the fiscal year under review totaled ¥20,985 million, an increase of ¥5,739 million compared to the previous fiscal year (up 37.7% year on year). This increase includes the effect of ¥4 million due to exchange fluctuations on capital.

The respective cash flow positions and the factors thereof in the fiscal year under review are as follows.

Cash flows from operating activities

The amount of capital provided by operating activities totaled ¥3,848 million (¥3,123 million provided in the previous fiscal year).

The main reasons for the increase in capital were an increase in advances received of ¥2,423 million, and an increase in accrued expenses of ¥780 million, recognition of depreciation, non-cash expense of ¥898 million, recognition of share-based payment expenses of ¥296 million, recognition of share of loss of entities accounted for using equity method of ¥287 million, recognition of loss on valuation of investment securities of ¥980 million, and the main factors for the decrease in capital were recognition of gain on sale of shares of subsidiaries and associates of ¥619 million, recognition of gain on sale of investment securities of ¥291 million, an increase in trade receivables of ¥391 million and income taxes paid of ¥471 million.

Cash flows from investing activities

The amount of capital provided by investing activities totaled ¥1,364 million (¥1,014 million used in the previous fiscal year).

This was primarily due to proceeds from sale of investment securities of ¥1,406 million, proceeds from sale of shares of subsidiaries and associates of ¥1,601 million, purchase of investment securities of ¥359 million, purchase of intangible assets of ¥480 million, purchase of property, plant and equipment of ¥200 million, and payments for investments in capital of ¥500 million.

Cash flows from financing activities

The amount of capital provided by financing activities totaled ¥523 million (¥909 million provided in the previous fiscal year).

This was primarily due to proceeds from long-term borrowings of ¥900 million, proceeds from issuance of shares of ¥307 million, a net decline in short-term borrowings of ¥140 million and repayments of long-term borrowings of ¥527 million.

4) Production, orders, and sales results

a. Production results

The Group does not disclose figures related to production results as there are no activities pertinent to production related to the services provided.

b. Order results

The Group omits figures related to order results due to the short period between order and provision of services.

c. Sales results

By segment, sales results for external customers during the fiscal year under review is as follows.

Name of segment		Fiscal year ended May 31, 2022 (From June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (From June 1, 2022 to May 31, 2023)	YoY change
Sansan/Bill One Business	(Millions of yen)	18,104	22,512	+24.4%
Eight Business	(Millions of yen)	2,204	2,864	+29.9%
Others	(Millions of yen)	111	134	+20.4%
Total	(Millions of yen)	20,420	25,510	+24.9%

Note: Sales results by major business partner and the percentage of total sales by major business partner are omitted because no business partner makes up 10% or more of the total sales results.

(2) Analysis and considerations related to status of operating results, etc. from management perspective

Recognition and analysis/considerations related to the status of operating results, etc. of the Company from management perspective are as follows. Matters related to future developments in this text is based on judgements made at the time this report was submitted.

1) Assumptions used for major accounting policies and estimates

The consolidated financial statements of the Group are prepared based on the accounting standards recognized as generally fair and appropriate in Japan. Upon preparation of the consolidated financial statements, important accounting policies are listed in “V. Accounting, 1 Consolidated financial statements and other information, (1) Consolidated financial statements, Notes to the consolidated financial statements (Basis of preparation of consolidated financial statements).”

Of the accounting estimates used in the preparation of the consolidated financial statements and the assumptions used in the estimates, the important estimates and assumptions are listed in “V. Accounting, 1 Consolidated financial statements and other information, (1) Consolidated financial statements, Notes to the consolidated financial statements (Significant accounting estimates).”

2) Recognition, analysis, and considerations related to operating results, etc. for the fiscal year ended May 31, 2023

Recognition, analysis, and considerations related to operating results, etc. are listed in “(1) Explanation of operating results”

3) Capital sources and liquidity

The Group executes active advertising activities to raise awareness and expand the number of users. In the future, it plans to continue such advertising investments. A certain percentage of the Group capital demand is advertising investments. In principle, the Group secures necessary capital from owned treasury, financing from financial institutions, and equity financing, etc. Furthermore, there is no special policy on priority of capital procurement methods. The Group plans to make flexible considerations based on the amount and use of the required capital.

4) Major factors impacting operating results

Please see “2. Business risks” for major factors impacting operating results.

5) Issue awareness by management and future policies

Please see “1. Management policy, management environment, and issues to be addressed” for issue awareness by management and future policies.

5 Important contracts for operation

Not applicable.

6 Research and development activities

Not applicable.

III. Information About Facilities

1 Overview of capital expenditures

Total amount of capital expenditures for the fiscal year under review amounted to ¥853 million. The major investments were an investment of ¥503 million implemented to develop software for services in the Sansan Business. In addition, capital expenditures of ¥315 million were implemented for expansion and renovation of the head office, etc.

There were no significant retirement, sale, etc. of facilities in the fiscal year under review.

2 Major facilities

The Group's major facilities are as follows.

(1) Reporting company

As of May 31, 2023

Name of office (Location)	Name of segment	Type of facility	Carrying amount				Number of employees (Persons)
			Building (Millions of yen)	Software (Millions of yen)	Others (Millions of yen)	Total (Millions of yen)	
Omotesando head office (Shibuya-ku, Tokyo)	Sansan/Bill One Business Corporate (shared)	Facility for operation	387	702	69	1,159	1,201 (435)

Notes: 1. Of the carrying amount, "Others" include tools, furniture and fixtures, leased assets, etc.
2. The number of employees represents the number of employed persons (including contract employees). For the number of temporary employees (including part-timers), the annual average number of staff is shown in parentheses and is excluded from the above number.
3. The head office is a rental property, and the annual rent is ¥597 million.

(2) Subsidiaries in Japan
No applicable facilities.

(3) Subsidiaries outside Japan
No applicable facilities.

3 Planned addition, retirement, and other changes of significant facilities

(1) Planned addition and other changes of significant facilities
At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to relocate its head office. Although the Company expects to add facilities due to the relocation of the head office, the specific investment amount has not been determined.

(2) Planned retirement and other changes of significant facilities
For a portion of the building and other items of the reporting company presented in "2 Major facilities," the Company plans to amortize or retire those items' total amounts by July 2024, which is the scheduled month of the head office relocation.

IV. Information About Reporting Company

1 Company's shares, etc.

(1) Total number of shares

1) Authorized shares

Class	Total number of authorized shares (shares)
Common shares	470,800,000
Total	470,800,000

2) Issued shares

Class	Number of issued shares as of fiscal year end May 31, 2023	Number of issued shares as of filing date August 30, 2023	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common shares	125,410,584	125,487,476	Tokyo Stock Exchange (Prime Market)	These are shares with full voting rights, which are standard shares of the Company with no limits on rights. Number of shares in a trading unit is 100 shares.
Total	125,410,584	125,487,476	–	–

Note: "Number of issued shares as of filing date" does not include the number of shares issued through the exercise of share acquisition rights between August 1, 2023 and the filing date of this Annual Securities Report.

(2) Share acquisition rights

1) Description of stock-option system

Share acquisition rights issued in accordance with the Companies Act are as follows.

A. 3rd Share Acquisition Rights

Date of resolution	January 9, 2019
Category and number of recipients (Persons)	Employees of the Company: 399 Directors of the Company's subsidiaries: 2 Employees of the Company's subsidiaries: 2
Number of share acquisition rights (Units)*	168,917 [158,802] (Note 1)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 675,668 [635,208] (Note 1)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥850 (Notes 2, 3)
Exercise period of share acquisition rights*	From February 1, 2021 to January 8, 2029
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥850 Additional paid-in capital: ¥425
Exercise conditions of share acquisition rights*	(Note 4)
Matters concerning transfer of share acquisition rights*	(Note 5)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 7)

* Description as of the last day of the fiscal year (May 31, 2023) is provided. As for matters changed by the end of the month before the filing date (July 31, 2023), descriptions as at the end of the month before the filing date are provided in parentheses, and other matters have not changed from the descriptions as of the last day of the fiscal year.

Notes: 1. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is four common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company.

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of stock split (or stock consolidation)}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

2. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

3. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after allotment of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Fair value per share before issue of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

4. Exercise conditions of share acquisition rights
   (1) The person to whom the share acquisition rights are allotted (hereinafter the "share acquisition rights holder") must, at the time of exercise of the share acquisition rights, be holding the position of Director, Audit & Supervisory Board Member, or employee of the Company or a subsidiary of the Company. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.
   (2) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (3) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
5. Matters concerning transfer of share acquisition rights
   Transfer of share acquisition rights requires approval by resolution from the Board of Directors of the Company.
6. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all or part of the share acquisition rights without any charge upon the arrival of a date to be separately specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 4) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
   (3) If the share acquisition rights holder relinquishes all or part of the share acquisition rights, the Company may acquire the share acquisition rights without compensation upon the arrival of the day separately designated by the Company's Board of Directors.
7. Treatment of share acquisition rights in organizational restructuring
   If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder of the share acquisition rights remaining on the effective date of the organizational restructuring (hereinafter the "remaining share acquisition rights") based on the following policy in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights.
   (1) The number of share acquisition rights to be granted by the Restructured Company
       The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder of the remaining share acquisition rights is delivered.
   (2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
       The class of the shares shall be common shares of the Restructured Company.
   (3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
       The number shall be decided pursuant to (Note 1) above, after consideration of the terms and conditions of the organizational restructuring.
   (4) Value of property to be contributed when share acquisition rights are exercised
       The subject of the contribution to be made on the exercise of each share acquisition right shall be monies, and their value shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 2) and (Note 3) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 7) (3) above.
   (5) Exercise period of share acquisition rights
       It shall be from the later of start date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the expiration date of the exercise period of the share acquisition rights.
   (6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
       The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in

accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.

(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.

(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 4) above.

(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 6) above.

(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

In addition, the Company has introduced the incentive plan utilizing Trust for Share Acquisition Rights Issued at Market Price® as a system equivalent to a stock-option system.

B. 4th Share Acquisition Rights

Date of resolution	January 9, 2019
Category and number of recipients (Persons)	(Note 9)
Number of share acquisition rights (Units)*	403,081 [376,984] (Notes 1, 2)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 1,612,324 [1,507,936] (Notes 1, 2)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥850 (Notes 3, 4)
Exercise period of share acquisition rights*	From September 1, 2020 to January 30, 2029
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥850 Additional paid-in capital: ¥425
Exercise conditions of share acquisition rights*	(Note 5)
Matters concerning transfer of share acquisition rights*	(Note 6)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 8)

* Description as of the last day of the fiscal year (May 31, 2023) is provided. As for matters changed by the end of the month before the filing date (July 31, 2023), descriptions as at the end of the month before the filing date are provided in brackets, and other matters have not changed from the descriptions as of the last day of the fiscal year.

Notes: 1. The share acquisition rights were issued with compensation at ¥17 per one share acquisition right. Based on ¥850 of issuance price and ¥425 of additional paid-in capital in the case where shares are issued through exercise of share acquisition rights, the issuance price shall be ¥855 reflecting the carrying amount per share of the share acquisition rights at the time of exercise, and additional paid-in capital shall be ¥428 as a result of addition of ¥3, which is half of the maximum amount of increase of share capital, etc. (any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen), in accordance with Article 17, paragraph (1), item (i) of the Regulation on Corporate Accounting.

2. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is four common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company.

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of stock split (or stock consolidation)}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

3. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

4. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after allotment of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Fair value per share before issue of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted appropriately within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

5. Exercise conditions of share acquisition rights
   (1) The person to whom the share acquisition rights are allotted (hereinafter the "trustee") may not exercise the share acquisition rights, and except as otherwise provided in the offering memorandum, only the person to whom the share acquisition rights are granted by the trustee (hereinafter the "share acquisition rights holder") may exercise the share acquisition rights.
   (2) The share acquisition rights holder may exercise the share acquisition rights only if segment profit of the Sansan Business of the Company exceeds ¥3,150 million based on the Company's statement of income (when the consolidated statement of income is prepared, consolidated statement of income) in any fiscal year between the fiscal year ended May 31, 2020 and the fiscal year ended May 31, 2022. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company's Board of Directors.
   (3) Notwithstanding (2) above, the share acquisition rights holder may not exercise all the remaining share acquisition rights, if each event listed below occurs between the Allotment Date of the share acquisition rights and the expiration date of the exercise period.
      (a) Case where issuance of common shares of the Company, etc. at a price lower than the price calculated by multiplying the exercise price stipulated in (Note 3) and (Note 4) above by 50% (any fraction less than ¥1 being rounded up to the nearest yen) is conducted (excluding cases where the amount to be paid in is "particularly favorable" as stipulated in Article 199, paragraph (3) and Article 200, paragraph (2) of the Companies Act, cases where the issuance, etc. is due to allotment to shareholders, and other cases where the issuance, etc. is conducted at a price that is considered different from the share value of common shares).
      (b) In the case where common shares of the Company to be acquired upon exercise of the share acquisition rights are not listed on any financial instruments exchange in Japan, when trading or any other transaction at a price lower than the price calculated by multiplying the exercise price stipulated in (Note 3) and (Note 4) above by 50% (any fraction less than ¥1 being rounded up to the nearest yen) is conducted (excluding cases where the transaction is conducted at a price that is considered significantly lower than the share value at the time of the transaction for special reasons such as capital policy purposes).
      (c) In the case where common shares of the Company to be acquired upon exercise of the share acquisition rights are listed on any financial instruments exchange in Japan, when the closing price in ordinary transactions of common shares of the Company is lower than the price calculated by multiplying the exercise price stipulated in (Note 3) and (Note 4) above by 50% (any fraction less than ¥1 being rounded up to the nearest yen).
      (d) In the case where common shares of the Company to be acquired upon exercise of the share acquisition rights are not listed on any financial instruments exchange in Japan, when the amount of shares valued by a third-party evaluation organization, etc. using methods such as the DCF method and the comparable company analysis method is lower than the price calculated by multiplying the exercise price stipulated in (Note 3) and (Note 4) above by 50% (any fraction less than ¥1 being rounded up to

the nearest yen) (however, if the amount of shares valued is presented in a certain range, the Company's Board of Directors shall judge whether this paragraph applies, through consultation with the third-party evaluation organization, etc.).

(4) The share acquisition rights holder is required to remain a Director, employee or adviser of the Company or its subsidiary/affiliate, or an external cooperator of an outsourcing contractor, etc. until the holder exercises the share acquisition rights. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.

(5) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.

(6) Pledging of share acquisition rights, or the creation of security interests shall not be permitted.

(7) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.

(8) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

6. Matters concerning transfer of share acquisition rights

Transfer of share acquisition rights requires approval by resolution from the Board of Directors of the Company.

7. Provisions for acquisition of share acquisition rights

(1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all or part of the share acquisition rights without any charge upon the arrival of a date to be separately specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.

(2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 5) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.

(3) The Company may acquire the share acquisition rights that are not the subject of the inheritance without compensation, and as for notification to the share acquisition rights holder based on Article 274, paragraph (3) of the Companies Act, it shall be only necessary to provide such notification to any person who is considered by the Company appropriate among legal heirs of the share acquisition rights holder. However, if such notification is considered unnecessary according to interpretation of laws and regulations, the Company may omit the notification and acquire the share acquisition rights without compensation.

(4) If the share acquisition rights holder relinquishes all or part of the share acquisition rights, the Company may acquire the share acquisition rights without compensation upon the arrival of the day separately designated by the Company's Board of Directors.

8. Treatment of share acquisition rights in organizational restructuring

If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder of the share acquisition rights remaining on the effective date of the organizational restructuring (hereinafter the "remaining share acquisition rights") based on the following policy in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights.

(1) The number of share acquisition rights to be granted by the Restructured Company

The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder of the remaining share acquisition rights is delivered.

(2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights

The class of the shares shall be common shares of the Restructured Company.

(3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights

The number shall be decided pursuant to (Note 2) above, after consideration of the terms and conditions of the organizational restructuring.

(4) Value of property to be contributed when share acquisition rights are exercised

The subject of the contribution to be made on the exercise of each share acquisition right shall be monies, and their value shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 3) and (Note 4) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 8) (3) above.

(5) Exercise period of share acquisition rights

It shall be from the later of start date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the expiration date of the exercise period of the share acquisition rights.

(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights

The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.

(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.

(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 5) above.

(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 7) above.

(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

9. Chikahiro Terada, Representative Director & CEO, established a "share acquisition rights trust" with Takanori Kushida, a tax accountant, as the trustee (hereinafter the "Trust (4th Share Acquisition Rights)") as of January 30, 2019 based on the resolution at the Extraordinary General Meeting of Shareholders held on January 9, 2019 for the purpose of granting an incentive for the medium- to long-term enhancement of corporate value to current and future executives and employees, etc. of the Group and retaining outstanding talents. For the Trust (4th Share Acquisition Rights), the Company issued the 4th Share Acquisition Rights (resolution at the Extraordinary General Meeting of Shareholders on January 9, 2019) on January 31, 2019 pursuant to the Companies Act.
The Trust (4th Share Acquisition Rights) is to distribute 534,611 units of the 4th Share Acquisition Rights granted to Takanori Kushida, a tax accountant, (equivalent to four shares per unit) to the Group's executives and employees, etc. according to future achievements. Unlike the existing incentive plan using share acquisition rights, this scheme enables us to determine the size of distribution of an incentive at some future point in time based on assessment of future achievement for the Group's executives and employees, etc. to even further reward individuals' efforts, and to also distribute share acquisition rights to the Group's executives and employees, etc. who will be hired in the future. Any person to which the 4th Share Acquisition Rights are distributed may exercise the share acquisition rights in accordance with the provisions of the prospectus for the 4th Share Acquisition Rights and the agreement for treatment. The Trust (4th Share Acquisition Rights) consists of the three agreements (from A to C), and the outline is as follows.

Name	Share acquisition rights trust (Trust for Share Acquisition Rights Issued at Market Price®)
Trustor	Chikahiro Terada
Date of trust agreement	January 30, 2019
Type of trust and number of share acquisition rights*	(A) 318,903 units (B) 107,854 units (C) 107,854 units
Delivery date	(A) Business day following the day on which two years have passed from the date of execution of the agreement (however, if six months have not passed from the listing of the Company's shares on a financial instruments exchange on the said day, business day following the day on which six months have passed from the listing of the shares on a financial instruments exchange) (B) Business day following the day on which three years have passed from the date of execution of the agreement (however, if one and a half years have not passed from the listing of the Company's shares on a financial instruments exchange on the said day, business day following the day on which one and a half years have passed from the listing of the shares on a financial instruments exchange) (C) Business day following the day on which four years have passed from the date of execution of the agreement (however, if two and a half years have not passed from the listing of the Company's shares on a financial instruments exchange on the said day, business day following the day on which two and a half years have passed from the listing of the shares on a financial instruments exchange)
Object of trust	318,903 units of the 4th Share Acquisition Rights (equivalent to four shares per unit) on (A) 107,854 units of the 4th Share Acquisition Rights (equivalent to four shares per unit) on (B) 107,854 units of the 4th Share Acquisition Rights (equivalent to four shares per unit) on (C)
Eligibility requirements for beneficiaries	Of the Group's executives and employees, etc., persons who satisfy certain conditions stipulated in the Company's guidelines and others shall be beneficiary candidates, and the persons who are designated by the Company and determined to be beneficiaries pursuant to the provisions of the trust agreement for the Trust (4th Share Acquisition Rights) shall be beneficiaries. Distribution of the 4th Share Acquisition Rights to beneficiary candidates is separated into two types: 1) base points and 2) scores of the external evaluation committee, and determined by the evaluation committee in accordance with rules prescribed in the Company's guidelines, and others. 1) Granting based on base points As for executives and employees, etc., performance evaluation is made for the role and contributions expected on the date of execution of the agreement, or at the time of joining the company for future executives and employees, etc., to grant points, and distribution is made according to the points. 2) Granting based on scores of the external evaluation committee As for executives and employees, etc., the level of special contribution and internal and external impact of organizations and individuals are evaluated to grant points, and distribution is made according to the points.

* For the Trust (4th Share Acquisition Rights), distribution is made as follows to the Group's executives and employees, etc. upon the arrival of the expiration date of the trust period for each trust type.
(A) Two Directors of the Company, 383 employees of the Company, and three employees of the Company's subsidiaries
(B) 106 employees of the Company, 12 Director and employees of the Company's subsidiaries
(C) Four Directors of the Company, 10 employees of the Company, three employees of the Company's subsidiaries, and three subcontractors of the Company

In addition, the Company resolved, at the meeting of its Board of Directors held on July 14, 2020, to issue share acquisition rights to its Directors and Executive Officers as stock options with compensation in accordance with the provisions of Articles 236, 238 and 240 of the Companies Act.

C. 5th Share Acquisition Rights

Date of resolution	July 14, 2020
Category and number of recipients (Persons)	Directors of the Company: 6 Executive Officers of the Company: 12
Number of share acquisition rights (Units)*	221 (Note 2)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 88,400 (Note 2)
Amount to be paid upon exercise of share acquisition rights (Yen)*	1,338 (Notes 3, 4)
Exercise period of share acquisition rights*	From September 1, 2021 to August 25, 2030
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥1,338 Additional paid-in capital: ¥669
Exercise conditions of share acquisition rights*	(Note 5)
Matters concerning transfer of share acquisition rights*	(Note 6)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 8)

* Description as of the last day of the fiscal year (May 31, 2023) is provided. There was no change in these matters as at the end of the month before the filing date (July 31, 2023).

Notes: 1. The share acquisition rights were issued with compensation at ¥71,500 per one share acquisition right. Based on ¥1,338 of issuance price and ¥669 of additional paid-in capital in the case where shares are issued through exercise of share acquisition rights, the issuance price shall be ¥1,517 reflecting the carrying amount per share of the share acquisition rights at the time of exercise, and additional paid-in capital shall be ¥759 as a result of addition of ¥90, which is half of the maximum amount of increase of share capital, etc. (any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen), in accordance with Article 17, paragraph (1), item (i) of the Regulation on Corporate Accounting.

2. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 400 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company.

$$\begin{array}{c}\text{Number of Granted Shares}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Granted Shares}\\\text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

3. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\\text{adjustment}\end{array} \times \frac{1}{\begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}}$$

4. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after the Allotment Date of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Fair value per share before issue of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

5. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the "share acquisition rights holder") may exercise their share acquisition rights only if the amount of net sales in the Company's consolidated statement of income for the fiscal year ended May 31, 2021 has exceeded ¥16,034 million.
   In determining the net sales amount, there are events, such as changes in the applicable accounting standards and the acquisitions of companies, which can have a major impact on the business results of the Company. In the event that the Board of Directors determines that it is not appropriate to make a judgment based on actual figures, the Company will eliminate the effect of the acquisition of a company, etc. within a reasonable range, and it shall be deemed possible to adjust the actual figures used for judgment. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company's Board of Directors.
   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.
6. Matters concerning transfer of share acquisition rights
   Transfer of the share acquisition rights requires approval by resolution from the Board of Directors of the Company.
7. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all of the share acquisition rights without any charge upon the arrival of a date to be specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 5) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
   (3) The Company may acquire the share acquisition rights that are not the subject of the inheritance without compensation, and as for notification to the share acquisition rights holder based on Article 274, paragraph (3) of the Companies Act, it shall be only necessary to provide such notification to any person who is considered by the Company appropriate among legal heirs of the share acquisition rights holder. However, if such notification is considered unnecessary according to interpretation of laws and regulations, the Company may omit the notification and acquire the share acquisition rights without compensation.
   (4) If the share acquisition rights holder relinquishes all or part of the share acquisition rights, the Company may acquire the share acquisition rights without compensation upon the arrival of the day separately designated by the Company's Board of Directors.

8. Treatment of share acquisition rights in organizational restructuring
If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, “organizational restructuring”), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the “Restructured Company”) are each delivered to the share acquisition rights holder on the effective date of the organizational restructuring based on the following conditions in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights in accordance with the following conditions.
(1) The number of share acquisition rights to be granted by the Restructured Company
The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder is delivered.
(2) Class of Restructured Company’s shares to be acquired upon exercise of share acquisition rights
The class of the shares shall be common shares of the Restructured Company.
(3) Number of Restructured Company’s shares to be acquired upon exercise of share acquisition rights
The number shall be decided pursuant to (Note 2) above, after consideration of the terms and conditions of the organizational restructuring.
(4) Value of property to be contributed when share acquisition rights are exercised
The value of property to be contributed when each share acquisition right is exercised shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 3) and (Note 4) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company’s shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 8) (3) above.
(5) Exercise period of share acquisition rights
It shall be from the later of the first date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the last day of the exercise period of the share acquisition rights.
(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.
(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 5) above.
(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 7) above.
(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

D. 6th Share Acquisition Rights

Date of resolution	July 14, 2021
Category and number of recipients (Persons)	Directors of the Company: 6 Executive Officers of the Company: 13
Number of share acquisition rights (Units)*	200 [193] (Note 2)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 80,000 [77,200] (Note 2)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥2,093 (Notes 3, 4)
Exercise period of share acquisition rights*	From September 1, 2022 to August 23, 2031
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥2,093 Additional paid-in capital: ¥1,047
Exercise conditions of share acquisition rights*	(Note 5)
Matters concerning transfer of share acquisition rights*	(Note 6)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 8)

* Description as of the last day of the fiscal year (May 31, 2023) is provided. As for matters changed by the end of the month before the filing date (July 31, 2023), descriptions as at the end of the month before the filing date are provided in brackets, and other matters have not changed from the descriptions as of the last day of the fiscal year.

Notes:
1. The share acquisition rights were issued with compensation at ¥109,000 per one share acquisition right. Based on ¥2,093 of issuance price and ¥1,047 of additional paid-in capital in the case where shares are issued through exercise of share acquisition rights, the issuance price shall be ¥2,366 reflecting the carrying amount per share of the share acquisition rights at the time of exercise, and additional paid-in capital shall be ¥1,184 as a result of addition of ¥137, which is half of the maximum amount of increase of share capital, etc. (any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen), in accordance with Article 17, paragraph (1), item (i) of the Regulation on Corporate Accounting.
2. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 400 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company.

$$\begin{array}{c}\text{Number of Granted Shares}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Granted Shares}\\\text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.
3. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\\text{adjustment}\end{array} \times \frac{1}{\begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}}$$

4. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after the Allotment Date of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Fair value per share before issue of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the “Number of shares already issued” shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the “Number of shares newly issued” shall be replaced with the “Number of treasury shares disposed of.” Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.
5. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the “share acquisition rights holder”) may exercise their share acquisition rights only if the amount of net sales in the Company’s consolidated statement of income for the fiscal year ended May 31, 2022 has exceeded ¥20,386 million.
   In determining the net sales amount, there are events, such as changes in the applicable accounting standards and the acquisitions of companies, which can have a major impact on the business results of the Company. In the event that the Board of Directors determines that it is not appropriate to make a judgment based on actual figures, the Company will eliminate the effect of the acquisition of a company, etc. within a reasonable range, and it shall be deemed possible to adjust the actual figures used for judgment. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company’s Board of Directors.
   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company’s issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.
6. Matters concerning transfer of share acquisition rights
   Transfer of the share acquisition rights requires approval by resolution from the Board of Directors of the Company.
7. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all of the share acquisition rights without any charge upon the arrival of a date to be specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company’s Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 5) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
   (3) The Company may acquire the share acquisition rights that are not the subject of the inheritance without compensation, and as for notification to the share acquisition rights holder based on Article 274, paragraph (3) of the Companies Act, it shall be only necessary to provide such notification to any person who is considered by the Company appropriate among legal heirs of the share acquisition rights holder. However, if such notification is considered unnecessary according to interpretation of laws and regulations, the Company may omit the notification and acquire the share acquisition rights without compensation.
   (4) If the share acquisition rights holder relinquishes all or part of the share acquisition rights, the Company may acquire the share acquisition rights without compensation upon the arrival of the day separately designated by the Company’s Board of Directors.

8. Treatment of share acquisition rights in organizational restructuring
If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder on the effective date of the organizational restructuring based on the following conditions in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights in accordance with the following conditions.
(1) The number of share acquisition rights to be granted by the Restructured Company
The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder is delivered.
(2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
The class of the shares shall be common shares of the Restructured Company.
(3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
The number shall be decided pursuant to (Note 2) above, after consideration of the terms and conditions of the organizational restructuring.
(4) Value of property to be contributed when share acquisition rights are exercised
The value of property to be contributed when each share acquisition right is exercised shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 3) and (Note 4) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 8) (3) above.
(5) Exercise period of share acquisition rights
It shall be from the later of the first date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the last day of the exercise period of the share acquisition rights.
(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.
(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 5) above.
(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 7) above.
(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

E. 7th Share Acquisition Rights

Date of resolution	July 14, 2022
Category and number of recipients (Persons)	Employees of the Company: 138 Employee of the Company's subsidiary: 1
Number of share acquisition rights (Units)*	6,445 [6,369] (Note 1)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 644,500 [636,900] (Note 1)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥1,021 (Notes 2, 3)
Exercise period of share acquisition rights*	From July 15, 2024 to July 14, 2032
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥1,021 Additional paid-in capital: ¥511
Exercise conditions of share acquisition rights*	(Note 4)
Matters concerning transfer of share acquisition rights*	(Note 5)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 7)

* Description as of the last day of the fiscal year (May 31, 2023) is provided. There was no change in these matters as at the end of the month before the filing date (July 31, 2023).

Notes: 1. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of stock split (or stock consolidation)}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

2. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

3. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after allotment of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Fair value per share before issue of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

4. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the "share acquisition rights holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the Allotment Date of the share acquisition rights to the end of the period of exercise of the rights (July 14, 2032) exceeds ¥2,344.
   However, in the event of a stock split or stock consolidation after the Allotment Date, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.
5. Matters concerning transfer of share acquisition rights
   Transfer of share acquisition rights requires approval by resolution from the Board of Directors of the Company.
6. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all or part of the share acquisition rights without any charge upon the arrival of a date to be separately specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 4) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
7. Treatment of share acquisition rights in organizational restructuring
   If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder of the share acquisition rights remaining on the effective date of the organizational restructuring (hereinafter the "remaining share acquisition rights") based on the following policy in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights.
   (1) The number of share acquisition rights to be granted by the Restructured Company
   The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder of the remaining share acquisition rights is delivered.
   (2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The class of the shares shall be common shares of the Restructured Company.
   (3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The number shall be decided pursuant to (Note 1) above, after consideration of the terms and conditions of the organizational restructuring.
   (4) Value of property to be contributed when share acquisition rights are exercised
   The subject of the contribution to be made on the exercise of each share acquisition right shall be monies, and their value shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 2) and (Note 3) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 7) (3) above.
   (5) Exercise period of share acquisition rights

It shall be from the later of start date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the expiration date of the exercise period of the share acquisition rights.

(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.

(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.

(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 4) above.

(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 6) above.

(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

F. 8th Share Acquisition Rights

Date of resolution	July 14, 2022
Category and number of recipients (Persons)	Directors of the Company: 5 Executive Officers of the Company: 15
Number of share acquisition rights (Units)*	1,813 (Note 2)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 181,300 (Note 2)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥1,021 (Notes 3, 4)
Exercise period of share acquisition rights*	From September 1, 2023 to September 1, 2032
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥1,021 Additional paid-in capital: ¥511
Exercise conditions of share acquisition rights*	(Note 5)
Matters concerning transfer of share acquisition rights*	(Note 6)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 8)

* Description as of the last day of the fiscal year (May 31, 2023) is provided. There was no change in these matters as at the end of the month before the filing date (July 31, 2023).

Notes: 1. The share acquisition rights were issued with compensation at ¥12,500 per one share acquisition right. Based on ¥1,021 of issuance price and ¥511 of additional paid-in capital in the case where shares are issued through exercise of share acquisition rights, the issuance price shall be ¥1,146 reflecting the carrying amount per share of the share acquisition rights at the time of exercise, and additional paid-in capital shall be ¥574 as a result of addition of ¥63, which is half of the maximum amount of increase of share capital, etc. (any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen), in accordance with Article 17, paragraph (1), item (i) of the Regulation on Corporate Accounting.

2. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the “Number of Granted Shares”) is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the “Allotment Date”), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company.

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of stock split (or stock consolidation)}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, “merger, etc.”), and other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

3. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

4. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after the Allotment Date of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Fair value per share before issue of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

5. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the "share acquisition rights holder") may exercise their share acquisition rights only if the amount of net sales in the Company's consolidated statement of income for the fiscal year ended May 31, 2023 exceeds ¥25,265 million.
   In determining the net sales amount, there are events, such as changes in the applicable accounting standards and the acquisitions of companies, which can have a major impact on the business results of the Company. In the event that the Board of Directors determines that it is not appropriate to make a judgment based on actual figures, the Company will eliminate the effect of the acquisition of a company, etc. within a reasonable range, and it shall be deemed possible to adjust the actual figures used for judgment. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company's Board of Directors.
   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.
6. Matters concerning transfer of share acquisition rights
   Transfer of the share acquisition rights requires approval by resolution from the Board of Directors of the Company.
7. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all of the share acquisition rights without any charge upon the arrival of a date to be specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 5) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
   (3) The Company may acquire the share acquisition rights that are not the subject of the inheritance without compensation, and as for notification to the share acquisition rights holder based on Article 274, paragraph (3) of the Companies Act, it shall be only necessary to provide such notification to any person who is considered by the Company appropriate among legal heirs of the share acquisition rights holder. However, if such notification is considered unnecessary according to interpretation of laws and regulations, the Company may omit the notification and acquire the share acquisition rights without compensation.
   (4) If the share acquisition rights holder relinquishes all or part of the share acquisition rights, the Company may acquire the share acquisition rights without compensation upon the arrival of the day separately designated by the Company's Board of Directors.
8. Treatment of share acquisition rights in organizational restructuring
   If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder on the effective date of the organizational restructuring based on the following conditions in each case. In this case, the remaining share acquisition rights shall be

extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights in accordance with the following conditions.

(1) The number of share acquisition rights to be granted by the Restructured Company
The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder is delivered.

(2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
The class of the shares shall be common shares of the Restructured Company.

(3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
The number shall be decided pursuant to (Note 2) above, after consideration of the terms and conditions of the organizational restructuring.

(4) Value of property to be contributed when share acquisition rights are exercised
The value of property to be contributed when each share acquisition right is exercised shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 3) and (Note 4) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 8) (3) above.

(5) Exercise period of share acquisition rights
It shall be from the later of the first date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the last day of the exercise period of the share acquisition rights.

(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.

(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.

(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 5) above.

(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 7) above.

(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

G. 9th Share Acquisition Rights

Date of resolution	August 30, 2022
Category and number of recipients (Persons)	Directors of the Company: 5
Number of share acquisition rights (Units)*	3,250 (Note 1)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 325,000 (Note 1)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥1,269 (Notes 2, 3)
Exercise period of share acquisition rights*	From August 31, 2024 to August 30, 2032
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥1,269 Additional paid-in capital: ¥635
Exercise conditions of share acquisition rights*	(Note 4)
Matters concerning transfer of share acquisition rights*	(Note 5)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 7)

* Description as of the last day of the fiscal year (May 31, 2023) is provided. There was no change in these matters as at the end of the month before the filing date (July 31, 2023).

Notes: 1. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company

$$\begin{array}{c}\text{Number of Granted Shares}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Granted Shares}\\\text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

2. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\\text{adjustment}\end{array} \times \frac{1}{\begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}}$$

3. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after allotment of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c}\text{Exercise price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of}\\\text{shares already}\\\text{issued}\end{array} + \dfrac{\begin{array}{c}\text{Number of shares}\\\text{newly issued}\end{array} \times \begin{array}{c}\text{Amount to be paid in}\\\text{per share}\end{array}}{\begin{array}{c}\text{Fair value per share before issue of new}\\\text{shares}\end{array}}}{\begin{array}{c}\text{Number of shares already issued}\\\text{+ Number of shares newly issued}\end{array}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

4. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the "share acquisition rights holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the Allotment Date of the share acquisition rights to the end of the period of exercise of the rights (August 30, 2032) exceeds ¥2,344.
   However, in the event of a stock split or stock consolidation after the Allotment Date, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.
5. Matters concerning transfer of share acquisition rights
   Transfer of share acquisition rights requires approval by resolution from the Board of Directors of the Company.
6. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all or part of the share acquisition rights without any charge upon the arrival of a date to be separately specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 4) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
7. Treatment of share acquisition rights in organizational restructuring
   If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder of the share acquisition rights remaining on the effective date of the organizational restructuring (hereinafter the "remaining share acquisition rights") based on the following policy in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights.
   (1) The number of share acquisition rights to be granted by the Restructured Company
   The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder of the remaining share acquisition rights is delivered.
   (2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The class of the shares shall be common shares of the Restructured Company.
   (3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The number shall be decided pursuant to (Note 1) above, after consideration of the terms and conditions of the organizational restructuring.
   (4) Value of property to be contributed when share acquisition rights are exercised
   The subject of the contribution to be made on the exercise of each share acquisition right shall be monies, and their value shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 2) and (Note 3) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 7) (3) above.
   (5) Exercise period of share acquisition rights
   It shall be from the later of start date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the expiration date of the exercise period of the share acquisition rights.

(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.
(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 4) above.
(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 6) above.
(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

H. 10th Share Acquisition Rights

Date of resolution	July 13, 2023
Category and number of recipients (Persons)	Employees of the Company: 57
Number of share acquisition rights (Units)*	1,243 (Note 1)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 124,300 (Note 1)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥1,552.5 (Notes 2, 3)
Exercise period of share acquisition rights*	From July 15, 2025 to July 13, 2033
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥1,552.5 Additional paid-in capital: ¥777
Exercise conditions of share acquisition rights*	(Note 4)
Matters concerning transfer of share acquisition rights*	(Note 5)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 7)

* Description as of the date of resolution of issue (July 13, 2023) is provided. There was no change in these matters as at the end of the month before the filing date (July 31, 2023).

Notes: 1. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company

$$\begin{array}{c}\text{Number of Granted Shares}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Granted Shares}\\\text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

2. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\\text{adjustment}\end{array} \times \frac{1}{\begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}}$$

3. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after allotment of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\begin{array}{c}\text{Exercise price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of}\\\text{shares already}\\\text{issued}\end{array} + \dfrac{\begin{array}{c}\text{Number of shares}\\\text{newly issued}\end{array} \times \begin{array}{c}\text{Amount to be paid in}\\\text{per share}\end{array}}{\text{Fair value per share before issue of new shares}}}{\begin{array}{c}\text{Number of shares already issued}\\\text{+ Number of shares newly issued}\end{array}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

4. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the "Share Acquisition Rights Holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the Allotment Date of the share acquisition rights to the end of the period of exercise of the rights (July 13, 2033) exceeds ¥3,987.
   However, in the event of a stock split or stock consolidation after the Allotment Date, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.
5. Matters concerning transfer of share acquisition rights
   Transfer of share acquisition rights requires approval by resolution from the Board of Directors of the Company.
6. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all or part of the share acquisition rights without any charge upon the arrival of a date to be separately specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 4) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
7. Treatment of share acquisition rights in organizational restructuring
   If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder of the share acquisition rights remaining on the effective date of the organizational restructuring (hereinafter the "remaining share acquisition rights") based on the following policy in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights.
   (1) The number of share acquisition rights to be granted by the Restructured Company
   The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder of the remaining share acquisition rights is delivered.
   (2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The class of the shares shall be common shares of the Restructured Company.
   (3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The number shall be decided pursuant to (Note 1) above, after consideration of the terms and conditions of the organizational restructuring.
   (4) Value of property to be contributed when share acquisition rights are exercised
   The subject of the contribution to be made on the exercise of each share acquisition right shall be monies, and their value shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 2) and (Note 3) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 7) (3) above.
   (5) Exercise period of share acquisition rights
   It shall be from the later of start date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the expiration date of the exercise period of the share acquisition rights.

(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.
(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 4) above.
(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 6) above.
(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

I. 11th Share Acquisition Rights

Date of resolution	July 13, 2023
Category and number of recipients (Persons)	Directors of the Company: 5 Executive Officer of the Company 11
Number of share acquisition rights (Units)*	1,420 (Note 2)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 142,000 (Note 2)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥1,552.5 (Notes 3, 4)
Exercise period of share acquisition rights*	From September 13, 2024 to September 12, 2033
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	Issuance price: ¥1,552.5 Additional paid-in capital: ¥777
Exercise conditions of share acquisition rights*	(Note 5)
Matters concerning transfer of share acquisition rights*	(Note 6)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 8)

* Description as of the date of resolution of issue (July 13, 2023) is provided. There was no change in these matters as at the end of the month before the filing date (July 31, 2023).

Notes: 1. The share acquisition rights were issued with compensation at ¥14,000 per one share acquisition right. Based on ¥1,552.5 of issuance price and ¥777 of additional paid-in capital in the case where shares are issued through exercise of share acquisition rights, the issuance price shall be ¥1,692.5 reflecting the carrying amount per share of the share acquisition rights at the time of exercise, and additional paid-in capital shall be ¥847 as a result of addition of ¥70, which is half of the maximum amount of increase of share capital, etc. (any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen), in accordance with Article 17, paragraph (1), item (i) of the Regulation on Corporate Accounting.

2. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company.

$$\begin{array}{c}\text{Number of Granted Shares}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Granted Shares}\\ \text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of stock split}\\ \text{(or stock consolidation)}\end{array}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

3. If the Company conducts a stock split or a stock consolidation of common shares of the Company after the Allotment Date of the share acquisition rights, the above exercise price shall be adjusted by the following formula according to the ratio of the stock split or stock consolidation, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

4. If the Company conducts issuance of new shares or disposal of treasury shares as for common shares of the Company at a lower price than the fair value after the Allotment Date of the share acquisition rights (excluding cases of conversion or exercise of securities to be converted or convertible to common shares of the Company, or share acquisition rights (including those attaching to bonds with share acquisition rights) that allow the holders to demand delivery of common shares of the Company), the above exercise price shall be adjusted according to the following formula, and any fraction less than ¥1 arising from the adjustment shall be rounded up to the nearest yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Fair value per share before issue of new shares}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

In the above formula, the "Number of shares already issued" shall be the amount calculated by deducting the number of treasury shares related to common shares held by the Company from the total number of issued common shares of the Company. In addition, if treasury shares related to common shares of the Company are disposed of, the "Number of shares newly issued" shall be replaced with the "Number of treasury shares disposed of." Furthermore, after the Allotment Date, in the case where the Company conducts a merger, etc., and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the exercise price is required, the exercise price may be adjusted within a reasonable range, taking into account conditions for the merger, etc., conditions for the gratis allotment of shares, and other factors.

5. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the "Share Acquisition Rights Holder") may exercise their share acquisition rights only if the amount of net sales in the Company's consolidated statement of income for the fiscal year ending May 31, 2024 exceeds ¥33,164 million.
   In determining the net sales amount, there are events, such as changes in the applicable accounting standards and the acquisitions of companies, which can have a major impact on the business results of the Company. In the event that the Board of Directors determines that it is not appropriate to make a judgment based on actual figures, the Company will eliminate the effect of the acquisition of a company, etc. within a reasonable range, and it shall be deemed possible to adjust the actual figures used for judgment. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company's Board of Directors.
   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.
6. Matters concerning transfer of share acquisition rights
   Transfer of the share acquisition rights requires approval by resolution from the Board of Directors of the Company.
7. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all of the share acquisition rights without any charge upon the arrival of a date to be specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 5) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.

(3) The Company may acquire the share acquisition rights that are not the subject of the inheritance without compensation, and as for notification to the share acquisition rights holder based on Article 274, paragraph (3) of the Companies Act, it shall be only necessary to provide such notification to any person who is considered by the Company appropriate among legal heirs of the share acquisition rights holder. However, if such notification is considered unnecessary according to interpretation of laws and regulations, the Company may omit the notification and acquire the share acquisition rights without compensation.
(4) If the share acquisition rights holder relinquishes all or part of the share acquisition rights, the Company may acquire the share acquisition rights without compensation upon the arrival of the day separately designated by the Company's Board of Directors.

8. Treatment of share acquisition rights in organizational restructuring
If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder on the effective date of the organizational restructuring based on the following conditions in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights in accordance with the following conditions.
(1) The number of share acquisition rights to be granted by the Restructured Company
The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder is delivered.
(2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
The class of the shares shall be common shares of the Restructured Company.
(3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
The number shall be decided pursuant to (Note 2) above, after consideration of the terms and conditions of the organizational restructuring.
(4) Value of property to be contributed when share acquisition rights are exercised
The value of property to be contributed when each share acquisition right is exercised shall be the amount calculated by multiplying the exercise price after the restructuring, which is derived by adjusting the exercise price stipulated in (Note 3) and (Note 4) above in view of conditions, etc. of the organizational restructuring, by the number of Restructured Company's shares to be acquired upon exercise of share acquisition rights determined in accordance with (Note 8) (3) above.
(5) Exercise period of share acquisition rights
It shall be from the later of the first date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the last day of the exercise period of the share acquisition rights.
(6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
(7) Restrictions on assignment of share acquisition rights
For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.
(8) Other conditions for exercising share acquisition rights
Shall be decided pursuant to (Note 5) above.
(9) Reasons and conditions for acquisition of share acquisition rights
Shall be decided pursuant to (Note 7) above.
(10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

J. 12th Share Acquisition Rights

Date of resolution	August 29, 2023
Category and number of recipients (Persons)	Directors of the Company: 4
Number of share acquisition rights (Units)*	1,448 (Note 1)
Class, description and number of shares to be acquired upon exercise of share acquisition rights (Shares)*	Common shares 144,800 (Note 1)
Amount to be paid upon exercise of share acquisition rights (Yen)*	¥1
Exercise period of share acquisition rights*	From August 30, 2026 to August 29, 2033
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights (Yen)*	(Note 2)
Exercise conditions of share acquisition rights*	(Note 3)
Matters concerning transfer of share acquisition rights*	(Note 4)
Matters concerning the grant of the share acquisition rights in association with an organizational restructuring*	(Note 6)

* Description as of the date of resolution of issue (August 29, 2023) is provided.

Notes:
1. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company

$$\begin{array}{c}\text{Number of Granted Shares}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Granted Shares}\\\text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}$$

   In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.
2. The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
3. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the "Share Acquisition Rights Holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the Allotment Date of the share acquisition rights to the end of the period of exercise of the rights (August 29, 2033) exceeds ¥2,344.
   However, in the event of a stock split or stock consolidation after the Allotment Date, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\begin{array}{c}\text{Ratio of stock split}\\\text{(or stock consolidation)}\end{array}}$$

   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

4. Matters concerning transfer of share acquisition rights
   Transfer of share acquisition rights requires approval by resolution from the Board of Directors of the Company.
5. Provisions for acquisition of share acquisition rights
   (1) In the event of a merger agreement in which the Company becomes a dissolved company, a split agreement or a split plan in which the Company becomes a split company, or a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, which is approved by a general meeting of shareholders (or by a resolution of the Board of Directors if no approval is required by a general meeting of shareholders), the Company may acquire all or part of the share acquisition rights without any charge upon the arrival of a date to be separately specified by its Board of Directors. When acquiring a part of the share acquisition rights, the part of the share acquisition rights to be acquired shall be determined by a resolution of the Company's Board of Directors.
   (2) In the event that the exercise of the share acquisition rights becomes impossible pursuant to the provisions set forth in (Note 3) above prior to the exercise by the share acquisition rights holder, the Company may acquire the share acquisition rights without any charge.
   (3) If the share acquisition rights holder relinquishes all or part of the share acquisition rights, the Company may acquire the share acquisition rights without compensation upon the arrival of the day separately designated by the Company's Board of Directors.
6. Treatment of share acquisition rights in organizational restructuring
   If the Company conducts a merger (limited to the case where the Company is extinguished through the merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (hereinafter, collectively, "organizational restructuring"), share acquisition rights of a Stock Company listed in Article 236, paragraph (1), item (viii), (a) through (e) of the Companies Act (hereinafter the "Restructured Company") are each delivered to the share acquisition rights holder of the share acquisition rights remaining on the effective date of the organizational restructuring (hereinafter the "remaining share acquisition rights") based on the following policy in each case. In this case, the remaining share acquisition rights shall be extinguished, and the Restructured Company shall newly issue share acquisition rights. However, this shall apply only if it 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 that the Restructured Company shall deliver share acquisition rights.
   (1) The number of share acquisition rights to be granted by the Restructured Company
   The same number of share acquisition rights as the number of the share acquisition rights held by the share acquisition rights holder of the remaining share acquisition rights is delivered.
   (2) Class of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The class of the shares shall be common shares of the Restructured Company.
   (3) Number of Restructured Company's shares to be acquired upon exercise of share acquisition rights
   The number shall be decided pursuant to (Note 1) above, after consideration of the terms and conditions of the organizational restructuring.
   (4) Value of property to be contributed when share acquisition rights are exercised
   The subject of the contribution to be made on the exercise of each granted share acquisition right shall be monetary, and the value of this shall be the amount obtained by multiplying the price of ¥1 per share of the Restructured Company that can be granted by exercising the share acquisition right, by the number of the Restructured Company's shares to be acquired upon exercise of the share acquisition right, which is determined in accordance with (3) above.
   (5) Exercise period of share acquisition rights
   It shall be from the later of start date of the exercise period of the share acquisition rights or the effective date of the organizational restructuring to the expiration date of the exercise period of the share acquisition rights.
   (6) Matters related to increase in share capital and legal capital surplus upon issuance of shares through exercising the share acquisition rights
   The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
   (7) Restrictions on assignment of share acquisition rights
   For restriction on the acquisition by transfer, approval by resolution of the Board of Directors of the Restructured Company shall be required.
   (8) Other conditions for exercising share acquisition rights
   Shall be decided pursuant to (Note 3) above.
   (9) Reasons and conditions for acquisition of share acquisition rights
   Shall be decided pursuant to (Note 5) above.
   (10) Other conditions shall be determined in accordance with the conditions of the Restructured Company.

2) Shareholder rights plans
Not applicable.

3) Share acquisition rights for other uses
Not applicable.

(3) Exercise of bonds with share acquisition rights with exercise price revision clause, etc.
Not applicable.

(4) Changes in total number of issued shares, share capital, etc.

Month/date/year	Increase (decrease) in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Increase (decrease) in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Increase (decrease) in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
June 15, 2018 (Note 1)	Common shares 20,397,960 Class B shares 3,389,661 Class C shares 2,359,764 Class D shares 2,399,760	Common shares 20,400,000 Class B shares 3,390,000 Class C shares 2,360,000 Class D shares 2,400,000	–	3,164	–	1,443
September 26, 2018 (Note 2)	–	Common shares 20,400,000 Class B shares 3,390,000 Class C shares 2,360,000 Class D shares 2,400,000	(1,851)	1,312	(1,443)	–
December 4, 2018 (Note 3)	Class E shares 882,353	Common shares 20,400,000 Class B shares 3,390,000 Class C shares 2,360,000 Class D shares 2,400,000 Class E shares 882,353	1,500	2,812	1,500	1,500
January 31, 2019 (Note 4)	Common shares 9,032,353 Class B shares (3,390,000) Class C shares (2,360,000) Class D shares (2,400,000) Class E shares (882,353)	Common shares 29,432,353	–	2,812	–	1,500
June 18, 2019 (Note 5)	Common shares 500,000	Common shares 29,932,353	1,051	3,864	1,051	2,551
July 17, 2019 (Note 6)	Common shares 1,126,500	Common shares 31,058,853	2,369	6,234	2,369	4,921
July 30, 2019 (Note 7)	–	Common shares 31,058,853	–	6,234	(947)	3,974
December 20, 2019 (Note 8)	Common shares 80,000	Common shares 31,138,853	2	6,236	2	3,977
February 1 to May 31, 2021 (Note 9)	Common shares 44,792	Common shares 31,183,645	76	6,312	76	4,053
June 1 to November 30, 2021 (Note 10)	Common shares 31,684	Common shares 31,215,329	63	6,376	63	4,116
December 1, 2021 (Note 11)	Common shares 93,645,987	Common shares 124,861,316	–	6,376	–	4,116
January 1 to May 31, 2022 (Note 12)	Common shares 102,280	Common shares 124,963,596	50	6,426	50	4,166
From June 1, 2022 to May 31, 2023 (Note 13)	Common shares 446,988	Common shares 125,410,584	155	6,582	155	4,322

Notes: 1. Due to the stock split (1-for-10,000).

2. Based on the resolution at the Annual General Meeting of Shareholders held on August 21, 2018, the amount of share capital and legal capital surplus was reduced and the reduction amount was transferred to other capital surplus to realize future flexible and agile capital policy through early elimination of cumulative losses. The capital reduction ratio for share capital is 58.5%, and the capital reduction ratio for legal capital surplus is 100%.

3. Third-party allotment of shares with compensation
   Issuance price of Class E shares: ¥3,400
   Additional paid-in capital: ¥1,700
   Allottee: Japan Post Capital Co., Ltd.
   SBI AI&Blockchain Limited Liability Investment Partnership
   T. Rowe Price Japan Fund
   A-Fund, L.P.
4. The amendment of the Articles of Incorporation was resolved at the Extraordinary General Meeting of Shareholders held on January 30, 2019, the class shareholders' meeting by common shareholders, the class shareholders' meeting by Class B shareholders, the class shareholders' meeting by Class C shareholders, the class shareholders' meeting by Class D shareholders, and the class shareholders' meeting by Class E shareholders, and each class shares were abolished. Following this abolishment, Class B shares of 3,390,000 shares, Class C shares of 2,360,000 shares, Class D shares of 2,400,000 shares, and Class E shares of 882,353 shares were converted to common shares of 9,032,353 shares as of January 31, 2019. As a result, the total number of issued shares (common shares) increased by 9,032,353 shares to 29,432,353 shares.
5. Paid-in public offering (offering by means of the book-building method)
   Issuance price: ¥4,500
   Subscription price: ¥4,207.50
   Additional paid-in capital: ¥2,103.75
   Total amount to be paid: ¥2,103,750,000
6. Third-party allotment of shares with compensation (capital increase by third-party allotment of shares related to secondary distribution through over-allotment)
   Issuance price: ¥4,500
   Subscription price: ¥4,207.50
   Additional paid-in capital: ¥2,103.75
   Allottee: Nomura Securities Co., Ltd.
7. Based on the resolution at the meeting of the Board of Directors held on July 30, 2019, the amount of legal capital surplus was reduced and the reduction amount was transferred to other capital surplus to realize future flexible and agile capital policy through early elimination of cumulative losses. The capital reduction ratio for legal capital surplus is 19.2%.
8. Due to the exercise of share acquisition rights as of December 20, 2019, the total number of issued shares increased by 80,000 shares, and share capital and legal capital surplus each increased by ¥2 million.
9. Between February 1, 2021 and May 31, 2021, the total number of issued shares increased by 44,792 shares, and share capital and legal capital surplus each increased by ¥76 million due to the exercise of share acquisition rights.
10. Between June 1, 2021 and November 30, 2021, the total number of issued shares increased by 31,684 shares, and share capital and legal capital surplus each increased by ¥63 million due to the exercise of share acquisition rights.
11. Due to the stock split (1-for-4).
12. Between January 1, 2022 and May 31, 2022, the total number of issued shares increased by 102,280 shares, and share capital and legal capital surplus each increased by ¥50 million due to the exercise of share acquisition rights.
13. Between June 1, 2022 and May 31, 2023, the total number of issued shares increased by 446,988 shares, and share capital and legal capital surplus each increased by ¥155 million due to the exercise of share acquisition rights.
14. During the period between June 1, 2023 and the end of the month before the filing date (July 31, 2023), the total number of issued shares increased by 76,892 shares, and share capital and legal capital surplus each increased by ¥32 million due to the exercise of share acquisition rights.

(5) Shareholding by shareholder category

As of May 31, 2023

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Persons)	–	13	23	47	182	28	6,499	6,792	–
Number of shares held (Units)	–	259,709	16,016	21,415	363,191	213	593,301	1,253,845	26,084
Shareholding ratio (%)	–	20.71	1.28	1.71	28.97	0.02	47.32	100	–

Note: Of treasury shares of 871 shares, 8 units are included in "Individuals, etc." and 71 shares are included in "Shares less than one unit."

(6) Major shareholders

As of May 31, 2023

Name or designation	Address	Number of shares held (Shares)	Ratio of shares held to total number of shares issued (excluding treasury shares) (%)
Chikahiro Terada	Suginami-ku, Tokyo	41,432,920	33.04
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	17,183,400	13.70
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	6,486,100	5.17
Kei Tomioka	Meguro-ku, Tokyo	4,160,000	3.32
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA, U.K. (OTEMACHI FINANCIAL CITY SOUTH TOWER, 1-9-7 Otemachi, Chiyoda-ku, Tokyo)	3,484,900	2.78
DCM Ventures China Fund(DCM VII), L.P.	CAMPBELLS CORPORATE SERVICES LIMITED FLOOR 4 WILLOW HOUSE CRICKET SQUARE GRAND CAYMAN KY1-9010 CAYMAN ISLANDS	3,314,000	2.64
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: BofA Securities Japan Co., Ltd.)	MERRILL LYNCH FINANCIAL CENTRE 2 KING EDWARD STREET LONDON UNITED KINGDOM (Nihombashi 1-chome Mitsui Building, 1-4-1 Nihombashi, Chuo-ku, Tokyo)	2,412,276	1.92
Kenji Shiomi	Shinjuku-ku, Tokyo	2,320,000	1.85
STATE STREET BANK AND TRUST COMPANY 505303 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (SHINAGAWA INTERCITY Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	2,200,200	1.75
CNK, Inc.	1-21-18-501 Ebisu, Shibuya-ku, Tokyo	2,047,080	1.63
Total	–	85,040,876	67.81

Notes: 1. Of the number of shares held in The Master Trust Bank of Japan, Ltd. (Trust account) above, the number of shares related to trust activities is 10,386,300 shares.
These shares are broken down to 433,900 shares of the portion included in pension trusts and 9,952,400 shares of the portion included in investment trusts.
2. Of the number of shares held in Custody Bank of Japan, Ltd. (Trust account) above, the number of shares related to trust activities is 4,047,000 shares.
These shares are broken down to 234,300 shares of the portion included in pension trusts and 3,812,700 shares of the portion included in investment trusts.
3. A Statement of Large-Volume Holdings (Statement of Changes) which was made available for public inspection as of November 22, 2019 shows that Capital Research and Management Company held the following shares as of November 15, 2019. However, since the Company cannot confirm the number of shares that said company actually held as of May 31, 2023, the said company is not included in the above status of major shareholders.
The description of the Statement of Large-Volume Holdings (Statement of Changes) is as follows.

Although the Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021, the following number of shares, etc. held shows the number of shares before the stock split.

Name or designation	Address	Number of shares, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	Shares: 731,200	2.35

4. A Statement of Large-Volume Holdings (Statement of Changes) which was made available for public inspection as of January 7, 2020 shows that SPARX Asset Management Co., Ltd. held the following shares as of December 31, 2019. However, since the Company cannot confirm the number of shares that said company actually held as of May 31, 2023, the said company is not included in the above status of major shareholders.
The description of the Statement of Large-Volume Holdings (Statement of Changes) is as follows.
Although the Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021, the following number of shares, etc. held shows the number of shares before the stock split.

Name or designation	Address	Number of shares, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
SPARX Asset Management Co., Ltd.	6th Floor, Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo	Shares: 1,010,000	3.25

5. A Statement of Large-Volume Holdings (Statement of Changes) which was made available for public inspection as of January 8, 2020 shows that JPMorgan Asset Management (Japan) Limited and two joint holders held the following shares as of December 31, 2019. However, since the Company cannot confirm the number of shares that said company and joint holders actually held as of May 31, 2023, they are not included in the above status of major shareholders.
The description of the Statement of Large-Volume Holdings (Statement of Changes) is as follows.
Although the Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021, the following number of shares, etc. held shows the number of shares before the stock split.

Name or designation	Address	Number of shares, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
JPMorgan Asset Management (Japan) Limited	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	Shares: 1,446,800	4.66
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	Shares: 25,800	0.08
J.P. Morgan Securities plc	25 Bank Street, Canary Wharf, London E14 5JP, U.K.	Shares: 35,267	0.11

6. A Statement of Large-Volume Holdings (Statement of Changes) which was made available for public inspection as of September 6, 2021 shows that Pleiad Investment Advisors Limited held the following shares as of August 31, 2021. However, since the Company cannot confirm the number of shares that said company actually held as of May 31, 2023, the said company is not included in the above status of major shareholders.
The description of the Statement of Large-Volume Holdings (Statement of Changes) is as follows.
Although the Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021, the following number of shares, etc. held shows the number of shares before the stock split.

Name or designation	Address	Number of shares, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
Pleiad Investment Advisors Limited	26th Floor, Asia Pacific Centre, 8 Wyndham Street, Central, Hong Kong	Shares: 1,029,091	3.30

7. A Statement of Large-Volume Holdings (Statement of Changes) which was made available for public inspection as of September 7, 2021 shows that T. Rowe Price Japan, Inc. held the following shares as of August 31, 2021. However, since the Company cannot confirm the number of shares that said company actually held as of May 31, 2023, the said company is not included in the above status of major shareholders.
The description of the Statement of Large-Volume Holdings (Statement of Changes) is as follows.
Although the Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021, the following number of shares, etc. held shows the number of shares before the stock split.

Name or designation	Address	Number of shares, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
T. Rowe Price Japan, Inc.	10th Floor, GranTokyo South Tower, 1-9-2 Marunouchi, Chiyoda-ku, Tokyo	Shares: 1,077,847	3.46

8. A Statement of Large-Volume Holdings (Statement of Changes) which was made available for public inspection as of December 22, 2022 shows that FIL Investments (Japan) Limited held the following shares as of December 15, 2022. However, since the Company cannot confirm the number of shares that said company actually held as of May 31, 2023, the said company is not included in the above status of major shareholders.
The description of the Statement of Large-Volume Holdings (Statement of Changes) is as follows.

Name or designation	Address	Number of shares, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
FIL Investments (Japan) Limited	7-7-7 Roppongi, Minato-ku, Tokyo	Shares: 7,890,800	6.31

(7) Voting rights

1) Issued shares

As of May 31, 2023

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	Common shares 800	–	–
Shares with full voting rights (Other)	Common shares 125,383,700	1,253,837	These are shares with full voting rights, which are standard shares of the Company with no limits on rights, and the number of shares in a trading unit is 100 shares.
Shares less than one unit	Common shares 26,084	–	–
Total number of issued shares	125,410,584	–	–
Aggregate voting rights of all shareholders	–	1,253,837	–

Note: “Shares less than one unit” includes 71 shares of shares held in the name of the Company.

2) Treasury shares, etc.

As of May 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others’ names (Shares)	Total number of shares held (Shares)	Ratio of shares held to total number of shares issued (%)
Sansan, Inc.	Aoyama Oval Building 13F, 5-52-2 Jingumae, Shibuya-ku, Tokyo	800	–	800	0.00
Total	–	800	–	800	0.00

2 Acquisition and disposal of treasury shares

[Class of shares, etc.] Acquisition of common shares that falls under Article 155, item (vii) of the Companies Act

(1) Acquisitions by resolution of General Meeting of Shareholders
Not applicable.

(2) Acquisitions by resolution of Board of Directors
Not applicable.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year under review	135	187,160
Treasury shares acquired during the current period	–	–

Note: Treasury shares acquired during the current period do not include shares acquired by the buyback of shares of less than one unit between August 1, 2023 and the filing date of this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year under review		Current period	
	Number of shares (Shares)	Total amount disposed (Yen)	Number of shares (Shares)	Total amount disposed (Yen)
Acquired treasury shares offered to third parties	–	–	–	–
Acquired treasury shares disposed of through cancellation	–	–	–	–
Acquired treasury shares transferred for mergers, share exchanges, share issuance, or company splits	–	–	–	–
Other	–	–	–	–
Number of treasury shares held	871	–	871	–

Note: The number of treasury shares held during the current period does not include shares acquired by the buyback of shares less than one unit between August 1, 2023 and the filing date of this Annual Securities Report.

3 Dividend policy

Recognizing the importance of properly returning profits to its shareholders, the Company's basic policy is to pay stable dividends while ensuring a balance with internal reserves. However, given that our business remains in the growth stage as of the filing date of this document, we seek to enhance internal reserves to facilitate business expansion, in addition to strengthening our financial position. As such, we accordingly deem that making allocations for business expansion will lead to the greatest return on profits to our shareholders.

For the fiscal year under review, we have opted to forgo payment of a dividend. We intend to use the internal reserves as a financial resource for strengthening our financial position and expanding our business.

Our Board of Directors acts as the body for making decisions regarding dividends of surplus based on our basic policy of furnishing dividends twice annually in the form of an interim dividend and a year-end dividend, in the event that we opt to implement a dividend of surplus. In addition, as the Articles of Incorporation of the Company stipulates that, "the dividend of surplus, etc., shall be determined in accordance with the provisions of Article 459, paragraph (1) of the Companies Act, and unless otherwise specified by laws and regulations, will be determined by a resolution by the Board of Directors."

4 Corporate governance, etc.

(1) Overview of corporate governance

1) Basic views on corporate governance

Under the mission of "Turning encounters into innovation" and the vision of "Become business infrastructure," the Company is developing businesses. The Company provides an innovative service to the very nature of business and encounters, and the cloud-based solutions that promote digital transformation and reshape how we work to companies and businesspersons facing various business issues. Through this service, the Company will maximize sustainable corporate value and contribute to society while recognizing the importance of gaining the continued trust of all stakeholders.

Based on this recognition, the Company has adopted the system of a company with Audit & Supervisory Committee for the purpose of further improving its corporate governance and enhancing the soundness and transparency of management by reinforcing the supervisory function of the Directors. The Company will secure the transparency of management decision-making and the supervision of business execution by having an Audit & Supervisory Committee. At the same time, the Company will establish an internal control system based on the Basic Policy on Internal Control Systems determined by the Board of Directors and ensure its thorough operation while striving to maintain and strengthen corporate governance.

2) System of corporate governance and reasons for adopting this system

A. Overview of the system of corporate governance

At the Annual General Meeting of Shareholders held on August 18, 2015, the Company transitioned to the system of a company with an Audit & Supervisory Committee for the purpose of further improving its corporate governance and enhancing the soundness and transparency of management by reinforcing the supervisory function of the Directors.

<u>Board of Directors</u>

The Board of Directors consists of nine Directors, including four Directors who are Audit & Supervisory Committee Members. All Directors who are Audit & Supervisory Committee Members are Outside Directors. The Company has invited as Outside Directors persons such as those with experience as a director at other companies and legal experts with a detailed knowledge of corporate legal affairs and compliance, as well as persons with expertise in the field of accounting, in order to promote the establishment of a system that enables the Company to conduct management decision-making from a broader perspective and to supervise management from outside the Company, while utilizing their insights on corporate management based on their wealth of business experience.

In order to conduct effective and prompt decision-making, the Board of Directors holds a regular Board of Directors meeting once a month in principle, as well as holding extraordinary meetings as needed.

The Board of Directors functions both as a body for supervising the operations of Directors and a body for making decisions on important management matters, in compliance with laws and regulations and the Articles of Incorporation.

Chairperson:	Chikahiro Terada, Representative Director & CEO
Composition of members:	Director Kei Tomioka, Director Kenji Shiomi, Director Yuta Ohma, Director Muneyuki Hashimoto, Director who is an Audit & Supervisory Committee Member Maki Suzuki (Outside Director), Director who is an Audit & Supervisory Committee Member Toru Akaura (Outside Director), Director who is an Audit & Supervisory Committee Member Toko Shiotsuki (Outside Director), Director who is an Audit & Supervisory Committee Member Taro Saito (Outside Director)

<u>Audit & Supervisory Committee</u>

The Company's Audit & Supervisory Committee comprises four Directors who are Audit & Supervisory Committee Members. All Committee Members are Outside Directors. Directors who are Audit & Supervisory Committee Members include attorneys and persons who possess an independent perspective on accounting and corporate management. Thus, the Company has established a structure in which management supervision is conducted from the standpoint of each Committee member's professional ethics.

Directors who are Audit & Supervisory Committee Members express opinions on Directors' execution of business at meetings of the Board of Directors and other meetings.

The Audit & Supervisory Committee monitors the vision of governance and its operational status. In order to audit and supervise the everyday activities of the Directors, including the Directors' performance of duties, the Audit & Supervisory Committee implements audits based on the audit plan and holds meetings of the Audit & Supervisory Committee once a month while convening meetings with the Internal Auditing Department and Financial Auditors, and sharing information necessary for auditing.

Chairperson:	Director who is an Audit & Supervisory Committee Member Maki Suzuki (Outside Director)
Composition of members:	Director who is an Audit & Supervisory Committee Member Toru Akaura (Outside Director), Director who is an Audit & Supervisory Committee Member Toko Shiotsuki (Outside Director), Director who is an Audit & Supervisory Committee Member Taro Saito (Outside Director)

<u>Nomination and Remuneration Advisory Committee</u>

The Company established the Nomination and Remuneration Advisory Committee on May 1, 2023 to gain appropriate involvement of Independent Outside Directors, including from the perspective of diversity, such as gender, and skills, in order to strengthen the functions of the Board of Directors pertaining to nomination, remuneration, etc. of Directors as well as the independence, objectivity and accountability of the Board of Directors.

The Nomination and Remuneration Advisory Committee consists of three or more members appointed by resolution of the Board of Directors. In order to ensure the independence of the committee, Independent Outside Directors make up a majority, and the chairperson is selected from the committee members who are Independent Outside Directors, and elected by resolution of the committee.

The Nomination and Remuneration Advisory Committee deliberates in advance matters related to the nomination of Directors, appointment and dismissal of Directors, remuneration of Directors (excluding those who are Audit & Supervisory Committee

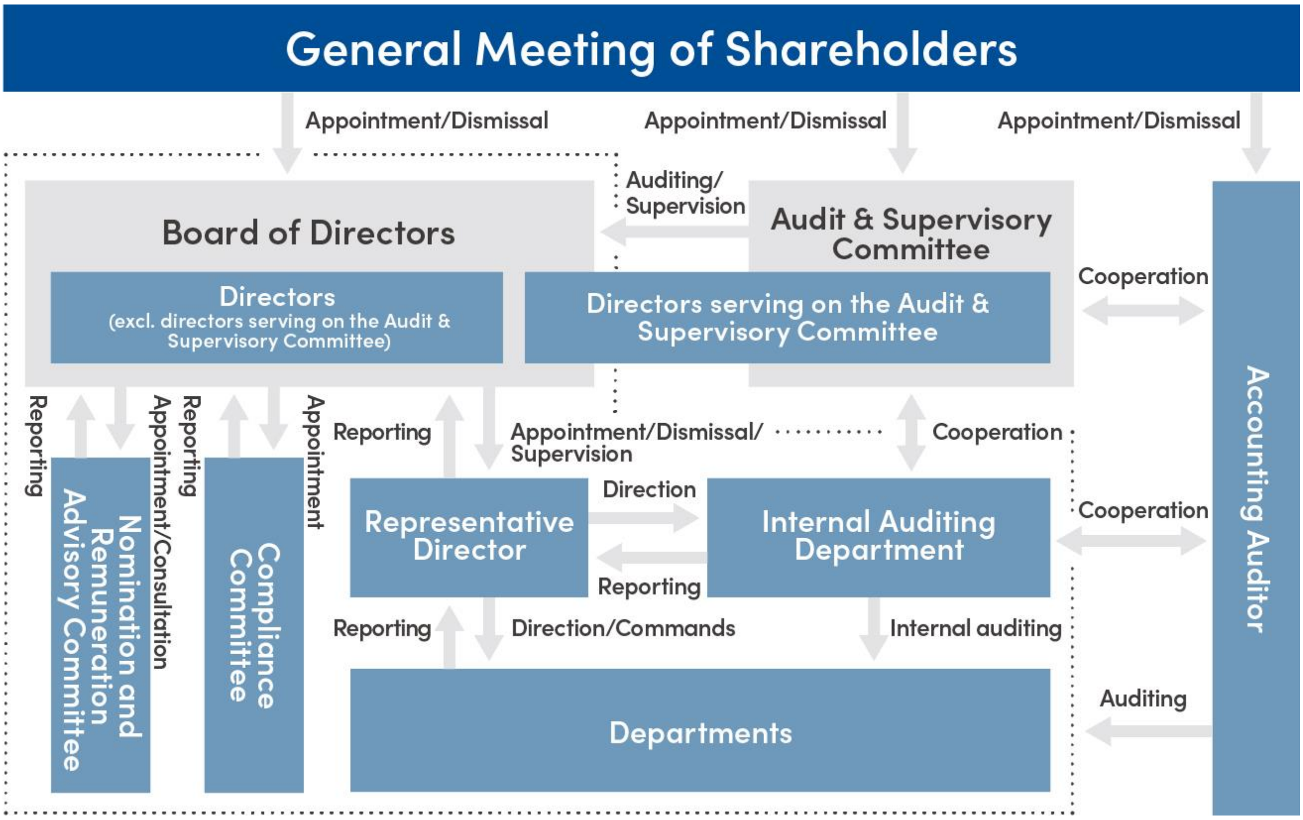
Members) and other matters for which the Board of Directors seeks advice, and provides reports to the Board of Directors. The Board of Directors is decided by the Board of Directors based on the details of a report from the Nomination and Remuneration Advisory Committee.

Committee chair: Director who is an Audit & Supervisory Committee Member Maki Suzuki (Outside Director)
Composition of members: Director who is an Audit & Supervisory Committee Member Toru Akaura (Outside Director), Director who is an Audit & Supervisory Committee Member Toko Shiotsuki (Outside Director), Director who is an Audit & Supervisory Committee Member Taro Saito (Outside Director), Representative Director & CEO Chikahiro Terada, Director Yuta Ohma

Internal audits
The Company's Internal Auditing Department is an entity placed directly under the Representative Director & CEO to ensure independence from other departments executing business, and reports audit results to the Representative Director & CEO and the Audit & Supervisory Committee.
The Internal Auditing Department cooperates with the Audit & Supervisory Committee and the Financial Auditor and shares the information necessary for auditing, thereby enhancing the effectiveness of each audit.

B. Reasons for adopting this system
The Company has judged that the current corporate governance structure is a corporate governance system that can realize the strengthening of the Board of Directors decision-making and supervisory functions and the acceleration of business execution, and has adopted the current structure for the establishment of a corporate governance structure that will realize transparent and fair management as well as swift decision-making.

C. Relationship between the Company's organization and internal control
The Company's corporate governance structure is as shown in the diagram below.



3) Status of the preparedness of the internal control system
The Company strives to maintain and enhance corporate governance by the establishment and strict operation of an internal control system based on the Basic Policy on Internal Control System, which was determined by the Board of Directors.

A. System to ensure that the execution of duties by Directors and employees complies with laws and regulations as well as the Articles of Incorporation (System for strict compliance with laws and regulations and the Articles of Incorporation)

・ Directors and employees carry out appropriate corporate activities based on high ethical standards and comply with laws and regulations and internal rules such as the Articles of Incorporation in accordance with the Company's corporate philosophy and code of conduct, "The Katachi of Sansan."
・ Implement internal audits by the Internal Auditing Department, an independent entity under the direct supervision of the CEO, to verify if execution of business operations is being conducted based on laws and regulations, the Articles of Incorporation, and internal and other rules while at all times strive to make improvements when issues are discovered.

B. System for storage and management of information related to execution of duties by Directors (Information storage and management system)

- The Company shall appropriately prepare, store and manage documents, business forms, various information such as records made in an electronic format based on the Rules on Information Asset Management, after classifying according to level of confidentiality.
- Directors may access these documents and records at any time.

C. Rules and other systems for managing risk of loss (Risk management system)

- Appropriately manage a host of potential risks in the Company's business activities through the establishment of internal rules and a response system.
- Give utmost priority to the appropriate handling of personal information, appoint a person in charge of personal information protection, and make efforts to minimize the risks associated with the management of personal information by establishing internal rules centered on a set of basic regulations for the protection of personal information.
- Reduce information security risks by appointing a chief information officer with responsibility and authority for information security risks and risk management and establishing rules on management of information systems.
- Directors shall immediately report to the Audit & Supervisory Committee in the event of any kind of risk arising that may cause a major loss to the Company.

D. System to ensure that the duties of the Directors are being carried out efficiently (System for securing efficiency)

- Hold regular meetings comprising Directors once a month and convene extraordinary meetings as needed in accordance with laws and regulations, the Articles of Incorporation, and the Rules on the Board of Directors in order to audit the status of business execution by discussing and making decisions on important matters, and receiving reports from Executive Directors.
- Establish a suitable and efficient decision-making system through developing internal rules such as the Rules on the Board of Directors, and clarifying areas of responsibility and authority.

E. System to ensure the properness of business operations of the corporate group composed of the Company and its subsidiaries (Internal control of corporate group)

- The Company and its subsidiaries, etc., which comprise the Sansan Group, have held up a policy to carry out appropriate corporate activities based on high ethical standards and to comply with their respective corporate philosophy and code of conduct as well as applicable laws and regulations and internal rules, such as the Articles of Incorporation, and endeavor to develop fair and responsible business to contribute to sustainable growth of the Sansan Group.
  In addition, as the basic policy for involvement in management of its subsidiaries, the Company has established the Rules on Management of Subsidiaries and maintains a system in which group governance can function, such as concluding business management agreements with the subsidiaries pursuant to said rules.
- The Internal Auditing Department implements regular audits in order to verify if the business operations of the Company and its subsidiaries are in compliance with laws and regulations, the Articles of Incorporation, internal rules, and other regulations.

F. Internal control system for financial reporting (System to ensure properness of financial reporting)

- In order to secure the properness of financial reporting of the Company and its subsidiaries, the Company shall develop and appropriately operate internal rules, including the Basic Policy on Internal Controls Related to Financial Reporting, based on the Financial Instruments and Exchange Act and other laws and regulations in Japan and overseas that apply to the Company and its subsidiaries.
- Develop and operate a monitoring system for financial reporting and establish a system for timely and appropriate reporting when internal control system problems or defects are identified through the monitoring system.
- In terms of information infrastructure, effective and efficient use of the internal control system is made for financial reporting and the Company shall respond appropriately with respect to general control and application control of that structure.

G. Matters related to the Office that assists the duties of the Audit & Supervisory Committee, matters related to the independence of members of that Office, and matters on ensuring the practicability of instructions to those members (Establishing an Office and Office member for the Audit & Supervisory Committee) (Independence of the Office member for the Audit & Supervisory Committee) (Ensuring practicability of instructions to the Office member of the Audit & Supervisory Committee)

- Establish an Office under the direct control of the Audit & Supervisory Committee and designate an Office member to assist the duties of the Committee's members on a full-time basis.
- The supervisory authority over that Office member is to belong exclusively to the Audit & Supervisory Committee and the appointment, transfer, performance evaluation, disciplinarian action, and other matters regarding the member require the approval of, and prior notification to, the Audit & Supervisory Committee.

H. System for submitting reports to the Audit & Supervisory Committee, which includes the system for Directors and employees to report to the Audit & Supervisory Committee (System for reporting to the Audit & Supervisory Committee)

- Directors and employees shall promptly inform the Audit & Supervisory Committee of any matter that may have a significant impact on the Company and the implementation status of internal audits as well as legal matters, and provide necessary reports and information in response to requests from the Audit & Supervisory Committee.
- Formulate rules for a Whistle-Blower System and ensure the operation of an appropriate reporting system based on the stipulations of the Whistle-Blower System. The Company shall not treat any Director or employee unfavorably on the basis of said Director or employee using the System to give a report to the Audit & Supervisory Committee.

I. Other systems for ensuring the effectiveness of audits by the Audit & Supervisory Committee (Systems for ensuring the effectiveness of audits by the Audit & Supervisory Committee)

- The Representative Director & CEO shall meet regularly with the Audit & Supervisory Committee and Financial Auditor to exchange opinions and communicate effectively.
- The Audit & Supervisory Committee shall meet regularly with the Financial Auditor, cooperate with the Internal Auditing Department, and exchange information at all times.
- Payments of costs incurred in the process of executing the duties of the Audit & Supervisory Committee member shall be addressed upon a request for payment.

In addition to the above, the Company shall conduct fair and responsible corporate activities through the formulation of the basic policy regarding prevention of bribery and corruption and the basic policy regarding anti-social forces, as well as securing and maintaining a compliance structure through the dissemination and implementation of such policies inside and outside the Company.

4) Summary of details of limited liability agreements

In accordance with Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with its Outside Directors to limit their liability for damages under Article 423, paragraph (1) of said Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for under laws and regulations.

5) Outline of the content of indemnification agreements entered into with officers, etc.

The Company has entered into indemnification agreements with Directors (excluding those who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members as provided for under Article 430-2, paragraph (1) of the Companies Act, under which the Company shall indemnify them for the expenses provided for in item (i) and the loss provided for in item (ii) of said paragraph to the extent provided for in laws and regulations. However, in order to ensure that the appropriateness of the execution of duties by the Company's officers is not impaired by said indemnification agreement, the following items are not covered by the indemnification.

- Portion of litigation expenses that exceeds the amount of expenses normally required
- If the Company is to compensate for damages, etc., in the event that the indemnified Director (below, the "indemnified person") is liable to the Company under Article 423, paragraph (1) of the Companies Act, the portion of the damages, etc. that relates to such liability
- All of the damages, etc. for which the indemnified person is liable due to his/her malicious intent or gross negligence in performing his/her duties

In addition, even after the Company has paid compensation to the indemnified person, the indemnified person shall return all or part of the compensation to the Company in the following cases.

- All of the compensated expenses, etc., if it is found that the indemnified person has performed his/her duties for the purpose of gaining unjust benefits for him/herself or a third party or causing damage to the Company
- If it is found that all or part of the expenses, etc. compensated under this agreement cannot be compensated, the portion of the compensated expenses, etc. that cannot be compensated under this agreement
- In the event that the indemnified person receives compensation from an insurer in accordance with an insurance contract that the Company concludes with an insurer, which promises that the insurer will cover the damages that may arise due to the indemnified person assuming responsibility for the execution of his/her duties or receiving a claim related to the pursuit of such responsibility, and which names the indemnified person as the insured, the portion of expenses, etc. for which compensation was received

6) Outline of the contents of the directors and officers liability insurance policy the Company has entered into, that names the Director or officer as the insured

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured includes Directors (excluding those who are Audit & Supervisory Committee Members), Directors who are Audit & Supervisory Committee Members, Executive Officers, and Directors of subsidiaries of the Company (the "Officers, etc."). By resolution of the Board of Directors, the insureds do not bear any of the insurance premiums. Under this insurance policy, the insured will be compensated for the damages and litigation expenses incurred by the insured as a result of a claim for damages arising from the insured's conduct as an officer of the Company or its subsidiaries. However, in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, the following cases are not covered.

- Cases in which the Company or its Officers, etc. have illegally obtained profits or benefits
- Actions taken with the full knowledge that they are in violation of laws and regulations or the Company's internal regulations, etc.

7) Number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors (excluding those who are Audit & Supervisory Committee Members) shall be eight or less. The Articles of Incorporation stipulate that the number of Directors who are Audit & Supervisory Committee Members shall be five or less.

8) Requirements for resolutions for the election of Directors (excluding those who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members

The Company stipulates in its Articles of Incorporation that resolutions for the election of Directors shall distinguish between Directors who are Audit & Supervisory Committee Members and those Directors who are not, and that shareholders who hold one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights shall be in attendance, and that resolutions shall be passed with a majority of such voting rights.

In addition, the Articles of Incorporation stipulate that cumulative voting shall not be used for the election of Directors.

9) Requirements for special resolutions at the General Meeting of Shareholders

Regarding the requirements for special resolutions at the General Meeting of Shareholders stipulated in Article 309, paragraph (2) of the Companies Act, the Articles of Incorporation stipulate that shareholders who hold one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights shall be in attendance, and that such resolutions shall be passed with two-thirds or more of such voting rights. The purpose of this is to allow the General Meeting of Shareholders to proceed smoothly, by relaxing the quorum required for special resolutions at the General Meeting of Shareholders.

10) Organization determining dividends of surplus etc.

The Company's Articles of Incorporation stipulate that matters stipulated in each item of Article 459, paragraph (1) of the Companies Act, such as dividends of surplus, shall be determined by a resolution of the Board of Directors and not by a resolution of the General Meeting of Shareholders, unless otherwise stipulated by laws and regulations. The purpose of this is to agilely return profits to shareholders, by having the Board of Directors exercise the authority to distribute dividends of surplus.

11) Specific efforts for the elimination of anti-social forces

The Company, in its the basic policy regarding anti-social forces, stipulates that it shall never associate with anti-social forces or groups, and we have never associated with anti-social forces to date.

We conduct thorough checks on business partners when initiating transactions and when renewing contracts. In addition to including statements and guarantees to the effect that a business partner is not an anti-social force, the content of contractual documents such as service agreements and business alliance agreements also makes it possible to cancel the contract even if the business partner is discovered to be an anti-social force after the fact. In addition, we have established internal rules regarding the elimination of anti-social forces, and we conduct regular reviews of our business partners.

12) Regarding the system for managing subsidiaries and affiliates

The Company has established the Rules on Management of Subsidiaries with the aim of ensuring the appropriateness of the business operations of the entire Group that consists of the Company and its subsidiaries, and we are in the process of establishing a system for group governance to function, such as concluding business management agreements with subsidiaries based on said Rules.

13) Basic policy regarding the control of the Company

The Company believes that those who control decisions regarding financial and operational policy should strive to concentrate business resources in a manner that maximizes corporate value and augments the Company's mutual interests with its shareholders with the aim of consistently achieving sustainable growth.

Whereas the Company has not adopted anti-takeover measures at this point in time, we will continue to review matters flexibly while monitoring changes with respect to social affairs and other circumstances.

14) Activities of the Board of Directors

During the fiscal year under review, the Company held 17 meetings of the Board of Directors, and the attendance record for each Director is as follows.

Name	Number of times attended	Attendance ratio
Chikahiro Terada	17 times	100%
Kei Tomioka	17 times	100%
Kenji Shiomi	17 times	100%
Yuta Ohma	17 times	100%
Muneyuki Hashimoto	17 times	100%
Maki Suzuki	13 times	100%
Toru Akaura	17 times	100%
Toko Shiotsuki	17 times	100%
Taro Saito	13 times	100%
Yasuko Yokosawa	4 times	100%
Yoshiki Ishikawa	4 times	100%

Notes: 1. The attendance records for Yasuko Yokosawa and Yoshiki Ishikawa state their attendance until their retirement on August 30, 2022, due to the expiration of their term of office.

2. The attendance records for Maki Suzuki and Taro Saito state their attendance after they assumed office on August 30, 2022.

Major matters deliberated at the Board of Directors during the fiscal year under review were as follows.

・ Matters for deliberation as stipulated by law
・ Matters concerning management plans and business strategies
・ Matters concerning organizational restructuring, division of duties, and important personnel changes
・ Matters concerning financial results, business performance, and investments and loans
・ Matters concerning compliance and governance, etc.

15) Activities of the Nomination and Remuneration Advisory Committee

During the fiscal year under review, the Company held one meeting of the Nomination and Remuneration Advisory Committee, and the attendance record for each Committee Member is as follows.

Name	Number of times attended	Attendance ratio
Maki Suzuki	1 time	100%
Toru Akaura	1 time	100%
Toko Shiotsuki	1 time	100%
Taro Saito	1 time	100%
Chikahiro Terada	1 time	100%
Yuta Ohma	1 time	100%

Note: The Company established the Nomination and Remuneration Advisory Committee on May 1, 2023, and the number of times attended indicates activity from the day the Committee was established until May 31, 2023.

Specific matters deliberated by the Nomination and Remuneration Advisory Committee included matters concerning policies and procedures for nominating Directors, and policies for determining the remuneration etc. of Directors (excluding those who are Audit & Supervisory Committee Members) and procedures.

(2) Officers

1) List of Officers

Seven men and two women (22.2% of officers are women)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Representative Director & CEO Executive Officer and CEO	Chikahiro Terada	December 29, 1976	April 1999 May 2001 February 2006 June 2007	Joined Mitsui & Co., Ltd. Worked for Mitsui Comtek Corp. in Silicon Valley Seconded as General Manager of Corporate Management Department of Mitsui Bussan Secure Directions, Inc. Assumed office as Representative Director & CEO of the Company (current position)	(Note 3)	41,432,920
Director Executive Officer and COO Executive in charge of the Sansan Division and Bill One Division	Kei Tomioka	May 26, 1976	April 1999 June 2007 June 2021	Joined Oracle Corporation Japan Assumed office as Director of the Company (current position) Outside Director of Fringe81 Co., Ltd. (currently Unipos Inc.) (current position)	(Note 3)	4,160,000
Director Executive Officer, CISO and DPO Executive in charge of the Technology Division and Eight Business	Kenji Shiomi	August 12, 1970	April 1994 December 2000 April 2005 June 2006 June 2007	Joined Bussan System Integration Co. Ltd. (currently MITSUI KNOWLEDGE INDUSTRY CO., LTD.) Seconded to Mitsui & Co., Ltd., Mitsui Comtek Corp. Joined Wisdom Networks Co., Ltd. President of United Portal Co., Ltd. Assumed office as Director of the Company (current position)	(Note 3)	2,320,000
Director Executive Officer and CHRO Executive in charge of the Human Resources Division	Yuta Ohma	September 27, 1983	April 2006 October 2008 February 2010 August 2019	Joined WORKPORT, inc. Director of Blast Co., Ltd. Joined the Company Assumed office as Director of the Company (current position)	(Note 3)	90,300
Director Executive Officer and CFO Executive in charge of the Corporate Division	Muneyuki Hashimoto	January 10, 1982	April 2004 September 2008 January 2013 November 2017 August 2020 June 2021	Joined Lehman Brothers Japan Inc. Joined Barclays Capital Securities Japan Limited Joined DBJ Investment Advisory Co., Ltd. Joined the Company Assumed office as Director of the Company (current position) Outside Director of Fringe81 Co., Ltd. (currently Unipos Inc.) (current position)	(Note 3)	81,200
Director (Audit & Supervisory Committee Member)	Maki Suzuki	July 4, 1977	October 2003 July 2009 October 2017 February 2021 August 2022	Registered with the Tokyo Bar Association Joined TMI Associates Registered with the New York State Bar Association Joined Shintaro Sato Law Office (current position) Registered with the Daini Tokyo Bar Association Assumed office as Director (Audit & Supervisory Committee Member) of the Company (current position)	(Note 4)	–

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Shares)
Director (Audit & Supervisory Committee Member)	Toru Akaura	August 7, 1968	April 1991 October 1999 March 2000 June 2005 August 2007 September 2010 October 2014 August 2015 December 2017 June 2021	Joined Japan Associated Finance Co., Ltd. (currently JAFCO Group Co., Ltd.) General Partner of Incubate Capital Partners Outside Director of S-Pool, Inc. (current position) Outside Director of jig.jp Co., Ltd. (current position) Director of the Company Representative Director of Incubate Fund KK (current position) Outside Audit & Supervisory Board Member of Double Standard Inc. Assumed office as Director (Audit & Supervisory Committee Member) of the Company (current position) External Director of ispace, inc. (current position) Outside Director of Double Standard Inc. (current position)	(Note 5)	1,720,000
Director (Audit & Supervisory Committee Member)	Toko Shiotsuki	January 9, 1973	April 1996 October 1999 July 2000 March 2007 December 2017 August 2021	Joined Japan Airlines Co., Ltd. Passed the second exam for certified public accountants Standing Auditor of CyberAgent, Inc. Juris Doctor, The University of Tokyo School of Law Director (Full-time Audit and Supervisory Committee member) of CyberAgent, Inc. (current position) Assumed office as Director (Audit & Supervisory Committee Member) of the Company (current position)	(Note 5)	–
Director (Audit & Supervisory Committee Member)	Taro Saito	November 24, 1972	June 1995 May 2005 June 2009 December 2014 January 2017 June 2019 June 2020 August 2022	Joined DENTSU INC. Founder and Director of dof Inc. Representative Director of dof Inc. (current position) External Director of VOYAGE GROUP, INC. (currently CARTA HOLDINGS, INC.) (current position) Founder and Director of CC Corporation (current position) Outside Director of for Startups, Inc. (current position) Outside Director of ZOZO, Inc. (current position) Assumed office as Director (Audit & Supervisory Committee Member) of the Company (current position)	(Note 4)	–
Total						49,804,420

Notes:
1. Maki Suzuki, Toru Akaura, Toko Shiotsuki, and Taro Saito are Outside Directors.
2. The system of the Company’s Audit & Supervisory Committee is as follows.
   Committee chair Maki Suzuki, Committee Member Toru Akaura, Committee Member Toko Shiotsuki, Committee Member Taro Saito
3. From the conclusion of the Annual General Meeting of Shareholders held on August 29, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending May 31, 2024.
4. From the conclusion of the Annual General Meeting of Shareholders held on August 30, 2022 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending May 31, 2024.
5. From the conclusion of the Annual General Meeting of Shareholders held on August 29, 2023 to the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending May 31, 2025.

2) Outside Officers

As of the filing date, all four Directors who are Audit & Supervisory Committee Members are Outside Directors under the Companies Act, as of the date of submission of this document.

As one means to continuously increase corporate value, the Company has a basic policy of appointing Independent Directors from among Outside Directors who have voting rights at the Board of Directors, after having determined that they are persons with no potential conflicts of interest with general shareholders. Based on this policy, we have selected all four Outside Directors of the Company as Independent Directors. Although we have not established any particular standards or policies regarding the independence of Outside Directors, we have appointed them by taking into account the standards for independent officers established by the Tokyo Stock Exchange, Inc. The four Outside Directors attend the Nomination and Remuneration Advisory Committee, and involve themselves from an objective standpoint in matters related to the nomination, appointment and dismissal of Directors and the remuneration of Directors (excluding those who are Audit & Supervisory Committee Members). In addition, our policy is to create an environment in which Independent Directors are able to fulfill the roles expected of them by working closely with other officers and sharing information about the Company.

Personal, capital, and business relationships as well as other interests between Outside Directors and the Company are as follows.

A. Outside Director Maki Suzuki possesses specialist knowledge in corporate legal affairs and compliance, etc., as well as a wealth of insight in judicial precedents in her career as an attorney. The Company has appointed her in the anticipation that she can provide opinions, etc. regarding the Company’s management from an objective standpoint as an Independent Director, including legal aspects and diversity. There are no personal, capital, or business relationships, or other interests between her and the Company.

B. Outside Director Toru Akaura, as the Representative Director of Incubate Fund KK, possesses many years of professional experience in the venture capital business, together with a wealth of experience as a director of other companies, and has cultivated broad insights through these experiences. The Company has appointed him in the anticipation that he will offer advice and suggestions with regard to all areas of management and investing in companies. There are no personal, capital, or business relationships, or other interests between him and the Company.

C. Outside Director Toko Shiotsuki has degrees as a junior accountant and a doctor of jurisprudence (professional), and has extensive experience in business companies, including serving as a full-time Audit & Supervisory Committee member of a listed company by leveraging her broad insight in accounting, auditing and legal affairs. Based on this, Company has appointed her in the anticipation that she will present meaningful opinions as an Independent Director from the perspective of auditing and supervision as well as diversity. There are no personal, capital, or business relationships, or other interests between her and the Company.

D. Outside Director Taro Saito, as the Representative Director of dof Inc., possesses many years of work experience in branding and communication design together with extensive experience as an officer at other companies, and has cultivated broad insights through these experiences. The Company has appointed him in the anticipation that he will provide advice and suggestions concerning the general management and corporate governance of the Company from an objective standpoint as an Independent Director. There are no personal, capital, or business relationships, or other interests between him and the Company.

3) Mutual cooperation between supervision or audits by Outside Directors and internal audits, audits by the Audit & Supervisory Committee, and financial audits, and the relationship with the internal control department

As described in “(3) Audits” below, we believe that there is sufficient cooperation between the supervision or audits by Outside Directors and audits by the Audit & Supervisory Committee and financial audits, as well as with the internal control department.

(3) Audits

1) Audit & Supervisory Committee's audits

The Company's Audit & Supervisory Committee consists of four members, Maki Suzuki, Toru Akaura, Toko Shiotsuki, and Taro Saito, all of whom are Outside Directors, and is chaired by Maki Suzuki, an Outside Director (Independent Director). Based on the Audit & Supervisory Committee's guidelines, the Audit & Supervisory Committee carries out audit operations in line with auditing standards, auditing policies, the Audit Plan, auditing methods, etc. decided by the Audit & Supervisory Committee. Maki Suzuki, an Outside Director who is a member of the Audit & Supervisory Committee, is a qualified attorney, and the Company has appointed her in the anticipation that she will offer recommendations and advice on the Company's legal affairs from her standpoint as an expert. Outside Director Toko Shiotsuki, who is also an Audit & Supervisory Committee member, has degrees as a junior accountant and a doctor of jurisprudence (professional), and has extensive knowledge of finance and accounting.
In addition, the Company has assigned an Office member dedicated to support the smooth execution of duties by the Audit & Supervisory Committee. Since reports and information are provided in a timely manner in response to requests from the Audit & Supervisory Committee through said Office member's participation in major meetings and inspection of important documents, etc., and an environment in which audit duties can be sufficiently carried out using the internal control system is in place, we have not appointed a full-time Audit & Supervisory Committee member.
During the fiscal year under review, the Company held 13 meetings of the Audit & Supervisory Committee, and the attendance record for each Audit & Supervisory Committee Member is as follows.

Name	Number of times attended	Attendance ratio
Maki Suzuki	10 times	100%
Toru Akaura	13 times	100%
Toko Shiotsuki	13 times	100%
Taro Saito	10 times	100%
Yasuko Yokosawa	3 times	100%
Yoshiki Ishikawa	3 times	100%

Notes: 1. The attendance records for Yasuko Yokosawa and Yoshiki Ishikawa state their attendance until their retirement on August 30, 2022, due to the expiration of their term of office.
2. The attendance records for Maki Suzuki and Taro Saito state their attendance after they assumed office on August 30, 2022.

Regarding specific matters deliberated by the Audit & Supervisory Committee, deliberations, reports and discussions were held on the following matters.

- Audit policy, audit plan
- Formation of opinions on the nomination and remuneration of Directors (excluding those who are Audit & Supervisory Committee Members)
- Consent regarding election proposals of Directors who are Audit & Supervisory Committee Members
- Audit of Directors' execution of duties
- Audit of the internal control system
- Evaluation results of the Board of Directors' effectiveness
- Preparation of audit reports
- Evaluation and reappointment or non-reappointment of the Financial Auditor, and consent regarding the remuneration for the Financial Auditor
- Exchange of opinions with the Internal Auditing Department and reporting of internal audit plans and internal audit results
- Status of operation etc. of compliance/whistle-blower system etc.

The Audit & Supervisory Committee checks whether the Company's internal control systems are being established and operated appropriately, receives regular reports on the comprehensive implementation status of audits from the Internal Auditing Department, and shares information at the meeting of the Audit & Supervisory Committee. Furthermore, in order to foster sufficient communication and deepen mutual awareness between Audit & Supervisory Committee Members and the Representative Director & CEO, they exchange opinions under the theme of significant auditing issues, etc.
By attending meetings of the Board of Directors, etc., each Audit & Supervisory Committee Member receives information regarding the status of business execution, and by giving their opinions regarding this, audits and monitors the legality and suitability, and ensures appropriate business execution.
In addition, the Audit & Supervisory Committee monitors and verifies whether the Financial Auditors maintain their independence and implement appropriate audits, and receives reports from the Financial Auditors regarding the performance of their duties and requests explanations when necessary. Moreover, the Audit & Supervisory Committee receives notification from the Financial Auditors regarding steps to improve the "systems for ensuring that the performance of the duties is being carried out properly" (as enumerated in each item of Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standard for Audit" (adopted by the Business Accounting Council on October 28, 2005), etc., and requests explanations when necessary.

2) Internal audits

The Company's internal audits are conducted by one head of the Internal Auditing Department and two staff members who belong to the Internal Auditing Department, and internal auditors appointed by the head of the Internal Auditing Department. The objective of internal auditing is to examine and evaluate the effectiveness of internal controls established and operated at the Company, and to point out matters that require improvement and offer advice toward making improvement in order to contribute

to achievement of the Company's management targets and stable business operations. The Internal Auditing Department makes an internal audit plan each fiscal year, implements internal auditing after receiving the approval of the Representative Director & CEO, and reports the results of the audits to the Representative Director & CEO, the Audit & Supervisory Committee and the division that was subject to auditing, while pointing out matters to be improved to said division and checking the status of improvement.
The Internal Auditing Department cooperates with the Audit & Supervisory Committee and the Financial Auditor and shares information necessary for auditing.

3) Financial audits

a. Name of audit firm
KPMG AZSA LLC

b. Period continuously audited
Nine years

c. Certified public accountants who performed the audit
Osamu Takagi
Genta Tsuru
The number of years continuously audited is omitted because it is less than seven years for all of them.

d. Composition of assistants involved in the audit:
Assistants involved in the audit of the Company consist of six certified public accountants and eight other persons.

e. Policy and reasons for selecting audit firm
The Company does not have a policy for selecting Financial Auditors, but makes its decision based on the number of audit days, personnel allocation, and verification and evaluation of the audit performance of the previous fiscal year.

f. Evaluation of the audit firm by the Audit & Supervisory Committee
The Company's Audit & Supervisory Committee evaluates the audit firm. In conducting this evaluation, the Audit & Supervisory Committee monitors and verifies whether the Financial Auditors maintain their independence and implement appropriate audits, and receives reports from the Financial Auditors regarding the performance of their duties and requests explanations when necessary. In addition, regarding the systems to ensure the proper execution of duties, the Audit & Supervisory Committee receives notifications that the "Quality Control Standard for Audit" (adopted by the Business Accounting Council on October 28, 2005), etc. is being followed, and requests explanations. Based on the above, the Audit & Supervisory Committee has evaluated the performance of duties by the audit firm in accordance with the evaluation items in the "Practical Guidelines for Corporate Auditors, etc. Regarding the Establishment of Criteria for Evaluation and Selection of Financial Auditors" (adopted by the Japan Audit & Supervisory Board Members Association on November 10, 2015), and has not found any problems.

4) Details etc. of remuneration for audits

A. Details of remuneration for auditing certified public accountants, etc.

(Millions of yen)

Category	Previous fiscal year		Fiscal year under review	
	Remuneration based on audit and attestation services	Remuneration based on services other than auditing	Remuneration based on audit and attestation services	Remuneration based on services other than auditing
Reporting company	25	–	32	–
Consolidated subsidiaries	–	–	–	–
Total	25	–	32	–

B. Remuneration for the same network (KPMG member firms) as auditing certified public accountants, etc. (excluding (A))
Previous fiscal year
Not applicable.

Fiscal year under review
Not applicable.

C. Remuneration based on other important audit and attestation services
Not applicable.

D. Policy for determining remuneration for audits

The Company’s policy for determining remuneration for audits by auditing certified public accountants, etc. is determined by taking into consideration the audit plan, audit content, and number of audit days presented by the audit firm, and after obtaining the consent of the Audit & Supervisory Committee pursuant to Article 399, paragraph (1) of the Companies Act.

E. Reasons the Audit & Supervisory Committee agreed to the remuneration, etc. for the Financial Auditor

The Company’s Audit & Supervisory Committee has, based on the “Practical Guidelines for Cooperation with Financial Auditors” published by the Japan Audit & Supervisory Board Members Association, checked and examined the details of the audit plan of the Financial Auditor, the status of the performance of duties by the Financial Auditor, and the basis for calculating remuneration estimates, and as a result, the Committee has agreed to them as provided for in Article 399, paragraph (1) of the Companies Act, because it believes that the remuneration, etc. for the Financial Auditor is appropriate and reasonable from the viewpoint of ensuring audit quality and independence of the Financial Auditor.

(4) Remuneration etc. of officers

1) Matters concerning the policy regarding the determination of the amount of remuneration, etc. for officers or the method for calculation thereof

The Company made the decision regarding the policy for deciding the details of remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) for the fiscal year under review at a meeting of the Board of Directors. Remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) for the fiscal year under review consists of basic remuneration, which is fixed monetary remuneration, and stock options with share price conditions as medium- to long-term incentive remuneration. In consideration of their roles and duties, remuneration, etc. of Directors who are Audit & Supervisory Committee Members is limited to basic remuneration, which is fixed monetary remuneration.
The individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) for the fiscal year under review was decided at an extraordinary meeting of the Board of Directors held after the Annual General Meeting of Shareholders after obtaining the prior approval of all Outside Directors in accordance with the policy for determination, and the Company judges that the details thereof are in accordance with the said policy.
Effective May 1, 2023, the Company established a Nomination and Remuneration Advisory Committee with the majority of its members and its chairperson as independent Outside Directors, thereby partially modifying said decision-making policy. In addition, at the Board of Directors meeting held in July 2023, the Company resolved to partially revise the policy for determining the remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) for the 17th term onward, to provide performance-linked bonuses as short-term incentive remuneration and to grant stock remuneration-type stock options as non-monetary individual remuneration to Directors (excluding those who are Audit & Supervisory Committee Members) subject to approval by the General Meeting of Shareholders. The policy for deciding the details of remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) from the 17th term onward was decided at a meeting of the Board of Directors based on the details of a report from the Nomination and Remuneration Advisory Committee following consultations with the said Committee.

The details of the decision policy regarding the details of individual remuneration, etc. of Directors for the fiscal year under review are as follows.

a. Policy for determining the amount or calculation method of individual remuneration, etc. of Directors regarding basic remuneration (fixed monetary remuneration)
The amount of individual basic remuneration for Directors (excluding those who are Audit & Supervisory Committee Members) shall be updated and determined each fiscal year within the limits of the total amount of remuneration resolved at the General Meeting of Shareholders, taking into consideration the responsibilities and business execution status of each Director and the Company's performance and economic conditions.
The amount of individual basic remuneration for Directors who are Audit & Supervisory Committee Members shall be determined by consultation of all Audit & Supervisory Committee Members within the limits of the total amount of remuneration resolved at the General Meeting of Shareholders.

b. Introduction and decision policy for performance-linked remuneration and non-monetary remuneration
With regard to individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members), stock options with share price conditions may be granted as medium- to long-term incentive remuneration. The ratio of these stock options to basic remuneration shall be decided and appropriate limits and conditions shall be set based on the business environment, remuneration level at other companies, etc. in order to make the stock options incentives that encourage the maximization of Directors' performance and willingness to contribute in addition to appropriate risk taking as a result of the further strengthening of the link with shareholder value.
The introduction of a performance-linked remuneration plan or a non-monetary remuneration plan as other individual remuneration, etc. of Directors shall require a resolution of the Board of Directors. When introducing such a remuneration plan, the Board of Directors shall also pass a resolution on the details of the plan, the policy for determining the amount (calculation method), and the ratio of each form of remuneration that constitutes the individual remuneration, etc.
From May 1, 2023 onward, when introducing such a remuneration plan, the Board of Directors shall decide the details of the plan, the policy for determining the amount (calculation method), and the ratio of each form of remuneration that constitutes the individual remuneration, etc. based on the details of a report from the Nomination and Remuneration Advisory Committee following consultations with the said Committee.

c. Policy for determining the timing and conditions of payment and grant of remuneration, etc. to Directors
Of the remuneration, etc. of Directors, fixed remuneration shall be paid on a monthly basis, and stock options with share price conditions shall take into consideration the timing of payment/granting, conditions, etc. based on stock options granted in the past, number of years in office, etc.
This shall not apply in cases where expenses to be paid as remuneration are separately incurred.

d. Matters concerning the decisions on remuneration, etc.
Individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) shall be determined by resolution of the Board of Directors, and shall be subject to approval by a "majority of the Directors" and "all Outside Directors."
Individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) from May 1, 2023 onward shall be decided at a meeting of the Board of Directors based on the details of a report from the Nomination and Remuneration Advisory Committee following consultations with the said Committee.

Activities of the Board of Directors in the process of determining remuneration etc. for Directors for the fiscal year under review

June 21, 2022	Considered introducing a tax-qualified stock option system for Directors (excluding those who are Audit & Supervisory Committee Members)
July 14, 2022	Resolved to revise the policy for determining remuneration, etc. for Directors, and to introduce a tax-qualified stock option system
August 30, 2022	Resolved the amount of individual remuneration, etc. for Directors (excluding those who are Audit & Supervisory Committee Members) and the issuance of stock options with share price conditions

The details of the decision policy regarding the details of individual remuneration, etc. of Directors from the 17th term onward are as follows.

a. Policy for determining the amount or calculation method of individual remuneration, etc. of Directors regarding basic remuneration (fixed monetary remuneration) and performance-linked remuneration

As individual monetary remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members), the Company shall pay basic remuneration (fixed monetary remuneration) and performance-linked bonuses as short-term incentive remuneration for improving business performance in each fiscal year.

The amount of individual basic remuneration for Directors (excluding those who are Audit & Supervisory Committee Members) shall be updated and determined each fiscal year within the limits of the total amount of remuneration resolved at the General Meeting of Shareholders, taking into consideration the responsibilities and business execution status of each Director and the Company's performance and economic conditions.

The amount of individual performance-linked bonuses for Directors (excluding those who are Audit & Supervisory Committee Members) shall be calculated within the range of 0% to 200% based on the degree of achievement against the performance targets for each fiscal year within the limit of the total amount of remuneration resolved at the General Meeting of Shareholders, and shall be updated and determined each fiscal year, taking into consideration each Director's position and responsibilities. The performance target for each fiscal year shall be based on consolidated net sales, which is the most important management indicator of the Company.

The amount of individual basic remuneration for Directors who are Audit & Supervisory Committee Members shall be determined by consultation of all Audit & Supervisory Committee Members within the limits of the total amount of remuneration resolved at the General Meeting of Shareholders.

b. Introduction and decision policy for non-monetary remuneration

With regard to individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members), stock options with share price conditions and stock remuneration-type stock options may be granted as medium- to long-term incentive remuneration. The ratio of these stock options to basic remuneration shall be decided and appropriate limits and conditions shall be set based on the business environment, remuneration level at other companies, etc. in order to make the stock options incentives that encourage the maximization of Directors' performance and willingness to contribute in addition to appropriate risk taking as a result of the further strengthening of the link with shareholder value.

The introduction of a non-monetary remuneration plan as other individual remuneration, etc. of Directors shall require a resolution of the Board of Directors. When introducing such a remuneration plan, the Board of Directors shall decide the details of the plan, the policy for determining the amount (calculation method), and the ratio of each form of remuneration that constitutes the individual remuneration, etc. based on the details of a report from the Nomination and Remuneration Advisory Committee following consultations with the said Committee.

c. Policy for determining the timing and conditions of payment and grant of remuneration, etc. to Directors

Among the remuneration, etc. for Directors, fixed remuneration shall be paid monthly, and the performance-linked bonus to be introduced as individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee members) shall be paid in a lump sum at a certain time each year. In addition, stock options with share price conditions and stock remuneration-type stock options shall take into consideration the timing of payment/granting, conditions, etc. based on stock options granted in the past, number of years in office, etc.

This shall not apply in cases where expenses to be paid as remuneration are separately incurred.

d. Matters concerning the decisions on remuneration, etc.

Individual remuneration, etc. of Directors (excluding those who are Audit & Supervisory Committee Members) shall be decided at a meeting of the Board of Directors based on the details of a report from the Nomination and Remuneration Advisory Committee following consultations with the said Committee.

In the event of issuing stock options with share price conditions and stock remuneration-type stock options for Directors (excluding those who are Audit & Supervisory Committee Members), a resolution of the General Meeting of Shareholders shall be obtained, and details of the proposal for the General Meeting of Shareholders shall be decided by the Board of Directors based on the report of the Nomination and Remuneration Advisory Committee after consultation with the Committee.

2) Total amount of remuneration, etc. for each officer category, total amount of remuneration, etc. by type, and number of officers to whom it is applicable

Officer category	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Number of applicable officers (Number of persons)
		Fixed remuneration	Performance-linked remuneration	Stock option	
Director (excluding persons who are Audit & Supervisory Committee Members and Outside Directors)	212	145	–	67	5
Outside Director (Audit & Supervisory Committee Member)	21	21	–	–	6

Notes: 1. The above table includes two Directors who are Audit & Supervisory Committee Members retired at the conclusion of the 15th Annual General Meeting of Shareholders held on August 30, 2022.
2. The stock options column shows the amount recorded as expenses in the fiscal year under review related to share acquisition rights as stock options with share price conditions for Directors (excluding those who are Audit & Supervisory Committee Members).
3. The total annual amount of remuneration paid to Directors (excluding those who are Audit & Supervisory Committee Members) shall not exceed ¥300 million, as resolved at the Extraordinary General Meeting of Shareholders held on January 30, 2019. Number of Directors (excluding those who are Audit & Supervisory Committee Members) at the conclusion of said General Meeting of Shareholders was five.
4. The total annual amount of remuneration paid to Directors who are Audit & Supervisory Committee Members shall not exceed ¥50 million, as resolved at the Extraordinary General Meeting of Shareholders held on January 30, 2019. Number of Directors who are Audit & Supervisory Committee Members at the conclusion of said General Meeting of Shareholders was four.
5. The maximum amount of remuneration for share acquisition rights as stock options with share price conditions for Directors (excluding those who are Audit & Supervisory Committee Members) was resolved at the 15th Annual General Meeting of Shareholders held on August 30, 2022, separate from the maximum amount of remuneration mentioned in 3. above, to be up to ¥250 million (the total number of these share acquisition rights issued within one year from the date of said General Meeting of Shareholders is limited to 5,000). Number of Directors (excluding those who are Audit & Supervisory Committee Members) at the conclusion of said General Meeting of Shareholders was five. The content of the share acquisition rights issued in the fiscal year under review based on the resolution of the General Meeting of Shareholders is as described in "IV. Information About Reporting Company, 1. Company's shares, etc., (2) Share acquisition rights, 1) Description of stock-option system, G. 9th Share Acquisition Rights."

3) Total amount of remuneration, etc. for each officer of the reporting company

Since no Director is paid in excess of a total of ¥100 million in remuneration etc., this information is not listed.

4) Important items from among the employee salary portion of an officer who concurrently serves as an employee

Not applicable.

5) Matters concerning incentives for Directors

As a means to incentivize the Directors apart from the remuneration system for Directors described above, the Company has introduced Performance Target-Linked Stock Acquisition Rights (Stock Options with Charge) which are offered on the condition that performance targets, which use consolidated net sales as an indicator, are achieved, for Directors (excluding those who are Audit & Supervisory Committee Members) and Executive Officers of the Company, aiming to provide an incentive to improve the Company's shareholder value and corporate value over the medium- to long-term; and Directors (excluding those who are Audit & Supervisory Committee Members) and Executive Officers acquire the stock acquisition rights based on their own investment decisions.

(5) Stock held

1) Criteria and approach to classification of investment stocks

Regarding the classification of investment stocks held for pure investment purposes and investment stocks held for purposes other than pure investment purposes, the Company classifies those investment stocks held solely for the purpose of profiting from fluctuations of stock value or dividends from stocks as investment stocks held for pure investment purposes, and classifies investment stocks other than the foregoing to be investment stocks held for purposes other than pure investment purposes.

2) Investment stocks held for purposes other than pure investment

a. Holding policy, method of verifying the rationale behind the holdings, and details of verification by the Board of Directors, etc. regarding the suitability of holding each stock

When considering the acquisition of stock, the Company verifies the rationale for holding it and whether to hold it or not based on the matters specified below.

・Whether it will lead to the enhancement of the Company's corporate value in the medium to long term, such as there being business synergy, etc.
・Whether it will have a negative impact on the Company's financial soundness
・Whether the holding ratio and acquisition amount exceed the range deemed reasonably necessary

b. Number of issues and balance sheet amount

	Number of issues (Issues)	Total carrying amount on the balance sheet (Millions of yen)
Unlisted shares	11	2,939
Shares other than unlisted shares	1	65

(Issues whose number of shares increased in the fiscal year under review)

	Number of issues (Issues)	Total acquisition price related to the increase in the number of shares (Millions of yen)	Reason for the increase in the number of shares
Unlisted shares	5	153	To strengthen business partnership
Shares other than unlisted shares	–	–	–

(Issues whose number of shares decreased in the fiscal year under review)

Not applicable.

c. Information on the number of shares for each specified investment stock and deemed holding stock, carrying amount on the balance sheet, etc.

Issue name	Fiscal year under review	Previous fiscal year	Purpose of holding, summary of business partnership, etc., quantitative effect of holding and reasons for the increase in the number of shares	Whether or not the Company owns shares
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount on the balance sheet (Millions of yen)	Carrying amount on the balance sheet (Millions of yen)		
Unipos Inc.	366,200	366,200	(Purpose of holding) To strengthen business partnership. (Summary of business partnership) Sales support such as provision of sales and marketing know-how (Quantitative effect of holding) *	None
	65	52		

* Since it is difficult to quantitatively describe the effect of holding specific investment stocks, we will describe the method of verifying the rationale behind the holdings. Each term, the Company verifies the effects of holding individual stock, and confirms that all of the stock it holds are held for purposes that are in line with the holding policy.

3) Investment stocks held for pure investment purposes

Category	Fiscal year under review		Previous fiscal year	
	Number of issues (Issues)	Total carrying amount on the balance sheet (Millions of yen)	Number of issues (Issues)	Total carrying amount on the balance sheet (Millions of yen)
Unlisted shares	–	–	–	–
Shares other than unlisted shares	–	–	1	1,109

Category	Fiscal year under review		
	Total amount of dividend income (Millions of yen)	Total gain/loss on sale (Millions of yen)	Total gain/loss on valuation (Millions of yen)
Unlisted shares	–	–	–
Shares other than unlisted shares	–	291	–

4) Investment stocks for which the purpose of holding was changed from pure investment to purposes other than pure investment during the fiscal year under review

Not applicable.

5) Investment stocks for which the purpose of holding was changed from purposes other than pure investment to pure investment during the fiscal year under review

Not applicable.

V. Accounting

1. Method of preparing consolidated financial statements and non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared in accordance with the "Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963, hereinafter referred to as "Regulation on Financial Statements").
In addition, the Company falls under the category of special company submitting financial statements, and prepares its non-consolidated financial statements in accordance with Article 127 of the Regulation on Financial Statements.

2. About audit attestation

In accordance with the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, KPMG AZSA LLC has audited the consolidated financial statements for the fiscal year (from June 1, 2022 to May 31, 2023) and the non-consolidated financial statements for the fiscal year (from June 1, 2022 to May 31, 2023).

3. Special efforts to ensure the appropriateness of consolidated financial statements, etc.

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to properly understand the details of accounting standards, etc. and establish a system that can appropriately respond to changes in accounting standards, etc., we participate in training sessions on changes in accounting standards, etc. held by audit firms and other external organizations, and hold discussions with audit firms as necessary.

1 Consolidated financial statements and other information

(1) Consolidated financial statements

1) Consolidated balance sheet

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	15,432	21,114
Accounts receivable - trade	*1 756	*1 1,180
Prepaid expenses	478	604
Other	194	341
Allowance for doubtful accounts	(3)	(32)
Total current assets	16,856	23,207
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,227	1,281
Accumulated depreciation	(582)	(717)
Buildings and structures, net	645	564
Other	339	446
Accumulated depreciation	(178)	(240)
Other, net	161	206
Total property, plant and equipment	806	770
Intangible assets		
Software	917	827
Goodwill	229	706
Other	0	0
Total intangible assets	1,147	1,533
Investments and other assets		
Investment securities	*2 6,262	*2 3,705
Leasehold deposits	793	885
Deferred tax assets	416	595
Other	10	502
Total investments and other assets	7,481	5,689
Total non-current assets	9,435	7,993
Total assets	26,292	31,200

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	253	338
Current portion of long-term borrowings	477	558
Accounts payable - other	1,081	1,929
Income taxes payable	380	206
Accrued consumption taxes	398	410
Advances received	*3 8,199	*3 10,729
Provision for bonuses	487	601
Other	229	207
Total current liabilities	11,507	14,982
Non-current liabilities		
Long-term borrowings	2,547	2,838
Other	144	188
Total non-current liabilities	2,691	3,027
Total liabilities	14,199	18,009
Net assets		
Shareholders' equity		
Share capital	6,426	6,582
Capital surplus	4,023	4,178
Retained earnings	1,384	1,695
Treasury shares	(1)	(2)
Total shareholders' equity	11,832	12,454
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	85	156
Foreign currency translation adjustment	26	49
Total accumulated other comprehensive income	112	206
Share acquisition rights	142	457
Non-controlling interests	5	72
Total net assets	12,093	13,190
Total liabilities and net assets	26,292	31,200

2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Net sales	*1 20,420	*1 25,510
Cost of sales	2,515	3,683
Gross profit	17,904	21,827
Selling, general and administrative expenses	*2 17,272	*2 21,627
Operating profit	631	199
Non-operating income		
Interest income	0	4
Dividend income	33	–
Subsidy income	1	14
Gain on sale of investment securities	979	291
Other	26	18
Total non-operating income	1,042	328
Non-operating expenses		
Interest expenses	10	13
Commission expenses	7	7
Foreign exchange losses	9	18
Loss on investments in investment partnerships	20	38
Share of loss of entities accounted for using equity method	609	287
Other	47	39
Total non-operating expenses	705	405
Ordinary profit	968	122
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Gain on sale of shares of subsidiaries and associates	–	619
Gain on change in equity	105	–
Gain on step acquisitions	–	196
Total extraordinary income	105	817
Extraordinary losses		
Loss on retirement of non-current assets	*3 16	*3 54
Loss on valuation of investment securities	*4 140	*4 980
Impairment losses	9	–
Total extraordinary losses	165	1,035
Profit (loss) before income taxes	908	(96)
Income taxes - current	353	264
Income taxes - deferred	(296)	(203)
Total income taxes	56	60
Profit (loss)	852	(156)
Loss attributable to non-controlling interests	(5)	(15)
Profit (loss) attributable to owners of parent	857	(141)

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Profit (loss)	852	(156)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,536)	70
Foreign currency translation adjustment	25	22
Total other comprehensive income	* (1,510)	* 93
Comprehensive income	(658)	(63)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(652)	(48)
Comprehensive income attributable to non-controlling interests	(5)	(15)

3) Consolidated statement of changes in equity
Fiscal year ended May 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,312	4,053	526	(0)	10,892
Changes during period					
Issuance of new shares	113	113	–	–	226
Purchase of treasury shares	–	–	–	(1)	(1)
Purchase of shares of consolidated subsidiaries	–	(143)	–	–	(143)
Profit attributable to owners of parent	–	–	857	–	857
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	113	(30)	857	(1)	939
Balance at end of period	6,426	4,023	1,384	(1)	11,832

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,622	1	1,623	65	2	12,584
Changes during period						
Issuance of new shares	–	–	–	–	–	226
Purchase of treasury shares	–	–	–	–	–	(1)
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	(143)
Profit attributable to owners of parent	–	–	–	–	–	857
Net changes in items other than shareholders' equity	(1,536)	25	(1,510)	76	3	(1,430)
Total changes during period	(1,536)	25	(1,510)	76	3	(491)
Balance at end of period	85	26	112	142	5	12,093

Fiscal year ended May 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,426	4,023	1,384	(1)	11,832
Changes during period					
Issuance of new shares	155	155	–	–	311
Purchase of treasury shares	–	–	–	(0)	(0)
Change in scope of equity method	–	–	452	–	452
Loss attributable to owners of parent	–	–	(141)	–	(141)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	155	155	310	(0)	622
Balance at end of period	6,582	4,178	1,695	(2)	12,454

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	85	26	112	142	5	12,093
Changes during period						
Issuance of new shares	–	–	–	–	–	311
Purchase of treasury shares	–	–	–	–	–	(0)
Change in scope of equity method	–	–	–	–	–	452
Loss attributable to owners of parent	–	–	–	–	–	(141)
Net changes in items other than shareholders' equity	70	22	93	314	66	474
Total changes during period	70	22	93	314	66	1,097
Balance at end of period	156	49	206	457	72	13,190

4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	908	(96)
Depreciation	768	898
Amortization of goodwill	25	39
Impairment losses	9	–
Loss (gain) on sale and retirement of non-current assets	16	54
Share-based payment expenses	72	296
Gain on reversal of share acquisition rights	(0)	(0)
Loss (gain) on sale of shares of subsidiaries and associates	–	(619)
Loss (gain) on sale of investment securities	(979)	(291)
Loss (gain) on valuation of investment securities	140	980
Loss (gain) on investments in investment partnerships	20	38
Share of loss (profit) of entities accounted for using equity method	609	287
Loss (gain) on change in equity	(105)	–
Loss (gain) on step acquisitions	–	(196)
Increase (decrease) in allowance for doubtful accounts	(1)	29
Increase (decrease) in provision for bonuses	127	113
Interest and dividend income	(34)	(4)
Interest expenses	10	13
Commission expenses	0	–
Decrease (increase) in trade receivables	(183)	(391)
Decrease (increase) in prepaid expenses	12	(101)
Decrease (increase) in other assets	(76)	(118)
Increase (decrease) in trade payables	57	71
Increase (decrease) in accounts payable - other	(90)	780
Increase (decrease) in advances received	1,479	2,423
Increase (decrease) in accrued consumption taxes	131	15
Increase (decrease) in other liabilities	237	(6)
Other, net	92	111
Subtotal	3,250	4,328
Interest and dividends received	34	4
Interest paid	(16)	(13)
Income taxes paid	(144)	(471)
Net cash provided by (used in) operating activities	3,123	3,848

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(468)	(200)
Purchase of intangible assets	(453)	(480)
Purchase of investment securities	(2,555)	(359)
Proceeds from sale of investment securities	3,224	1,406
Purchase of shares of subsidiaries and associates	(500)	–
Proceeds from sale of shares of subsidiaries and associates	–	1,601
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(61)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	*2 46
Payments for investments in capital	–	(500)
Payments of leasehold deposits	(202)	(214)
Other, net	2	64
Net cash provided by (used in) investing activities	(1,014)	1,364
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(200)	(140)
Proceeds from long-term borrowings	3,250	900
Repayments of long-term borrowings	(2,190)	(527)
Proceeds from issuance of shares	209	307
Proceeds from issuance of share acquisition rights	21	22
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(143)	–
Other, net	(37)	(39)
Net cash provided by (used in) financing activities	909	523
Effect of exchange rate change on cash and cash equivalents	3	4
Net increase (decrease) in cash and cash equivalents	3,021	5,739
Cash and cash equivalents at beginning of period	12,223	15,245
Cash and cash equivalents at end of period	*1 15,245	*1 20,985

Notes to the consolidated financial statements

Basis of preparation of consolidated financial statements

1. Disclosure of scope of consolidation

Number of consolidated subsidiaries: 6

・ Names of consolidated subsidiaries:

Sansan Global Pte. Ltd.
Sansan Corporation
Sansan Global Development Center, Inc.
logmi, Inc.
CREATIVE SURVEY INC.
One other company

Change in scope of consolidation

Included in the scope of consolidation in the fiscal year under review are Sansan Global Development Center, Inc., due to it being established, and CREATIVE SURVEY INC., which was an equity method affiliate in which additional shares were acquired.

2. Disclosure about application of equity method

Number of affiliates accounted for using equity method: 0

Change in scope of equity method

Excluded from the scope of the equity method in the fiscal year under review are CREATIVE SURVEY INC., due to additional shares being acquired and included in the scope of consolidation, SATORI, Inc., due to a portion of the shares being sold, and EventHub Co., Ltd., due to all of the shares being sold.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

The end of the fiscal year of all consolidated subsidiaries coincides with the balance sheet date of the consolidated financial statements of the Company.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

A. Securities

Other securities (available-for-sale securities)

Securities other than shares with no market price, etc.

Stated at the quoted market price. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

Shares with no market price, etc.

Stated at cost using the moving-average method

B. Inventories

Work in process

Stated at cost using the identified cost method (consolidated balance sheet amounts are determined based on the method of writing down the book value in accordance with the declining in profitability of assets)

(2) Accounting policy for depreciation of significant assets

A. Property, plant and equipment (excluding leased assets)

Facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method, and other property, plant and equipment are depreciated using the declining-balance method.

B. Intangible assets (excluding leased assets)

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over its useful life as internally determined (three years).

C. Leased assets

Leased assets related to finance lease transactions that transfer ownership

Leased assets related to finance lease transactions that transfer ownership are depreciated by the same approach as the depreciation method applied to non-current assets owned by lessee.

Leased assets related to finance lease transactions that do not transfer ownership

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method assuming the lease periods as useful lives without residual value.

(3) Accounting policy for significant deferred assets

Share issuance costs

Share issuance costs are fully recognized as expenses when incurred.

(4) Accounting policy for significant provisions

A. Allowance for doubtful accounts

To prepare for losses from bad debts, an estimated uncollectible amount is provided by using the historical rate of credit loss in the case of general receivables, or based on individual consideration of recoverability in the case of specific receivables such as highly doubtful receivables.

B. Provision for bonuses

A reserve for the employee bonus payment is provided by recording the estimated amounts of the future payments attributed to the fiscal year under review.

(5) Method and period for amortization of goodwill
Goodwill is amortized over a ten-year period using the straight-line method.

(6) Accounting policy for revenue and expense
Sansan/Bill One Business
The services to be transferred over a certain period include sales DX service Sansan and cloud-based invoice management solution Bill One, and as these main services are provided throughout the course of the contract period, revenue is recognized by apportioning the transaction price based on the contract with the client over the service provision period set forth in the contract.
In addition, for the pay as you go portion of Sansan business cards and Bill One invoice data conversion, the amount calculated in accordance with the number of subject business cards or invoices, and the unit price based on the contract is recognized as revenue.

Eight Business
The services to be transferred over a certain period include B2C business card management service for individuals Eight Premium, B2B business card management service for companies Eight Team, as well as recruitment-related services and advertisement distribution services. As these are services that are provided over the course of the contract period, the total transaction price under the contract with the client for the service provision period prescribed in the contract is apportioned and recognized as revenue.
Goods or services that are to be transferred at one time include B2B recruitment-related services, advertising services, and various business event services.
In the event of an advertisement bring created in the advertising service and provided to the client, revenue is recognized at the time the advertisement is transferred to the client. In addition, in the event business service, as goods or services are transferred to the client through the holding of an event, revenue is recognized on each occasion that an event is held.

(7) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen
Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and differences arising from the foreign exchange are recognized as gains or losses. Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, while revenues and expenses of foreign subsidiaries are translated into Japanese yen at the average exchange rate during the fiscal year under review. Differences arising from these translations are included in foreign currency translation adjustment under net assets.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows
Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash in hand, demand deposits and short-term investments with terms of redemption or maturities of three months or less from the acquisition date, readily convertible into cash and are exposed to only an insignificant risk of fluctuations in value.

Significant accounting estimates

Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Deferred tax assets (before offset)	454	658

(2) Other information to assist understanding of the content of estimates

Deferred tax assets have been calculated using estimates of the future timing at which taxable income will be generated and the amounts thereof based on business plans.

In estimating taxable income, the Company makes estimates based on certain assumptions regarding the external management environment and other external factors, as well the Group's budget and other internal factors, in particular major expense items such as net sales, personnel expenses, and advertising expenses.

(3) Effect on the consolidated financial statements for the next fiscal year

Those estimates may be affected by uncertain future changes in economic conditions, etc. If the timing at when taxable income is generated and the amounts thereof differ from the estimates, the amount of deferred tax assets recognized in the consolidated financial statements for the next fiscal year may be significantly affected.

Valuation of goodwill

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Goodwill	229	706

(2) Other information to assist understanding of the content of estimates

In the case where a test is made for indicators of impairment and indicators of impairment are identified, the Company determines whether recognition of impairment loss on goodwill is necessary or not by calculating the undiscounted future cash flows for the period corresponding to the remaining goodwill amortization period based on the business plan and comparing that with the amount corresponding to the net assets multiplied by the Company's equity ratio, and the amount if goodwill is added. If it is determined that recognition of impairment loss is necessary, the carrying amount of that goodwill is reduced to the recoverable amount and the amount of the reduction is recognized as the impairment loss. In the fiscal year under review, indicators of impairment were not identified for goodwill.

(3) Effect on the consolidated financial statements for the next fiscal year

This estimate could be affected by such unpredictable changes as the business environment in the future, and if the estimated future cash flow were to deteriorate, it may become necessary to recognize impairment loss in the consolidated financial statements in the next fiscal year.

Valuation of investment securities

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Investment securities (unlisted stocks)	4,643	2,939

These amounts include ¥1,865 million as of May 31, 2022 and ¥250 million as of May 31, 2023 as investment into SATORI, Inc., which is a major investee of the Company.

(2) Other information to assist understanding of the content of estimates

The Company determines whether or not there is any impairment of excess earning power when making a valuation of investment securities by grasping the state of investment achievement by performing an actual-result comparison on the business plan that was formulated at the time of investment and considering the external economic environment, etc. to assess the attainability of future business plans.

With regard to investment into SATORI, Inc., which is a major investee company, the Company assessed the attainability of SATORI, Inc.'s business plans by taking into consideration its external economic environment, major trends for KPI, net sales, etc. and its growth rate, and determined whether or not there was any impairment of excess earning power. A loss on valuation of ¥980 million was recorded for stocks of SATORI, Inc., for which impairment of excess earning power was recognized.

In the event that the investee's actual results, etc. falls below the plan formulated at the time of investment, excess earning power will be deemed to have been impaired, and impairment accounting may be performed.

(3) Effect on the consolidated financial statements for the next fiscal year

Concerning this estimate, in the event that the investee's actual results, etc. falls below the plan formulated at the time of investment, excess earning power will be deemed to have been impaired, impairment accounting may be performed, and recognition of loss on valuation of investment securities may be required in the consolidated financial statements for the next fiscal year.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) effective from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement, prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This application has no effect on the consolidated financial statements for the fiscal year under review.

In addition, in accordance with paragraph 27-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has not presented notes to investment trusts on items for the previous fiscal year, such as the breakdown of the fair value of financial instruments by level in the notes of "Financial Instruments."

Additional information

Treatment regarding trust-type stock options

The National Tax Agency expressed their view that at the time employees, etc. exercise trust-type stock options and acquire shares, this will be deemed to be material wages by companies in the "Taxation of Stock Options (Q&A)" on May 30, 2023. They also expressed their view that companies must pay withholding income tax for trust-type stock options that have already been exercised in the past.

In the fiscal year under review, the Company recorded the amount equivalent to the required payment for withholding income tax of ¥87 million as other under current liabilities, and recorded corresponding receivables as other under current assets.

Furthermore, the portion of the increased additional charges to employees, etc. in the Group will be compensated with cash or paid as alternative wages, and together with expenses incidental to this, the Company recorded selling, general and administrative expenses of ¥499 million.

Notes to consolidated balance sheet

*1 Balance of contract assets and liabilities generated from contracts with customers

Contract assets generated from contracts with customers are included in "accounts receivable - trade." The amount of contract assets is described in "Notes to the consolidated financial statements (Revenue recognition) (3) 1) Balance etc. of contract assets and liabilities" of the consolidated financial statements.

*2 Matters concerning affiliate companies are as follows.

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Investment securities (shares)	2,107	–

*3 Balance of contract liabilities generated from contracts with customers

Contract liabilities generated from contracts with customers are included in "advances received." The amount of contract liabilities is described in "Notes to the consolidated financial statements (Revenue recognition) (3) 1) Balance etc. of contract assets and liabilities" of the consolidated financial statements.

Notes to consolidated statement of income

*1 Revenue from contracts with customers

Net sales are not described via categorization into revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is described in "Notes to the consolidated financial statements (Revenue recognition) (1) Information on disaggregation of revenue from contracts with customers" of the consolidated financial statements.

*2 The main expense items of selling, general and administrative expenses and their amounts are as follows.

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Advertising expenses	2,969	3,306
Salaries, allowances and bonuses	5,856	7,621
Provision for bonuses	901	1,134

*3 The details of loss on retirement of non-current assets are as follows.

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Buildings and structures	4	4
Software	11	49
Others	–	0
Total	16	54

*4 Loss on valuation of investment securities

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

Of the securities held by the Company that are classified as investment securities, impairment accounting was performed for those whose real value has declined significantly.

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

Of the securities held by the Company that are classified as investment securities, impairment accounting was performed for SATORI, Inc. due to its real value having declined significantly.

Notes to consolidated statement of comprehensive income

* Reclassification adjustments relating to other comprehensive income

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Valuation difference on available-for-sale securities:		
Amount for the fiscal year under review	(1,360)	385
Gross adjustments	(866)	(291)
Before tax effect adjustments	(2,226)	94
Amount of tax effect	690	23
Valuation difference on available-for-sale securities	(1,536)	70
Foreign currency translation adjustment:		
Amount for the fiscal year under review	25	22
Foreign currency translation adjustment	25	22
Total other comprehensive income	(1,510)	93

Notes to consolidated statement of changes in equity

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

1. Class and total number of issued shares

	Number of shares at beginning of the fiscal year under review (Shares)	Increased number of shares for the fiscal year under review (Shares)	Decreased number of shares for the fiscal year under review (Shares)	Number of shares at end of the fiscal year under review (Shares)
Issued shares				
Common shares (Note 1)	31,183,645	93,779,951	–	124,963,596
Total	31,183,645	93,779,951	–	124,963,596
Treasury shares				
Common shares (Note 2)	40	696	–	736
Total	40	696	–	736

Notes: 1. The increase in common shares was due to the exercise of share acquisition rights (133,964 shares) and the 4-for-1 stock split conducted on December 1, 2021 (93,645,987 shares).

2. The increase in treasury shares of common shares was due to the buyback of shares less than one unit (192 shares) and the 4-for-1 stock split conducted on December 1, 2021 (504 shares).

2. Matters concerning share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be acquired upon exercise of the share acquisition rights	Number of shares to be acquired upon exercise of the share acquisition rights (Shares)				Balance at end of period (Millions of yen)
			Beginning of period of the fiscal year under review	Increase for the fiscal year under review	Decrease for the fiscal year under review	End of period of the fiscal year under review	
Reporting company	2nd share acquisition rights as stock options	–	–	–	–	–	1
	4th share acquisition rights as stock options	–	–	–	–	–	7
	5th share acquisition rights as stock options	–	–	–	–	–	49
	6th share acquisition rights as stock options	–	–	–	–	–	83
Total		–	–	–	–	–	142

Note: The first day of the exercise period for the 6th share acquisition rights as stock options is yet to arrive.

3. Dividends
   Not applicable.

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

1. Class and total number of issued shares

	Number of shares at beginning of the fiscal year under review (Shares)	Increased number of shares for the fiscal year under review (Shares)	Decreased number of shares for the fiscal year under review (Shares)	Number of shares at end of the fiscal year under review (Shares)
Issued shares				
Common shares (Note 1)	124,963,596	446,988	–	125,410,584
Total	124,963,596	446,988	–	125,410,584
Treasury shares				
Common shares (Note 2)	736	135	–	871
Total	736	135	–	871

Notes: 1. The increase in common shares was due to the exercise of share acquisition rights.
2. The increase in the number of treasury shares of common shares was due to the buyback of shares of less than one unit.

2. Matters concerning share acquisition rights

Category	Breakdown of share acquisition rights	Class of shares to be acquired upon exercise of the share acquisition rights	Number of shares to be acquired upon exercise of the share acquisition rights (Shares)				Balance at end of period (Millions of yen)
			Beginning of period of the fiscal year under review	Increase for the fiscal year under review	Decrease for the fiscal year under review	End of period of the fiscal year under review	
Reporting company	4th share acquisition rights as stock options	–	–	–	–	–	6
	5th share acquisition rights as stock options	–	–	–	–	–	48
	6th share acquisition rights as stock options	–	–	–	–	–	103
	7th share acquisition rights as stock options	–	–	–	–	–	128
	8th share acquisition rights as stock options	–	–	–	–	–	102
	9th share acquisition rights as stock options	–	–	–	–	–	67
Total		–	–	–	–	–	457

Note: The first day of the exercise period for the 7th, 8th and 9th share acquisition rights as stock options are yet to arrive.

3. Dividends
   Not applicable.

Notes to consolidated statement of cash flows

*1 Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheet

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Cash and deposits	15,432	21,114
Time deposits with maturity over three months	(187)	(129)
Cash and cash equivalents	15,245	20,985

*2 Major components of assets and liabilities of consolidated subsidiaries acquired by purchase of shares

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

Not applicable.

Fiscal year ended May 31, 2023

The breakdown of assets and liabilities of CREATIVE SURVEY INC., which was newly consolidated due to the acquisition of shares, at the start of its consolidation, and the relationship between the acquisition cost of the company's shares and the revenue due to the acquisition of the shares (net amount) is as follows.

	(Millions of yen)
Current assets	499
Non-current assets	0
Goodwill	516
Current liabilities	(278)
Non-controlling interests	(81)
Subtotal	656
Equity method evaluation amount until acquisition of control	(59)
Gain on step acquisitions	(196)
Acquisition amount	400
Cash and cash equivalents	(446)
Net: Revenue from acquisition	46

Lease transactions

The information is omitted as it is immaterial.

Financial instruments

1. Matters relating to financial instruments
   (1) Policies for financial instruments
   The policy of the Group is to limit its investment of funds to short-term deposits, mainly those with no risk on loss of principal, and the Group does not make speculative transactions, including derivative transactions. Financing requirements shall be met by using the Company's own capital or borrowing funds from financial institutions.

   (2) Details of financial instruments and their risks
   Accounts receivable - trade, which refers to the amount owed to us through trade, are exposed to the credit risk of customers.
   Investment securities are shares of companies with which we have business relationships that are held as other securities and are exposed to the credit risk of the issuer.
   Leasehold deposits are mainly leasehold deposits for the head office and exposed to the credit risk of lessors.
   Accounts payable - trade and accounts payable - other classified as operating payables are all due within one year.
   Long-term borrowings are mainly taken out to fund working capital requirements and the longest maturity from the date of the balance sheet is four years and nine months.

   (3) System for managing risks associated with financial instruments
   1) Credit risk management (risks associated with non-performance of contract by counterparties)
   For accounts receivable-trade, which refers to the amount owed to us through trade, the Group will ensure that the Finance and Accounting Division will maintain regular contact with the business units regarding outstanding balances and status of payments for each customer, and make every effort to quickly identify and reduce collection concerns arising from the deterioration of our customers' financial status.
   For investment securities, financial conditions of issuers are assessed on a regular basis.
   For leasehold deposits, the responsible department monitors statuses as necessary to seek for an early identification of collectability concern in order to mitigate risk of non-performance caused by deteriorated financial condition of counterparties and other factors.
   2) Management of liquidity risks associated with fund procurement (risks associated with non-repayment on due date)
   The administrative division manages liquidity risk by preparing and renewing cash management plans in a timely manner while maintaining liquidity in hand.

   (4) Supplemental information on fair values of financial instruments
   Because the calculation of the fair value of financial instruments incorporates variable factors, the values may vary in case where different assumptions, etc. are used.

2. Matters relating to fair value of financial instruments
   The table below shows the amounts of financial instruments recorded in the consolidated balance sheet, their fair values and the differences between them. It should be noted that shares with no market price, etc., are not included in the table below. (Refer to (Note 1))

As of May 31, 2022

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Investment securities	1,161	1,161	–
Leasehold deposits	793	789	(3)
Total assets	1,954	1,951	(3)
Long-term borrowings (*2)	3,024	3,024	0
Total liabilities	3,024	3,024	0

(*1) "Cash and deposits," "accounts receivable - trade," "accounts payable - trade," and "accounts payable - other" have been omitted because they are cash and have a market value that is close to the book value due to being settled in a short period of time.
(*2) The current portion of long-term borrowings are included.

As of May 31, 2023

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Investment securities	65	65	–
Leasehold deposits	885	880	(4)
Total assets	950	946	(4)
Long-term borrowings (*2)	3,397	3,391	(5)
Total liabilities	3,397	3,391	(5)

(*1) “Cash and deposits,” “accounts receivable - trade,” “accounts payable - trade,” and “accounts payable - other” have been omitted because they are cash and have a market value that is close to the book value due to being settled in a short period of time.
(*2) The current portion of long-term borrowings are included.

Notes: 1. Shares with no market price, etc.

(Millions of yen)

Category	As of May 31, 2022	As of May 31, 2023
Investment securities		
Other securities (unlisted shares)	2,535	2,939
Investments in investment limited partnerships	457	690
Shares of subsidiaries and associates (unlisted shares)	2,107	–
J-KISS share acquisition rights	–	10

These are shares, etc. that do not have a market value, so are not subject to fair value disclosure.

2. Redemption schedule of receivables after the consolidated balance sheet date

As of May 31, 2022

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Over 10 years
Cash and deposits	15,432	–	–	–
Accounts receivable - trade	756	–	–	–
Leasehold deposits	271	515	5	–
Total	16,460	515	5	–

As of May 31, 2023

(Millions of yen)

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Over 10 years
Cash and deposits	21,114	–	–	–
Accounts receivable - trade	1,180	–	–	–
Leasehold deposits	175	676	33	–
Total	22,469	676	33	–

3. Repayment schedule of long-term borrowings after the consolidated balance sheet date

As of May 31, 2022

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	Over 5 years
Long-term borrowings	477	458	424	409	1,254	–
Total	477	458	424	409	1,254	–

As of May 31, 2023

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	Over 5 years
Long-term borrowings	558	525	510	1,354	448	–
Total	558	525	510	1,354	448	–

3. Matters relating to the breakdown, etc. of the market value of financial instruments for each level

The market value of financial instruments is categorized into the following three levels, in accordance with the observability and importance of the inputs relating to the calculation of market value.

Level 1 market price: Of the inputs relating to the calculation of observable market price, the market price calculated in accordance with the market price of the asset or liability established in an active market that is subject to the calculation of market value

Level 2 market price: Of the inputs relating to the calculation of observable market value, the market value calculated through the use of inputs relating to the calculation of market value other than the inputs of level 1

Level 3 market price: The market price calculated through the use of inputs relating to the calculation of non-observable market value

In the event of a plurality of inputs that have an important impact on the calculation of market price being used, of the respective levels to which these inputs belong, the market price is categorized to the lowest priority level in the calculation of market value.

(1) Financial instruments recorded at market value in the consolidated balance sheet

As of May 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Other securities (available-for-sale securities) Shares:	1,161	–	–	1,161
Total assets	1,161	–	–	1,161

As of May 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Other securities (available-for-sale securities) Shares:	65	–	–	65
Total assets	65	–	–	65

(2) Financial instruments other than those recorded at market value in the consolidated balance sheet

As of May 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	–	789	–	789
Total assets	–	789	–	789
Long-term borrowings	–	3,024	–	3,024
Total liabilities	–	3,024	–	3,024

As of May 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	–	880	–	880
Total assets	–	880	–	880
Long-term borrowings	–	3,391	–	3,391
Total liabilities	–	3,391	–	3,391

Note: Explanation of appraisal method used to calculate market value and the inputs relating to the calculation of market value

Investment securities

Listed shares are valued through the use of market prices, and as they are traded in active markets, their market value is classified as level 1 market value.

Leasehold deposits

The market value of leasehold deposits is calculated based on the present value of future cash flows discounted by the period through to the due date and the yield of high security long term bonds, and is categorized as level 2 market value.

Long-term borrowings

These market values are calculated by the discounted current value method based on the total amount of principal and interest, as well as the remaining period of the debt and an interest rate that considers credit risk, and are categorized as level 2 market values.

Securities

1. Other securities (available-for-sale securities)

As of May 31, 2022

(Millions of yen)

	Class	Consolidated balance sheet Recorded amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares:	52	48	3
	(2) Debentures			
	1) Government and local government bonds, etc.	–	–	–
	2) Bonds payable	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	52	48	3
Items whose carrying amount does not exceed acquisition cost	(1) Shares	1,109	1,114	(5)
	(2) Debentures			
	1) Government and local government bonds, etc.	–	–	–
	2) Bonds payable	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	1,109	1,114	(5)
Total		1,161	1,163	(1)

Notes: 1. "Acquisition cost" in the above table represents the carrying amount after impairment.
2. Unlisted shares (consolidated balance sheet amount: ¥2,535 million), investments in investment limited partnerships (consolidated balance sheet amount: ¥457 million), and shares of subsidiaries and associates (consolidated balance sheet amount: ¥2,107 million) are not described as they do not have market prices.

As of May 31, 2023

(Millions of yen)

	Class	Consolidated balance sheet Recorded amount	Acquisition cost	Difference
Items whose carrying amount exceeds acquisition cost	(1) Shares:	65	48	16
	(2) Debentures			
	1) Government and local government bonds, etc.	–	–	–
	2) Bonds payable	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	65	48	16
Items whose carrying amount does not exceed acquisition cost	(1) Shares	–	–	–
	(2) Debentures			
	1) Government and local government bonds, etc.	–	–	–
	2) Bonds payable	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Total		65	48	16

Notes: 1. "Acquisition cost" in the above table represents the carrying amount after impairment.
2. Unlisted shares (consolidated balance sheet amount: ¥2,939 million), investments in investment limited partnerships (consolidated balance sheet amount: ¥690 million), and J-KISS share acquisition rights (consolidated balance sheet amount: ¥10 million) are not described as they do not have market prices.

2. Available-for-sale securities sold during the fiscal year under review

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

(Millions of yen)

Class	Sale proceeds	Total gain on sale	Total loss on sale
Shares	3,224	979	–
Total	3,224	979	–

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Millions of yen)

Class	Sale proceeds	Total gain on sale	Total loss on sale
Shares	1,406	291	–
Total	1,406	291	–

3. Securities for which impairment accounting was performed
In the previous fiscal year, impairment accounting of ¥140 million was performed for other securities (available-for-sale securities) held in one listed company and one unlisted company.
In the fiscal year under review, impairment accounting of ¥980 million was performed for other securities (available-for-sale securities) held in one unlisted company (SATORI, Inc.).
For listed stocks other than shares with no market price, etc., impairment accounting is performed for the entire amount if the market value at the end of period has declined by 50% or more compared to the acquisition cost; in the event of a decline of 30% to 50%, impairment accounting is performed for the amount deemed necessary in consideration of recoverability and other factors. Moreover, for unlisted stocks of shares with no market price, etc., if the real value at the end of period has declined by 50% or more compared to the acquisition cost, impairment accounting is performed for the amount deemed necessary in consideration of recoverability and other factors.

Stock options, etc.

1. Recorded amount and account name of expenses related to stock options

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Share-based payment expenses (selling, general and administrative expenses)	72	296

2. Amount recorded as a gain due to expiration due to non-exercise of rights

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Gain on reversal of share acquisition rights	0	0

3. Details, scale and other variables of stock options

(1) Details of stock options

	2018 stock option (2nd Share Acquisition Rights)	2019 stock option (3rd Share Acquisition Rights)	2019 stock option (4th Share Acquisition Rights)
Category and number of recipients	Directors of the Company: 1	Employees of the Company: 399	Trustee Takanori Kushida (Note 5)
Number of options by class of stocks (Notes 1, 2, 3)	Common shares of the Company: 180,000 shares	Common shares of the Company: 1,322,100 shares	Common shares of the Company: 2,138,444 shares
Date of grant	June 16, 2018	January 31, 2019	January 31, 2019
Vesting conditions	(Note 4)	(Note 4)	(Note 4)
Relevant employment period	From June 16, 2018 to May 31, 2020	From January 31, 2019 to January 31, 2021	Not defined
Exercise period	From June 1, 2020 to June 1, 2028	From February 1, 2021 to January 8, 2029	From September 1, 2020 to January 30, 2029

	2020 stock option (5th Share Acquisition Rights)	2021 stock option (6th Share Acquisition Rights)	2022 stock option (7th Share Acquisition Rights)
Category and number of recipients	Directors of the Company: 6 Executive Officers of the Company: 12	Directors of the Company: 6 Executive Officers of the Company: 13	Employees of the Company: 138 Employee of the Company's subsidiary: 1
Number of options by class of stocks (Notes 1, 2, 3)	Common shares of the Company: 122,400 shares	Common shares of the Company: 80,000 shares	Common shares of the Company: 655,900 shares
Date of grant	August 26, 2020	August 24, 2021	July 29, 2022
Vesting conditions	(Note 4)	(Note 4)	(Note 4)
Relevant employment period	Not defined	Not defined	Not defined
Exercise period	From September 1, 2021 to August 25, 2030	From September 1, 2022 to August 23, 2031	From July 15, 2024 to July 14, 2032

	2022 stock option (8th Share Acquisition Rights)	2022 stock option (9th Share Acquisition Rights)
Category and number of recipients	Directors of the Company: 5 Executive Officers of the Company: 15	Directors of the Company: 5
Number of options by class of stocks (Notes 1, 2, 3)	Common shares of the Company: 181,300 shares	Common shares of the Company: 325,000 shares
Date of grant	September 2, 2022	September 14, 2022
Vesting conditions	(Note 4)	(Note 4)
Relevant employment period	Not defined	Not defined
Exercise period	From September 1, 2023 to September 1, 2032	From August 31, 2024 to August 30, 2032

Notes: 1. Converted to the number of shares.
2. Converted to the number of shares after the June 15, 2018 stock split (10,000-for-1 stock split).
3. Converted to the number of shares after the December 1, 2021 stock split (4-for-1 stock split).
4. As described in "IV. Information About Reporting Company, (2) Share acquisition rights."
5. The share acquisition rights were allotted to a trust with Takanori Kushida as the trustee, and will be issued to the officers and employees of the Group designated as beneficiaries.

(2) Scale and other variables of stock options

Stock options that existed in the fiscal year under review (fiscal year ended May 31, 2023) are included, and the number of stock options has been converted to the number of shares.

1) Number of stock options

	2018 stock option (2nd Share Acquisition Rights)	2019 stock option (3rd Share Acquisition Rights)	2019 stock option (4th Share Acquisition Rights)	2020 stock option (5th Share Acquisition Rights)	2021 stock option (6th Share Acquisition Rights)
Before vesting (Shares)					
As of May 31, 2022	–	–	–	–	80,000
Granted	–	–	–	–	–
Expired	–	–	–	–	–
Vested	–	–	–	–	80,000
Unvested balance	–	–	–	–	–
After vesting (Shares)					
As of May 31, 2022	180,000	848,348	1,874,048	91,600	–
Vested	–	–	–	–	80,000
Exercised	180,000	117,472	146,316	3,200	–
Expired	–	55,208	115,408	–	–
Unexercised balance	–	675,668	1,612,324	88,400	80,000

	2022 stock option (7th Share Acquisition Rights)	2022 stock option (8th Share Acquisition Rights)	2022 stock option (9th Share Acquisition Rights)
Before vesting (Shares)			
As of May 31, 2022	–	–	–
Granted	655,900	181,300	325,000
Expired	11,400	–	–
Vested	–	–	–
Unvested balance	644,500	181,300	325,000
After vesting (Shares)			
As of May 31, 2022	–	–	–
Vested	–	–	–
Exercised	–	–	–
Expired	–	–	–
Unexercised balance	–	–	–

Notes: 1. Converted to the number of shares after the June 15, 2018 stock split (10,000-for-1 stock split).

2. Converted to the number of shares after the December 1, 2021 stock split (4-for-1 stock split).

2) Price information

		2018 stock option (2nd Share Acquisition Rights)	2019 stock option (3rd Share Acquisition Rights)	2019 stock option (4th Share Acquisition Rights)	2020 stock option (5th Share Acquisition Rights)	2021 stock option (6th Share Acquisition Rights)
Exercised value (Note)	(Yen)	440	850	850	1,338	2,093
Average price at time of exercise	(Yen)	1,650	1,574	1,574	1,542	–
Fair evaluation price on date of grant	(Yen)	–	–	–	179	273

		2022 stock option (7th Share Acquisition Rights)	2022 stock option (8th Share Acquisition Rights)	2022 stock option (9th Share Acquisition Rights)
Exercised value (Note)	(Yen)	1,021	1,021	1,269
Average price at time of exercise	(Yen)	–	–	–
Fair evaluation price on date of grant	(Yen)	816	125	802

Notes: 1. Converted to the value after the June 15, 2018 stock split (10,000-for-1 stock split).
2. Converted to the value after the December 1, 2021 stock split (4-for-1 stock split).

4. Estimation method of fair evaluation price of stock options

(1) 7th Share Acquisition Rights

1) Evaluation method used Black-Scholes model

2) Main base figures and their estimation methods

Share price volatility (Note 1)	63.51%
Forecast remaining period (Note 2)	5.96 years
Forecast dividends (Note 3)	¥0 per share
Risk-free interest rate (Note 4)	0.02%

Notes: 1. Calculated based on the actual share price for the period corresponding to the forecast remaining period.
2. The period from the allotment date to the expiration date of the exercise period.
3. Based on the actual dividend forecast for the most recent fiscal year.
4. The yield on government bonds corresponding to the forecast remaining period.

(2) 8th Share Acquisition Rights

1) Evaluation method used Black-Scholes model

2) Main base figures and their estimation methods

Share price volatility (Note 1)	63.15%
Forecast remaining period (Note 2)	5.5 years
Forecast dividends (Note 3)	¥0 per share
Risk-free interest rate (Note 4)	0.058%

Notes: 1. Calculated based on the actual share price for the period corresponding to the forecast remaining period.
2. The period from the allotment date to the expiration date of the exercise period.
3. Based on the actual dividend forecast for the most recent fiscal year.
4. The yield on government bonds corresponding to the forecast remaining period.

(3) 9th Share Acquisition Rights

1) Evaluation method used Black-Scholes model

2) Main base figures and their estimation methods

Share price volatility (Note 1)	62.85%
Forecast remaining period (Note 2)	5.98 years
Forecast dividends (Note 3)	¥0 per share
Risk-free interest rate (Note 4)	0.091%

Notes: 1. Calculated based on the actual share price for the period corresponding to the forecast remaining period.
2. The period from the allotment date to the expiration date of the exercise period.
3. Based on the actual dividend forecast for the most recent fiscal year.
4. The yield on government bonds corresponding to the forecast remaining period.

5. Number of vested stock options and their estimation method
Because it is difficult to reasonably estimate the number of options that will expire in the future, a method that reflects only the actual number expired has been adopted.

6. The total intrinsic value at the end of the fiscal year under review and the total intrinsic value on the exercise date for stock options exercised during the fiscal year under review when calculated based on the intrinsic value per unit of the stock option

Total intrinsic value at the end of the fiscal year under review	¥2,338 million
Total intrinsic value on the exercise date for stock options exercised during the fiscal year under review	¥452 million

Tax effect accounting

1. Major components of deferred tax assets and liabilities

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Deferred tax assets		
Tax loss carryforward (Note)	1,237	1,135
Excess depreciation	653	713
Loss on valuation of investment securities	43	343
Provision for bonuses	148	182
Accrued enterprise tax	50	29
Others	325	500
Subtotal deferred tax assets	2,457	2,905
Valuation allowance for tax loss carryforward (Note)	(1,173)	(1,058)
Valuation allowance for total deductible temporary differences	(829)	(1,188)
Subtotal valuation allowance	(2,002)	(2,247)
Total deferred tax assets	454	658
Deferred tax liabilities		
Valuation difference on available-for-sale investment securities	38	62
Total deferred tax liabilities	38	62
Net deferred tax assets	416	595
Net deferred tax liabilities	–	–

Note: Amount of tax loss carryforwards and their deferred tax assets by carryforward date

As of May 31, 2022

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	Over 5 years	Total amount
Tax loss carryforward (*1)	–	–	75	148	798	214	1,237
Valuation allowance	–	–	(11)	(148)	(798)	(214)	(1,173)
Deferred tax assets	–	–	64	–	–	–	(*2) 64

(*) 1. Tax loss carryforwards are multiplied by the statutory effective tax rate.
2. The amount recorded based on the future taxable income after careful consideration of recoverability.

As of May 31, 2023

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	Over 5 years	Total amount
Tax loss carryforward (*1)	–	4	0	0	737	391	1,135
Valuation allowance	–	4	0	0	(661)	(391)	(1,058)
Deferred tax assets	–	–	–	–	76	–	(*2) 76

(*) 1. Tax loss carryforwards are multiplied by the statutory effective tax rate.
2. The amount recorded based on the future taxable income after careful consideration of recoverability.

Changes in presentation

"Loss on valuation of investment securities," which was included in "Others" under "Deferred tax assets" in the previous fiscal year, has been presented separately from the fiscal year under review due to its increased financial materiality. To reflect this change in the method of presentation, the information noted for the previous fiscal year has been reclassified. As a result, ¥368 million presented in "Others" under "Deferred tax assets" in the previous fiscal year has been reclassified and noted as "Loss on valuation of investment securities" of ¥43 million and "Others" of ¥325 million.

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of tax effect accounting

	As of May 31, 2022	As of May 31, 2023
Statutory effective tax rate	30.6%	–%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	1.8	–
Income not taxable permanently, such as dividend income	(0.1)	–
Inhabitant per capita taxes	1.6	–
Tax credits, etc.	(7.4)	–
Change in valuation allowance	(36.6)	–
Previous year's taxes	(2.4)	–
Equity in losses (earnings) of affiliates	20.6	–
Gain on change in equity	(3.6)	–
Amortization of goodwill	0.9	–
Others	0.8	–
Effective rate of income taxes after application of tax effect accounting	6.2	–

(Note) Some information has been omitted because a loss before income taxes was recorded in the fiscal year under review.

Business combinations, etc.

Addition of consolidated subsidiary at equity method affiliate through acquisition of shares

The Company resolved at the Board of Directors Meeting held on February 14, 2023 to undertake a third-party allotment of shares of CREATIVE SURVEY INC., which is an equity method affiliate of the Company. The payment was completed on March 1, 2023, and the said company became a consolidated subsidiary on the same date.

1. Outline of business combination

(1) Name of the acquired company and details of the acquired business

Name: CREATIVE SURVEY INC.

Description of business: Planning, development, operation and sale of online survey and communication platform "CREATIVE SURVEY"

(2) Main reason of the business combination

CREATIVE SURVEY INC. provides its online survey and research tool CREATIVE SURVEY mainly to enterprises. By making the said company a consolidated subsidiary, the Company aims to further promote the business of the said company, which is growing steadily, and enhance the corporate value of the said company and the Group.

(3) Date of the business combination

March 1, 2023 (date of acquisition of shares)

(4) Legal form of the business combination

Acquisition of shares through a third-party allotment

(5) Name of entity after the business combination

Unchanged.

(6) Percentage of voting rights acquired

Percentage of voting rights held just before the acquisition of shares	40.00%
Percentage of additional voting rights acquired by the acquisition of shares	23.08%
Percentage of voting rights after the acquisition	63.08%

(7) Main basis for determining acquiring company

The Company acquired the shares in consideration for cash.

2. Period for which the results of the acquired company are included in the consolidated financial statements

From March 1, 2023 to May 31, 2023

3. Acquisition cost of acquiree and components thereof by consideration type

	(Millions of yen)
Fair value of equity interest held on the date immediately preceding business combination on the date of business combination	256
Consideration for additionally acquired common shares on the date of business combination	400
Acquisition cost	656

4. Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition

Gain on step acquisitions ¥196 million

5. Details and amounts of main acquisition-related costs

Due diligence expenses, etc. ¥3 million

6. Amount of goodwill, reason for recognition, amortization method and amortization period

(1) Amount of goodwill ¥516 million

(2) Reason for recognition The difference between the acquiring company's equity interest in the acquired company and the acquisition cost is recognized.

(3) Method and period for amortization Straight-line method over ten years

7. Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Please refer to the notes regarding the consolidated statement of cash flows.

8. Estimated amount and calculation method of the impact on the consolidated statement of income for the fiscal year under review assuming that the business combination was completed on the first day of the fiscal year under review

Net sales	¥266 million
Operating loss	¥(272) million
Ordinary loss	¥(228) million
Loss before income taxes	¥(228) million
Loss attributable to owners of parent	¥(140) million
Basic loss per share	¥(1.12)

Calculation method of estimated amount

The estimated amount of the impact is the difference between the net sales and profit and loss information calculated assuming that the business combination was completed at the beginning of the fiscal year, and the net sales and profit and loss information in the acquiring company's consolidated statement of income. In addition, for amortization of goodwill, the estimated amount of the impact is the amount calculated on the assumption that goodwill recognized at the time of the business combination arose at the beginning of the fiscal year under review.

This note has not been received audit certification.

Asset retirement obligations

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

Regarding leasehold deposits related to real estate lease agreements, asset retirement obligations are not recorded as liabilities because the amount that is deemed as ultimately being unrecoverable (costs for restoring the leased building to its original state) is reasonably estimated and the amount that is to be borne in the fiscal year under review is recorded as an expense.

The amount that is to be borne for the fiscal year under review is calculated based on the expected occupancy period.

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

Regarding leasehold deposits related to real estate lease agreements, asset retirement obligations are not recorded as liabilities because the amount that is deemed as ultimately being unrecoverable (costs for restoring the leased building to its original state) is reasonably estimated and the amount that is to be borne in the fiscal year under review is recorded as an expense.

The amount that is to be borne for the fiscal year under review is calculated based on the expected occupancy period.

Revenue recognition

(1) Information on disaggregation of revenue from contracts with customers

The Group's net sales are revenue from contracts with customers, and the disaggregated breakdown by transaction type for the Group's reportable segments is as follows.

(Millions of yen)

Segment classification	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Sansan/Bill One Business		
Sansan (Stock)	16,349	18,687
Sansan (Other)	865	1,104
Bill One	826	2,412
Others	63	306
Eight Business		
B2C Services	286	303
B2B Services	1,918	2,561
Other Business	111	134
Revenue from contracts with customers	20,420	25,510
Sales to external customers	20,420	25,510

Note: The "Other Business" is a business segment that is not included in the reportable segments, and includes subsidiaries' businesses.

(2) Information serving as basis for the ascertaining of revenue from contracts with customers

The information serving as basis for the ascertaining of revenue is as stated in "Basis of preparation of consolidated financial statements 4. Disclosure of accounting policies (6) Accounting policy for revenue and expense."

(3) Information on the relationship between the satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers existing at the end of the fiscal year under review in the next fiscal year onwards

1) Balance, etc., of contract assets and contract liabilities

Contract assets are receivables based on contracts with customers in each service.

Advances received, which are a type of contract liability, are advances received through the lump sum payment of fees for the term of a contract by the customer, and are transferred to sales at the time of the provision of the service or over the course of the period that the service is provided.

The balances of receivables from contracts with customers, and contract liabilities were as follows:

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Credits from contracts with customers		
Accounts receivable - trade (opening balance)	571	756
Accounts receivable - trade (closing balance)	756	1,180
Contract liabilities		
Advances received (opening balance)	6,719	8,191
Advances received (closed balance)	8,191	10,720
Among the revenue recognized during the fiscal year under review, the amount that was included in the closing balance of contract liabilities (advances received)	6,692	8,089

2) Transaction price allocated to the remaining performance obligations

Total transaction price allocated to the remaining performance obligations and time when revenues are expected to be recognized as of May 31, 2023.

For notes on transaction prices allocated to the remaining performance obligations, the Group has applied a practical expedient, and contracts with the original expected contract period of one year or less are not included in the scope of the notes.

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Within 1 year	62	116
Over 1 year	102	120
Total	164	236

Segment information, etc.

Segment information

1. Description of reportable segments

The reportable segments used by the Group are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors, in particular, to make decisions about resources to be allocated to the segments and assess their performance.

In the operation of its business activities, the Group has established business divisions and companies to engage in specific services, and it formulates comprehensive strategies for the services that each business division and company provides.

Accordingly, the Group's operations are made up of segments engaged in specific services under the basic operating structures of business divisions or companies, and it has two reportable segments of the "Sansan/Bill One Business" and the "Eight Business."

Descriptions of the services belonging to each segment are stated below.

Reportable segments	Description of services in segment
Sansan/Bill One Business	Provision of Sansan, a service for sales DX, Bill One, a cloud-based invoice management solution, etc.
Eight Business	Provision of Eight, as well as the event transcription service logmi series

2. Methods of calculating the amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting method used for operating segments reported is the same as the description in "Matters forming the basis of preparing the consolidated financial statements."

3. Information on the amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

(Millions of yen)

	Reportable segments			Others (Note 1)	Total
	Sansan/Bill One Business	Eight Business	Total		
Net sales					
Sales to external customers	18,104	2,204	20,309	111	20,420
Intersegment sales or transfers	1	9	10	15	25
Total	18,105	2,213	20,319	126	20,446
Segment profit (loss) (Note 2)	5,752	(355)	5,397	(22)	5,374
Other items					
Depreciation	507	18	525	0	525

Notes: 1. The "Others" category is a business segment that is not included in the reportable segments, and includes subsidiaries' businesses.

2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

	Sansan/Bill One Business	Eight Business	Others	Adjustments (Note)	Amount recorded in consolidated statement of income
Segment profit (loss)	5,752	(355)	(22)	(4,643)	730
Share-based payment expenses	27	10	–	34	72
Amortization of goodwill and amortization of intangible assets	–	20	5	–	25
Operating profit (loss)	5,725	(386)	(28)	(4,678)	631

Note: The adjustments stated are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses. Depreciation included in adjustments as corporate expenses is ¥242 million.

3. Segment assets and liabilities have not been shown, as information relating to assets and liabilities are not regularly provided to the chief operating decision maker and are not subject to the assessment of performance.
4. Intersegment sales or transfers are based on actual market price.

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Millions of yen)

	Reportable segments			Others (Note 1)	Total
	Sansan/Bill One Business	Eight Business	Total		
Net sales					
Sales to external customers	22,512	2,864	25,376	134	25,510
Intersegment sales or transfers	4	2	7	64	72
Total	22,516	2,867	25,384	198	25,582
Segment profit (loss) (Note 2)	7,005	(170)	6,835	(36)	6,798
Other items					
Depreciation	523	15	538	0	538

Notes: 1. The "Others" category is a business segment that is not included in the reportable segments, and includes subsidiaries' businesses.
2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

	Sansan/Bill One Business	Eight Business	Others	Adjustments (Note 1)	Amount recorded in consolidated statement of income
Segment profit (loss)	7,005	(170)	(36)	(5,856)	942
Share-based payment expenses (Note 2)	315	136	–	251	702
Amortization of goodwill and amortization of intangible assets	12	20	7	–	39
Operating profit (loss)	6,677	(326)	(43)	(6,107)	199

Notes: 1. The adjustments stated are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses. Depreciation included in adjustments as corporate expenses is ¥359 million.
2. Expenses related to the monetary compensation and payment of alternative wages, etc. to employees, etc. of the Group pertaining to trust-based stock options are included in share-based payment expenses.
3. Segment assets and liabilities have not been shown, as information relating to assets and liabilities are not regularly provided to the chief operating decision maker and are not subject to the assessment of performance.
4. Intersegment sales or transfers are based on actual market price.

4. Matters regarding changes in reportable segments

(Change in the method of measurement of profit (loss) of reportable segments)

Previously, segment profit (loss) was shown as operating profit (loss). However, from the first quarter of the fiscal year under review, this was changed so that segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting share-based payment expenses, which may vary significantly depending on the level of the Company's share price, and expenses that arise from business combinations.

Segment profit (loss) for the previous fiscal year is also shown with the adjusted operating profit (loss) after the change.

Information associated with reportable segments

1. Information for each product or service

   This information is omitted because the same information has been presented in Segment information.

2. Information for each region

   (1) Net sales

   This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

   (2) Property, plant and equipment

   This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information for each of main customers

   This has been omitted because there is no external customer that accounts for 10% or more of net sales recorded on the consolidated statement of income.

Disclosure of impairment losses on non-current assets for each reportable segment

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

Impairment losses of ¥9 million for corporate expenses not belonging to any reportable segment were recorded.

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

Not applicable.

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

(Millions of yen)

	Sansan/Bill One Business	Eight Business	Corporate and eliminations	Total
Amortization of goodwill	–	20	5	25
Goodwill	–	165	64	229

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Millions of yen)

	Sansan/Bill One Business	Eight Business	Corporate and eliminations	Total
Amortization of goodwill	12	20	7	39
Goodwill	503	145	57	706

Information about gain on bargain purchase for each reportable segment

Not applicable.

Related party information

1. Transactions with related parties

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

(Millions of yen)

Class	Name of the company, etc. or person	Location	Share capital or invest-ments in capital	Nature of business or occupation	Percentage ownership held in (or by) party such as voting rights, etc. (%)	Relation-ship with related parties	Nature of transactions	Monetary amount of trans-actions	Item	Balance at end of period
Officer	Muneyuki Hashimoto	–	–	Director of the Company	(held by party) Direct: 0.1	–	Exercise of share acquisition rights (Note 1)	11	–	–
Officer	Satoru Joraku	–	–	Executive Officer of the Company	(held by party) Direct: 0.7	–	Exercise of share acquisition rights (Note 2)	17	–	–

Notes: 1. Due to the exercise of the 3rd Share Acquisition Rights, granted by a resolution at the meeting of the Board of Directors held on January 9, 2019, during the fiscal year under review. Monetary amount of transactions listed above are amounts paid upon exercise of share acquisition rights in the fiscal year under review.

2. Due to the exercise of the 5th Share Acquisition Rights, granted by a resolution at the meeting of the Board of Directors held on July 14, 2020, during the fiscal year under review. Monetary amount of transactions listed above are amounts paid upon exercise of share acquisition rights in the fiscal year under review.

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Millions of yen)

Class	Name of the company, etc. or person	Location	Share capital or invest-ments in capital	Nature of business or occupation	Percentage ownership held in (or by) party such as voting rights, etc. (%)	Relation-ship with related parties	Nature of transactions	Monetary amount of trans-actions	Item	Balance at end of period
Officer	Muneyuki Hashimoto	–	–	Director of the Company	(held by party) Direct: 0.1	–	Exercise of share acquisition rights (Note 1)	11	–	–

Note: 1. Due to the exercise of the 3rd Share Acquisition Rights, granted by a resolution at the meeting of the Board of Directors held on January 9, 2019, during the fiscal year under review. Monetary amount of transactions listed above are amounts paid upon exercise of share acquisition rights in the fiscal year under review.

2. Notes regarding parent company and significant affiliates

Fiscal year ended May 31, 2022

(1) Information on parent company

Not applicable.

(2) Summary of financial information on significant affiliates

The summary of financial information for all three equity-method affiliates, including the significant affiliate SATORI, Inc., is as follows.

	(Millions of yen)
Total current assets	2,657
Total non-current assets	161
Total current liabilities	646
Total non-current liabilities	332
Total net assets	1,839
Net sales	1,975
Loss before income taxes	(1,230)
Loss	(1,262)

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

Not applicable.

Per share information

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Net assets per share	¥96.78	¥105.18
Basic earnings (loss) per share	¥6.87	¥(1.13)
Diluted earnings per share	¥6.77	¥-

Notes: 1. The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, net assets per share, basic earnings (loss) per share and diluted earnings per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

2. Diluted earnings per share for the fiscal year ended May 31, 2023 are not described here because, although there are potentially dilutive shares, basic loss per share was recorded.

3. Basis for calculation of basic earnings (loss) per share and diluted earnings per share is as follows:

		Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Basic earnings (loss) per share			
Profit (loss) attributable to owners of parent	(Millions of yen)	857	(141)
Profit (loss) not attributable to common shareholders	(Millions of yen)	–	–
Profit (loss) attributable to owners of parent related to common shares	(Millions of yen)	857	(141)
Average number of outstanding common shares during the period	(Shares)	124,841,631	125,162,268
Diluted earnings per share			
Adjustments stated for profit attributable to owners of parent	(Millions of yen)	–	–
Increase in number of common shares	(Shares)	1,896,164	–
(Of which share acquisition rights)	(Shares)	(1,896,164)	–
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects		Stock options 2021 (the 6th Share Acquisition Rights): 200 units (80,000 shares)	–

Significant events after reporting period

Business combination through acquisition

The Company resolved at the meeting of the Board of Directors held on May 23, 2023 to acquire shares of Institute of Language Understanding Inc., making it a consolidated subsidiary, and completed the procedures to acquire the shares on June 20, 2023 in accordance with that resolution.

Outline of business combination

(1) Name of the acquired company and details of the acquired business

Company name	:	Institute of Language Understanding Inc.
Description of business	:	A business utilizing large-scale language knowledge to provide business efficiency and create high added value

(2) Main reason of the business combination

The aim of this business combination is to strengthen the Company's research development capabilities related to natural language processing as the knowledge databases and language-understanding engines owned by Institute of Language Understanding Inc. are fields that promise to provide synergy with OCR, which is one of the Company's core technologies, natural language processing, etc.

(3) Date of the business combination

June 1, 2023 (deemed acquisition date)

(4) Legal form of the business combination

Acquisition of shares

(5) Name of entity after the business combination

Unchanged.

(6) Percentage of voting rights acquired

65.75%

(7) Main basis for determining acquiring company

The Company acquired the shares in consideration for cash.

(8) Acquisition cost of acquiree and components thereof by consideration type

Acquisition price	(cash and deposits)	¥500 million
Acquisition cost		¥500 million

(9) Details and amounts of main acquisition-related costs

Remuneration, fees, etc. for advisory services ¥4 million

(10) Amount of goodwill, reason for recognition, amortization method and amortization period

Not confirmed at this stage.

(11) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Not confirmed at this stage.

Issuance of the 10th share acquisition rights

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to issue the 10th Share Acquisition Rights to employees of the Company in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

10th Share Acquisition Rights

Number of share acquisition rights	1,243 units
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 124,300 shares (100 shares per share acquisition right)
Exercise price of share acquisition rights	¥155,250 per share acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	Issuance price: ¥1,552.5 per one share Additional paid-in capital: ¥777 per one share
Allotment date of share acquisition rights	August 7, 2023
Persons subject to allotment of share acquisition rights	57 employees of the Company
Exercise period of share acquisition rights	From July 14, 2025 to July 13, 2033
Exercise conditions of share acquisition rights	*

(*) 1. Persons who have received an allotment of the share acquisition rights (the "Share Acquisition Rights Holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the allotment date of the share acquisition rights to the end of the period of exercise of the rights (July 13, 2033) exceeds the ¥3,987.

However, in the event of a stock split or stock consolidation after the date of allotment, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

2. The Share Acquisition Rights Holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
3. In the event the Share Acquisition Rights Holder dies, inheritance shall not be permitted.
4. Pledging of share acquisition rights, or the creation of security interests shall not be permitted.
5. The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
6. It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

Issuance of the 11th share acquisition rights (compensatory stock options)

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to issue the 11th Share Acquisition Rights to Directors and Executive Officers of the Company in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

11th Share Acquisition Rights

Number of share acquisition rights	1,420 units
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 142,000 shares (100 shares per share acquisition right)
Issuance price of share acquisition rights	¥14,000 per share acquisition right
Exercise price of share acquisition rights	¥155,250 per share acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	Issuance price: ¥1,552.5 per one share Additional paid-in capital: ¥777 per one share
Allotment date of share acquisition rights	September 13, 2023
Persons subject to allotment of share acquisition rights	5 Directors of the Company 11 Executive Officers of the Company
Exercise period of share acquisition rights	From September 13, 2024 to September 12, 2033
Exercise conditions of share acquisition rights	*

(*) 1. Persons who have received an allotment of the share acquisition rights (the "Share Acquisition Rights Holder") may exercise their share acquisition rights only if the amount of net sales in the Company's consolidated statement of income for the fiscal year ending May 31, 2024 exceeds ¥33,164 million. In determining the net sales amount, there are events, such as changes in the applicable accounting standards and the acquisitions of companies, which can have a major impact on the business results of the Company. In the event that the Board of Directors determines that it is not appropriate to make a judgment based on actual figures, the Company will eliminate the effect of the acquisition of a company, etc. within a reasonable range, and it shall be deemed possible to adjust the actual figures used for judgment. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company's Board of Directors.

2. The Share Acquisition Rights Holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
3. In the event the Share Acquisition Rights Holder dies, inheritance shall not be permitted.
4. Pledging of share acquisition rights, or the creation of security interests shall not be permitted.
5. The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
6. It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

Issuance of the 12th share acquisition rights

At the 16th Annual General Meeting of Shareholders held on August 29, 2023 (hereinafter the "General Meeting of Shareholders"), a proposal was put forward concerning share acquisition rights as stock remuneration-type stock options with share price conditions for Directors (excluding those who are Audit & Supervisory Committee Members), and as this proposal was approved at the General Meeting of Shareholders, at the meeting of the Board of Directors held on the same day, the Company resolved to issue the following to Directors of the Company in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

12th Share Acquisition Rights

Number of share acquisition rights	1,448 units (Note 1)
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 144,800shares (100 shares per share acquisition right) (Note 1)
Exercise price of share acquisition rights	¥100 per share acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	(Note 2)
Allotment date of share acquisition rights	September 13, 2023
Persons subject to allotment of share acquisition rights	4 Directors of the Company
Exercise period of share acquisition rights	From August 30, 2026 to August 29, 2033
Exercise conditions of share acquisition rights	(Note 3)

* Description as of the date of resolution of issue (August 29, 2023) is provided.

Notes: 1. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of stock split (or stock consolidation)}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

2. The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in

legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.

3. Exercise conditions of share acquisition rights
   (1) Persons who have received an allotment of the share acquisition rights (hereinafter the “Share Acquisition Rights Holder”) may exercise their share acquisition rights if the closing price of the Company’s common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the Allotment Date of the share acquisition rights to the end of the period of exercise of the rights (August 29, 2033) exceeds ¥2,344.
   However, in the event of a stock split or stock consolidation after the Allotment Date, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\begin{array}{c}\text{Ratio of stock split}\\ \text{(or stock consolidation)}\end{array}}$$

   (2) The share acquisition rights holders are required to have a position in the Company or a subsidiary of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.
   (3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
   (4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
   (5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company’s issued shares at that time would exceed the total number of authorized shares.
   (6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

Relocation of head office

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to relocate its head office. An overview is as follows.

(1) New location of head office
Shibuya Sakura Stage SHIBUYA TOWER, 1-1, Sakuragaoka-cho, Shibuya-ku, Tokyo

(2) Timing of relocation
July 2024 (planned)

(3) Purpose of relocation
As part of its growth strategy, the Group is at the present time strengthening its recruitment of human resources and with this relocation will secure an office floor area compatible with future increases in personnel. By consolidating multiple bases, we are also working to improve productivity and operational efficiency, leading to enhancement of the office-centric work style (taking the office as the starting point while combining remote work) that we have adopted as policy.

(4) Impact on business performance for the fiscal year ending May 31, 2024
Factors such as the details and amounts of expenses to be incurred in connection with this relocation and the timing of their incurrence are currently under scrutiny.

(5) Other
Since the current head office and the new head office are in the same district, there will be no amendment to the Articles of Incorporation.

5) Annexed consolidated detailed schedules

Consolidated detailed schedule of corporate bonds

Not applicable.

Consolidated detailed schedule of borrowings

Category	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Payment due
Current portion of long-term borrowings	477	558	0.40	–
Current portion of lease obligations	32	40	–	–
Long-term borrowings	2,547	2,838	0.41	2024 to 2028
Lease obligations	66	111	–	2024 to 2028
Total	3,123	3,549	–	–

Notes: 1. The average interest rate represents the weighted average interest rate with respect to the balance of borrowings at the end of period.

2. The average interest rate for lease obligations is omitted because lease obligations are recorded on the consolidated balance sheet at the amount before the amount equivalent to interest included in the total lease payments is deducted.

3. The repayment schedule of long-term borrowings and lease obligations (excluding current portion) for the five-year period after the consolidated balance sheet date is as follows:

(Millions of yen)

	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Long-term borrowings	525	510	1,354	448
Lease obligations	39	35	25	9

Consolidated detailed schedule of asset retirement obligations

Not applicable.

(2) Others

Quarterly information for the fiscal year ended May 31, 2023

Cumulative period		First quarter	Second quarter	Third quarter	Fiscal year under review
Net sales	(Millions of yen)	5,714	11,824	18,177	25,510
Profit (loss) before income taxes	(Millions of yen)	(172)	291	1,094	(96)
Profit (loss) attributable to owners of parent	(Millions of yen)	(325)	151	738	(141)
Basic earnings (loss) per share	(Yen)	(2.61)	1.21	5.91	(1.13)

Accounting period		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share	(Yen)	(2.61)	3.81	4.69	(7.02)

2 Non-consolidated financial statements and other information

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	15,094	20,508
Accounts receivable - trade	*1 683	*1 1,093
Prepaid expenses	470	577
Other	*1 276	*1 425
Allowance for doubtful accounts	(3)	(32)
Total current assets	16,521	22,572
Non-current assets		
Property, plant and equipment		
Buildings	638	560
Tools, furniture and fixtures	50	51
Leased assets	89	138
Other	21	16
Total property, plant and equipment	799	767
Intangible assets		
Trademark right	0	0
Software	917	825
Total intangible assets	917	825
Investments and other assets		
Investment securities	4,154	3,705
Shares of subsidiaries and associates	3,595	1,275
Leasehold deposits	787	879
Deferred tax assets	416	595
Other	10	502
Total investments and other assets	8,963	6,958
Total non-current assets	10,680	8,551
Total assets	27,202	31,124

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	*1 245	*1 321
Current portion of long-term borrowings	477	558
Lease liabilities	32	40
Accounts payable - other	*1 1,067	*1 1,933
Income taxes payable	380	205
Accrued consumption taxes	388	394
Advances received	8,119	10,546
Deposits received	58	76
Provision for bonuses	483	596
Other	129	70
Total current liabilities	11,382	14,744
Non-current liabilities		
Long-term borrowings	2,547	2,838
Lease liabilities	66	111
Other	77	77
Total non-current liabilities	2,691	3,027
Total liabilities	14,073	17,771
Net assets		
Shareholders’ equity		
Share capital	6,426	6,582
Capital surplus		
Legal capital surplus	4,166	4,322
Total capital surplus	4,166	4,322
Retained earnings		
Other retained earnings		
Voluntary retained earnings	150	150
Retained earnings brought forward	2,158	1,685
Total retained earnings	2,308	1,835
Treasury shares	(1)	(2)
Total shareholders’ equity	12,900	12,738
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	85	156
Total valuation and translation adjustments	85	156
Share acquisition rights	142	457
Total net assets	13,128	13,352
Total liabilities and net assets	27,202	31,124

2) Non-consolidated statement of income

(Millions of yen)

	Fiscal year ended May 31, 2022	Fiscal year ended May 31, 2023
Net sales	*1 20,057	*1 24,926
Cost of sales	*1 2,418	*1 3,521
Gross profit	17,638	21,405
Selling, general and administrative expenses	*1, *2 16,954	*1, *2 21,083
Operating profit	683	321
Non-operating income		
Interest income	0	0
Dividend income	33	–
Subsidy income	1	14
Gain on sale of investment securities	979	291
Other	24	20
Total non-operating income	*1 1,039	*1 327
Non-operating expenses		
Interest expenses	10	13
Commission expenses	4	7
Foreign exchange losses	9	16
Loss on investments in investment partnerships	20	38
Other	26	39
Total non-operating expenses	72	115
Ordinary profit	1,651	533
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Gain on sale of shares of subsidiaries and associates	–	351
Total extraordinary income	0	351
Extraordinary losses		
Loss on retirement of non-current assets	*3 16	*3 50
Impairment losses	9	–
Loss on sale of shares of subsidiaries and associates	–	267
Loss on valuation of investment securities	*4 140	*4 980
Total extraordinary losses	165	1,298
Profit (loss) before income taxes	1,485	(413)
Income taxes - current	352	263
Income taxes - deferred	(296)	(203)
Total income taxes	56	59
Profit (loss)	1,429	(473)

3) Non-consolidated statement of changes in equity
Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Legal capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				Voluntary retained earnings	Retained earnings brought forward	
Balance at beginning of period	6,312	4,053	4,053	150	728	879
Changes during period						
Issuance of new shares	113	113	113	–	–	–
Purchase of treasury shares	–	–	–	–	–	–
Profit	–	–	–	–	1,429	1,429
Net changes in items other than shareholders' equity	–	–	–	–	–	–
Total changes during period	113	113	113	–	1,429	1,429
Balance at end of period	6,426	4,166	4,166	150	2,158	2,308

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(0)	11,245	1,622	1,622	65	12,933
Changes during period						
Issuance of new shares	–	226	–	–	–	226
Purchase of treasury shares	(1)	(1)	–	–	–	(1)
Profit	–	1,429	–	–	–	1,429
Net changes in items other than shareholders' equity	–	–	(1,536)	(1,536)	76	(1,459)
Total changes during period	(1)	1,655	(1,536)	(1,536)	76	195
Balance at end of period	(1)	12,900	85	85	142	13,128

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Legal capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				Voluntary retained earnings	Retained earnings brought forward	
Balance at beginning of period	6,426	4,166	4,166	150	2,158	2,308
Changes during period						
Issuance of new shares	155	155	155	–	–	–
Purchase of treasury shares	–	–	–	–	–	–
Loss	–	–	–	–	(473)	(473)
Net changes in items other than shareholders' equity	–	–	–	–	–	–
Total changes during period	155	155	155	–	(473)	(473)
Balance at end of period	6,582	4,322	4,322	150	1,685	1,835

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(1)	12,900	85	85	142	13,128
Changes during period						
Issuance of new shares	–	311	–	–	–	311
Purchase of treasury shares	(0)	(0)	–	–	–	(0)
Loss	–	(473)	–	–	–	(473)
Net changes in items other than shareholders' equity	–	–	70	70	314	385
Total changes during period	(0)	(161)	70	70	314	223
Balance at end of period	(2)	12,738	156	156	457	13,352

Notes to the non-consolidated financial statements

Significant accounting policies

1. Accounting policy for measuring assets
   (1) Accounting policy for measuring securities
   Shares of subsidiaries and affiliates
   Stated at cost using the moving-average method
   Other securities (available-for-sale securities)
   Securities other than shares with no market price, etc.
   Stated at the quoted market price. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.
   Shares with no market price, etc.
   Stated at cost using the moving-average method

   (2) Accounting policy for measuring inventories
   Work in process
   Stated at cost using the identified cost method (balance sheet amounts are determined based on the method of writing down the book value in accordance with the declining in profitability of assets)

2. Accounting policy for depreciation of assets
   (1) Property, plant and equipment (excluding leased assets)
   Facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method, and other property, plant and equipment are depreciated using the declining-balance method.

   (2) Intangible assets (excluding leased assets)
   Amortized using the straight-line method.
   Software for internal use is amortized using the straight-line method over its useful life as internally determined (three years).

   (3) Leased assets
   Leased assets related to finance lease transactions that transfer ownership
   Leased assets related to finance lease transactions that transfer ownership are depreciated by the same approach as the depreciation method applied to non-current assets owned by lessee.

   Leased assets related to finance lease transactions that do not transfer ownership
   Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method assuming the lease periods as useful lives without residual value.

3. Accounting policy for deferred assets
   Share issuance costs
   Share issuance costs are fully recognized as expenses when incurred.

4. Accounting policy for provisions
   (1) Allowance for doubtful accounts
   To prepare for losses from bad debts, an estimated uncollectible amount is provided by using the historical rate of credit loss in the case of general receivables, or based on individual consideration of recoverability in the case of specific receivables such as highly doubtful receivables.

   (2) Provision for bonuses
   A reserve for the employee bonus payment is provided by recording the estimated amounts of the future payments attributed to the fiscal year under review.

5. Accounting policy for revenue and expense
   Sansan/Bill One Business
   The services to be transferred over a certain period include sales DX service Sansan and cloud-based invoice management solution Bill One, and as these main services are provided throughout the course of the contract period, revenue is recognized by apportioning the transaction price based on the contract with the client over the service provision period set forth in the contract.
   In addition, for the pay as you go portion of Sansan business cards and Bill One invoice data conversion, the amount calculated in accordance with the number of subject business cards or invoices, and the unit price based on the contract is recognized as revenue.

   Eight Business
   The services to be transferred over a certain period include B2C business card management service for individuals Eight Premium, B2B business card management service for companies Eight Team, as well as recruitment-related services and advertisement distribution services. As these are services that are provided over the course of the contract period, the total transaction price under the contract with the client for the service provision period prescribed in the contract is apportioned and recognized as revenue.
   Goods or services that are to be transferred at one time include B2B recruitment-related services, advertising services, and various business event services.

In the event of an advertisement bring created in the advertising service and provided to the client, revenue is recognized at the time the advertisement is transferred to the client. In addition, in the event business service, as goods or services are transferred to the client through the holding of an event, revenue is recognized on each occasion that an event is held.

Significant accounting estimates

Recoverability of deferred tax assets

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Deferred tax assets (before offset)	454	686

(2) Other information to assist understanding of the content of estimates

This information is omitted as it is the same as that provided in notes regarding significant accounting estimates for the consolidated financial statements.

(3) Effect on non-consolidated financial statements for the next fiscal year

Those estimates may be affected by uncertain future changes in economic conditions, etc. If the timing at when taxable income is generated and the amounts thereof differ from the estimates, the amount of deferred tax assets recognized in the non-consolidated financial statements for the next fiscal year may be significantly affected.

Valuation of investment securities

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of May 31, 2022	As of May 31, 2023
Investment securities (unlisted stocks)	2,535	2,939
Shares of subsidiaries and associates	3,595	1,275

The amount for investment securities (unlisted stocks) as of May 31, 2023 includes ¥250 million as investment into SATORI, Inc., which is a major investee of the Company. In addition, the amount for shares of subsidiaries and associates as of May 31, 2022, includes ¥2,554 million as investment into SATORI, Inc.

(2) Other information to assist understanding of the content of estimates

This information is omitted as it is the same as that provided in notes regarding significant accounting estimates for the consolidated financial statements.

(3) Effect on non-consolidated financial statements for the next fiscal year

Concerning this estimate, in the event that the investee’s actual results, etc. falls below the plan formulated at the time of investment, excess earning power will be deemed to have been impaired, impairment accounting may be performed, and recognition of loss on valuation of investment securities may be required in the financial statements for the next fiscal year.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This application has no effect on the non-consolidated financial statements for the fiscal year under review.

Changes in presentation

Non-consolidated balance sheet

"Long-term prepaid expenses," was presented separately under "Investments and other assets" in the previous fiscal year, has been included in "Other" for the fiscal year under review due to its diminished financial materiality. To reflect this change in the method of presentation, the information for the previous fiscal year in the non-consolidated financial statements has been reclassified.

As a result, ¥10 million presented in "Long-term prepaid expenses" under "Investments and other assets" in the non-consolidated balance sheet for the previous fiscal year has been reclassified as "Other" of ¥10 million.

Additional information

Treatment regarding trust-type stock options

The National Tax Agency expressed their view that at the time employees, etc. exercise trust-type stock options and acquire shares, this will be deemed to be material wages by companies in the "Taxation of Stock Options (Q&A)" on May 30, 2023. They also expressed their view that companies must pay withholding income tax for trust-type stock options that have already been exercised in the past.

In the fiscal year under review, the Company recorded the amount equivalent to the required payment for withholding income tax of ¥87 million as other under current liabilities, and recorded corresponding receivables as other under current assets.

Furthermore, the portion of the increased additional charges to employees, etc. in the Group will be compensated with cash or paid as alternative wages, and together with expenses incidental to this, the Company recorded selling, general and administrative expenses of ¥499 million.

Notes to non-consolidated balance sheet

*1 Monetary receivables from, and monetary payables to, subsidiaries and associates (excluding those displayed under categories)

(Millions of yen)

	Previous fiscal year (May 31, 2022)	Fiscal year under review (May 31, 2023)
Short-term monetary receivables:	94	93
Short-term monetary payables:	17	76

Notes to non-consolidated statement of income

*1 Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Transactions relating to the Company's operation		
Net sales	59	8
Cost of sales	19	84
Selling, general and administrative expenses	161	190
Amount of non-operating transactions	10	6

*2 The approximate percentage of expenses attributable to selling expenses was 19.0% for the previous fiscal year and 17.1% for the fiscal year under review, and the approximate percentage of expenses attributable to general and administrative expenses was 81.0% for the previous fiscal year and 82.9% for the fiscal year under review.

The main expense items of selling, general and administrative expenses and their amounts are as follows.

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Advertising expenses	2,963	3,296
Salaries, allowances and bonuses	5,646	7,293
Provision for bonuses	894	1,124
Depreciation	231	346

*3 The details of loss on retirement of non-current assets are as follows.

(Millions of yen)

	Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)	Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)
Buildings and structures	4	0
Software	11	49
Others	–	0
Total	16	50

*4 Loss on valuation of investment securities

Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022)

Of the securities that are classified as investment securities, impairment accounting was performed for those whose real value has declined significantly.

Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

Of the securities that are classified as investment securities, impairment accounting was performed for SATORI, Inc. due to its real value having declined significantly.

Securities

As of May 31, 2022

Shares of subsidiaries and affiliates are shares with no market price, etc., so the fair value of shares of subsidiaries and affiliates are omitted.

The carrying amount on the balance sheet for shares of subsidiaries and affiliates with no market price, etc. are as follows.

(Millions of yen)

Category	Previous fiscal year
Shares of subsidiaries	646
Shares of affiliates	2,948

As of May 31, 2023

Shares of subsidiaries are shares with no market price, etc., so the fair value of shares of subsidiaries are omitted.

The carrying amount on the balance sheet for shares of subsidiaries with no market price, etc. are as follows.

(Millions of yen)

Category	Fiscal year under review
Shares of subsidiaries	1,275

Tax effect accounting

1. Breakdown of deferred tax assets by major cause of accrual

(Millions of yen)

	Previous fiscal year (May 31, 2022)	Fiscal year under review (May 31, 2023)
Deferred tax assets		
Tax loss carryforward	1,160	871
Excess depreciation	653	710
Provision for bonuses	148	182
Loss on valuation of shares of subsidiaries and associates	80	80
Accrued enterprise tax	50	29
Loss on valuation of investment securities	43	343
Others	244	401
Subtotal deferred tax assets	2,380	2,619
Valuation allowance for tax loss carryforward	(1,095)	(794)
Valuation allowance for total deductible temporary differences	(829)	(1,167)
Subtotal valuation allowance	(1,925)	(1,961)
Total deferred tax assets	454	658
Deferred tax liabilities		
Valuation difference on available-for-sale securities	38	62
Total deferred tax assets	38	62
Net deferred tax assets	416	595
Net deferred tax liabilities	–	–

2. Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of tax effect accounting

	Previous fiscal year (May 31, 2022)	Fiscal year under review (May 31, 2023)
Statutory effective tax rate	30.6%	–%
(Adjustments)		
Expenses not deductible permanently, such as entertainment expenses	1.1	–
Income not taxable permanently, such as dividend income	(0.0)	–
Inhabitant per capita taxes	0.9	–
Tax credits, etc.	(4.5)	–
Change in valuation allowance	(23.6)	–
Previous year's taxes	(1.4)	–
Others	0.7	–
Effective rate of income taxes after application of tax effect accounting	3.8	–

(Note) Some information been omitted because a loss before income taxes was recorded in the fiscal year under review.

Business combinations, etc.

This has been omitted because the same details are shown in "Notes to the consolidated financial statements (Business combinations, etc.)" of the consolidated financial statements.

Revenue recognition

Information serving as the basis for the ascertaining of revenue from contracts with customers has been omitted because the same details are shown in "Notes to the consolidated financial statements (Revenue recognition)" of the consolidated financial statements.

Significant events after reporting period

Business combination through acquisition

The Company resolved at the meeting of the Board of Directors held on May 23, 2023 to acquire shares of Institute of Language Understanding Inc., making it a consolidated subsidiary, and completed the procedures to acquire the shares on June 20, 2023 in accordance with that resolution.

Outline of business combination

(1) Name of the acquired company and details of the acquired business

Company name	:	Institute of Language Understanding Inc.
Description of business	:	A business utilizing large-scale language knowledge to provide business efficiency and create high added value

(2) Main reason of the business combination

The aim of this business combination is to strengthen the Company's research development capabilities related to natural language processing as the knowledge databases and language-understanding engines owned by Institute of Language Understanding Inc. are fields that promise to provide synergy with OCR, which is one of the Company's core technologies, natural language processing, etc.

(3) Date of the business combination

June 1, 2023 (deemed acquisition date)

(4) Legal form of the business combination

Acquisition of shares

(5) Name of entity after the business combination

Unchanged.

(6) Percentage of voting rights acquired

65.75%

(7) Main basis for determining acquiring company

The Company acquired the shares in consideration for cash.

(8) Acquisition cost of acquiree and components thereof by consideration type

Acquisition price	(cash and deposits)	¥500 million
Acquisition cost		¥500 million

(9) Details and amounts of main acquisition-related costs

Remuneration, fees, etc. for advisory services ¥4 million

(10) Amount of goodwill, reason for recognition, amortization method and amortization period

Not confirmed at this stage.

(11) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Not confirmed at this stage.

Issuance of the 10th share acquisition rights

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to issue the 10th Share Acquisition Rights to employees of the Company and employee of the Company's subsidiary in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

10th Share Acquisition Rights

Number of share acquisition rights	1,243 units
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 124,300 shares (100 shares per share acquisition right)
Exercise price of share acquisition rights	¥155,250 per share acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	Issuance price: ¥1,552.5 per one share Additional paid-in capital: ¥777 per one share
Allotment date of share acquisition rights	August 7, 2023
Persons subject to allotment of share acquisition rights	57 employees of the Company
Exercise period of share acquisition rights	From July 14, 2025 to July 13, 2033
Exercise conditions of share acquisition rights	*

(*) 1. Persons who have received an allotment of the share acquisition rights (the "Share Acquisition Rights Holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the allotment date of the share acquisition rights to the end of the period of exercise of the rights (July 13, 2033) exceeds the ¥3,987.
However, in the event of a stock split or stock consolidation after the date of allotment, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

2. The Share Acquisition Rights Holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
3. In the event the Share Acquisition Rights Holder dies, inheritance shall not be permitted.
4. Pledging of share acquisition rights, or the creation of security interests shall not be permitted.
5. The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
6. It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

Issuance of the 11th share acquisition rights (compensatory stock options)

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to issue the 11th Share Acquisition Rights to Directors and Executive Officers of the Company in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

11th Share Acquisition Rights

Number of share acquisition rights	1,420 units
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 142,000 shares (100 shares per share acquisition right)
Issuance price of share acquisition rights	¥14,000 per share acquisition right
Exercise price of share acquisition rights	¥155,250 per share acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	Issuance price: ¥1,552.5 per one share Additional paid-in capital: ¥777 per one share
Allotment date of share acquisition rights	September 13, 2023
Persons subject to allotment of share acquisition rights	5 Directors of the Company 11 Executive Officers of the Company
Exercise period of share acquisition rights	From September 13, 2024 to September 12, 2033
Exercise conditions of share acquisition rights	*

(*) 1. Persons who have received an allotment of the share acquisition rights (the "Share Acquisition Rights Holder") may exercise their share acquisition rights only if the amount of net sales in the Company's consolidated statement of income for the fiscal year ending May 31, 2024 exceeds ¥33,164 million. In determining the net sales amount, there are events, such as changes in the applicable accounting standards and the acquisitions of companies, which can have a major impact on the business results of the Company. In the event that the Board of Directors determines that it is not appropriate to make a judgment based on actual figures, the Company will eliminate the effect of the acquisition of a company, etc. within a reasonable range, and it shall be deemed possible to adjust the actual figures used for judgment. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company's Board of Directors.

2. The Share Acquisition Rights Holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
3. In the event the Share Acquisition Rights Holder dies, inheritance shall not be permitted.
4. Pledging of share acquisition rights, or the creation of security interests shall not be permitted.
5. The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
6. It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

Issuance of the 12th share acquisition rights

At the 16th Annual General Meeting of Shareholders held on August 29, 2023 (hereinafter the "General Meeting of Shareholders"), a proposal was put forward concerning share acquisition rights as stock remuneration-type stock options with share price conditions for Directors (excluding those who are Audit & Supervisory Committee Members), and as this proposal was approved at the General Meeting of Shareholders, at the meeting of the Board of Directors held on the same day, the Company resolved to issue the following to Directors of the Company in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

12th Share Acquisition Rights

Number of share acquisition rights	1,448 units (Note 1)
Class and number of shares to be acquired upon exercise of the share acquisition rights	Common shares of the Company, 144,800 shares (100 shares per share acquisition right) (Note 1)
Exercise price of share acquisition rights	¥100 per share acquisition right
Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights	(Note 2)
Allotment date of share acquisition rights	September 13, 2023
Persons subject to allotment of share acquisition rights	4 Directors of the Company
Exercise period of share acquisition rights	From August 30, 2026 to August 29, 2033
Exercise conditions of share acquisition rights	(Note 3)

* Description as of the date of resolution of issue (August 29, 2023) is provided.

Notes: 1. The number of shares to be acquired upon exercise of one share acquisition right (hereinafter the "Number of Granted Shares") is 100 common shares of the Company. The Number of Granted Shares shall be adjusted according to the following formula in the event that, after the allotment date of the share acquisition rights (hereinafter the "Allotment Date"), the Company conducts a stock split (including the gratis allotment of common shares of the Company; the same shall apply hereinafter) or a stock consolidation of common shares of the Company

$$\begin{array}{c}\text{Number of Granted Shares}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Number of Granted Shares}\\ \text{before adjustment}\end{array} \times \begin{array}{c}\text{Ratio of stock split}\\ \text{(or stock consolidation)}\end{array}$$

In addition, after the Allotment Date of the share acquisition rights, in the case where the Company conducts a share exchange or share transfer (hereinafter, collectively, "merger, etc."), and where the Company conducts a gratis allotment of shares, or other cases where the above adjustment of the Number of Granted Shares is required, the Number of Granted Shares may be adjusted within a reasonable range. However, the adjustment up to the above is made only to the Number of Granted Shares for the share acquisition rights that have not been exercised at that time, among the share acquisition rights, and any fraction less than one share arising from the adjustment shall be rounded down to the nearest share.

2. The amount of an increase in share capital upon issuance of shares through exercising the share acquisition rights shall be half of the maximum amount of increase of share capital, etc., which is calculated in accordance with Article 17, paragraph (1) of the Regulation on Corporate Accounting, and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. In this case, the amount of an increase in legal capital surplus shall be the amount of the above maximum amount of increase of share capital, etc. less the amount of the increase in share capital.
3. Exercise conditions of share acquisition rights

(1) Persons who have received an allotment of the share acquisition rights (hereinafter the "Share Acquisition Rights Holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the Allotment Date of the share acquisition rights to the end of the period of exercise of the rights (August 29, 2033) exceeds ¥2,344.
However, in the event of a stock split or stock consolidation after the Allotment Date, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).

$$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\text{Ratio of stock split (or stock consolidation)}}$$

(2) The share acquisition rights holders are required to have a position in the Company or a subsidiary of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in cases where the person resigns at the expiration of his/her term of office, retires at the mandatory retirement age, or when another justifiable reason is acknowledged by the Board of Directors of the Company.
(3) In the event that the share acquisition rights holder dies, the inheritance of the share acquisition rights shall not be permitted.
(4) Pledging of the share acquisition rights, or the creation of security interests shall not be permitted.
(5) The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
(6) It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

Relocation of head office

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to relocate its head office. An overview is as follows.

(1) New location of head office
Shibuya Sakura Stage SHIBUYA TOWER, 1-1, Sakuragaoka-cho, Shibuya-ku, Tokyo

(2) Timing of relocation
July 2024 (planned)

(3) Purpose of relocation
As part of its growth strategy, the Group is at the present time strengthening its recruitment of human resources and with this relocation will secure an office floor area compatible with future increases in personnel. By consolidating multiple bases, we are also working to improve productivity and operational efficiency, leading to enhancement of the office-centric work style (taking the office as the starting point while combining remote work) that we have adopted as policy.

(4) Impact on business performance for the fiscal year ending May 31, 2024
Factors such as the details and amounts of expenses to be incurred in connection with this relocation and the timing of their incurrence are currently under scrutiny.

(5) Other
Since the current head office and the new head office are in the same district, there will be no amendment to the Articles of Incorporation.

4) Annexed non-consolidated detailed schedules

Non-consolidated detailed schedule of property, plant and equipment

(Millions of yen)

Category	Class of assets	Balance at beginning of period	Increase during the period	Decrease during the period	Amortization during the period	Balance at end of period	Depreciation Cumulative total
Property, plant and equipment	Building	638	226	0	302	560	713
	Tools, furniture and fixtures	50	26	0	24	51	109
	Leased assets	89	88	–	39	138	119
	Others	21	0	–	5	16	10
	Total	799	341	1	373	767	952
Intangible assets	Trademark right	0	–	0	0	0	–
	Software	917	507	76	523	825	–
	Total	917	507	76	523	825	–

Note: The main increases during the period are as follows.

Building	Omotesando head office	¥95 million
	Hulic Aoyama	¥123 million
Software	Software related to the Sansan Business application	¥292 million
	Software related to business cards data conversion	¥210 million

Consolidated detailed schedule of provisions

(Millions of yen)

Item	Balance at beginning of period	Increase during the period	Decrease during the period (Purposed use)	Decrease during the period (Others)	Balance at end of period
Allowance for doubtful accounts	3	32	–	3	32
Provision for bonuses	483	596	483	–	596

Note: The “Decrease during the period (Others)” of allowance for doubtful accounts is the reversal amount.

(2) Description of main assets and liabilities

This is omitted because consolidated financial statements have been prepared.

(3) Others

Not applicable.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From June 1 to May 31
Annual General Meeting of Shareholders	Within three months after the end of each fiscal year
Record date	Every May 31
Record date for dividends of surplus	Every November 30 and May 31
Number of shares constituting one unit	100 shares
Buyback of shares less than one unit	
Place for application	Head Office, Tokyo Securities Transfer Agent Co., Ltd. 3-11 Kanda-Nishikicho, Chiyoda-ku, Tokyo
Shareholder registry administrator	Tokyo Securities Transfer Agent Co., Ltd. 3-11 Kanda-Nishikicho, Chiyoda-ku, Tokyo
Broker	–
Fees for buyback	Amount separately specified as fees equivalent to fees for consignment on sale of shares
Method of public notices	Through electronic public notices. However, in the event of an accident or any other unavoidable circumstances that make it impossible to give such notices electronically, they will be published in The Nikkei. URL for public notices https://jp.corp-sansan.com/
Shareholder perks and benefits	Not applicable.

Note: The Company’s Articles of Incorporation stipulate that shareholders of the Company holding shares of less than one unit shall not be able to exercise rights other than the following for shares less than one unit:

(1) Rights set forth in items of Article 189, paragraph (2) of the Companies Act;

(2) Right to make a demand pursuant to the provisions of Article 166, paragraph (1) of the Companies Act;

(3) Right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder.

VII. Reference Information About Reporting Company

1 Information about parent of reporting company

The Company does not have a parent company, etc. as defined in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2 Other reference information

The Company filed the following documents between the beginning of the fiscal year under review and the filing date of this Annual Securities Report.

(1) Annual Securities Report, accompanying documents, and confirmation letter
Fiscal year (15th term) (from June 1, 2021 to May 31, 2022)
Filed to Director-General of the Kanto Local Finance Bureau on August 31, 2022

(2) Internal control report and accompanying documents
Filed to Director-General of the Kanto Local Finance Bureau on August 31, 2022

(3) Quarterly securities reports and confirmation letter
(First quarter of the 16th term) (from June 1, 2022 to August 31, 2022)
Filed to Director-General of the Kanto Local Finance Bureau on October 13, 2022
(Second quarter of the 16th term) (from September 1, 2022 to November 30, 2022)
Filed to Director-General of the Kanto Local Finance Bureau on January 13, 2023
(Third quarter of the 16th term) (from December 1, 2022 to February 28, 2023)
Filed to Director-General of the Kanto Local Finance Bureau on April 13, 2023

(4) Amendment report of quarterly securities reports and confirmation letter
Filed to Director-General of the Kanto Local Finance Bureau on April 13, 2023
The report and letter are the amendment report of quarterly securities reports for the second quarter of the 16th term (from September 1, 2022 to November 30, 2022), and the confirmation letter thereof.

(5) Extraordinary Report
Filed to Director-General of the Kanto Local Finance Bureau on July 14, 2022
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (ii-ii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on July 14, 2022
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (ii-ii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on August 30, 2022
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (ii-ii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on August 30, 2022
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (ix-ii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on November 1, 2022
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (xix) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on July 13, 2023
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (xii) and item (xix) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on July 13, 2023
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (ii-ii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on July 13, 2023
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (ii-ii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of the Kanto Local Finance Bureau on August 29, 2023
An Extraordinary Report pursuant to provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act, and Article 19, paragraph (2), item (ii-ii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(6) Amendment Report of Extraordinary Report
Filed to Director-General of the Kanto Local Finance Bureau on September 5, 2022

An amendment report pertaining to Extraordinary Report (Matters Resolved at the General Meeting of Shareholders) filed on August 30, 2022.

Part Two: Information About Reporting Company's Guarantor, etc.

Not applicable.

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

August 30, 2023

To the Board of Directors of Sansan, Inc.:

KPMG AZSA LLC
Tokyo Office, Japan

Osamu Takagi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Genta Tsuru
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sansan, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated balance sheet as at May 31, 2023 and the consolidated statement of income and comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at May 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of judgment regarding valuation of investment securities (investment interest in SATORI, Inc.)	
The key audit matter	**How the matter was addressed in our audit**
A loss on valuation of investment securities of ¥980 million was recorded in the consolidated statement of income of Sansan, Inc., and is related to SATORI, Inc., which is an unlisted company with no market price, as stated in the notes “Significant accounting estimates, *Valuation of investment securities*.” With regard to shares with no market price, etc. such as investments in unlisted companies, as a policy, if the real value of the shares has declined significantly due to deterioration in the financial position of the issuer of the shares, a loss on valuation of investment is recognized unless the recoverability is supported by sufficient evidence. In addition, the real value may be determined, taking into account the company’s excess earning power, management rights, etc., and a loss on valuation of investment also needs to be recognized when results of the business are lower than those in the business plan, which was based on the valuation at the time of the investment, and excess earning power, etc. is no longer expected. The investment in SATORI, Inc. was made in anticipation of excess earning power, etc. based on the future business plan at the time of the investment, and the real value was determined, taking into account the excess earning power, etc. However, in the fiscal year under review, the Company judged that the excess earning power, etc. had been impaired, and recognized a loss on valuation of investment. While judgement on whether or not excess earning power, etc. reflected in the real value has been impaired is made on the basis of the business plan of the investee affiliate, a plan for increasing revenue based on the assumption of an increase in orders received through advertising measures and others involves uncertainty, and therefore these judgements of management significantly affect judgment on whether or not excess earning power, etc. reflected in the real value has been impaired. As a result, we have determined that appropriateness of judgment regarding valuation of investment securities (investment interest in SATORI, Inc.) is of most significance in the audit of the consolidated financial statements of the fiscal year under review, and is a key audit matter.	We mainly conducted the following audit procedures to assess appropriateness of judgment regarding valuation of investment securities (investment interest in SATORI, Inc.). (1) Assessment of internal control We assessed effectiveness of establishment and operation status of internal control related to valuation of investment securities. In the assessment, especially, we calculated estimates in relation to the business plan of the investee used in judgement on whether or not excess earning power, etc. has been impaired, by reference to changes in operating results of the investee, the growth rate shown by external data, etc. and other data, and focused on control in assessing reliability of the business plan through comparison with the planned value and research on significant differences with the estimates. (2) Assessment of appropriateness of judgment regarding valuation of investment securities We mainly conducted the following procedures to assess reasonableness of judgement on whether or not excess earning power, etc. reflected in the real value of investment interest in SATORI, Inc. has been impaired. ・ We questioned the responsible person about the business environment and outlook on future operating results of the investee. ・ To assess adequacy of major assumptions used in the preparation of the business plan of SATORI, Inc., we compared our understanding and assessment of businesses operated by the said company with respect to accuracy and reasonableness of the business plan at the time of the investment and at the end of the fiscal year under review, and at the same time, confirmed that the business plan was based on major assumptions such as the sales growth rate in light of sales results, and probability of receiving orders through advertising measures in light of results of sales promotion. ・ We examined accuracy of estimates and the level of uncertainty involved in the plan, taking into account results of the assessment of adequacy of major assumptions, results of considering achievements of past business plans and reasons for differences, and other factors.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Sansan, Inc. as at May 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at May 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The audit and supervisory committee are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.
The English version of the "Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting" and the English translations of the consolidated financial statements and non-consolidated financial statements are disclosed as a single document.
In addition, although the internal control report is not disclosed as a single document, because the "Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting" is translated, the internal control report portion is also included.

(Notes) 1. The original version of the independent auditor's report presented above is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of the audit.

<u>Independent Auditor's Report</u>

August 30, 2023

To the Board of Directors of Sansan, Inc.:

KPMG AZSA LLC
Tokyo Office, Japan

Osamu Takagi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Genta Tsuru
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the accompanying financial statements of Sansan, Inc. ("the Company"), which comprise the balance sheet as at May 31, 2023, the statements of income and changes in net assets for the year then ended, and notes, comprising a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of judgment regarding valuation of investment securities (investment interest in SATORI, Inc.)
The content of "appropriateness of judgment regarding valuation of investment securities (investment interest in SATORI, Inc.)," a key audit matter to be stated in the independent auditor's report on the financial statements, is substantially the same as that of "appropriateness of judgment regarding valuation of investment securities (investment interest in SATORI, Inc.)," a key audit matter described in the independent auditor's report on the consolidated financial statements. Therefore, information on this matter is omitted in the independent auditor's report on the financial statements.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and The Audit and Supervisory Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit and supervisory committee are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Reader of Audit Report</u>:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

(Notes) 1. The original version of the independent auditor's report presented above is kept separately by the Company (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of the audit.