



Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2022 (Under Japanese GAAP)

August 6, 2021

Company name: FRANCE BED HOLDINGS CO., LTD.	Listing: Tokyo Stock Exchange
Code number: 7840	URL: https://www.francebed-hd.co.jp
Representative: Shigeru Ikeda, President & CEO	
Contact person: Akihiko Osada, Director (Accounting/General Affairs Group)	Tel: +81-3-6741-5501
Scheduled date to file Quarterly Securities Report: August 13, 2021	
Scheduled date to commence dividend payment: –	
Preparation of supplementary material on quarterly financial results: No	
Holding of quarterly earnings announcement: No	

(Amounts less than one million yen are truncated)

1. Consolidated Results for the Three Months Ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2021	12,771	14.5	942	149.9	974	83.9	752	179.1
June 30, 2020	11,150	(9.9)	377	(6.5)	529	37.9	269	10.1

Note: Comprehensive income Three months ended June 30, 2021: ¥635 million (195.6%)
Three months ended June 30, 2020: ¥214 million (121.1%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three months ended June 30, 2021	20.21	–
June 30, 2020	6.95	–

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	61,310	36,912	60.2	999.30
March 31, 2021	62,217	37,412	60.1	998.31

Reference: Shareholders' equity As of June 30, 2021: ¥36,912 million As of March 31, 2021: ¥37,412 million

2. Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	14.00	–	16.00	30.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		15.00	–	15.00	30.00

Note: Revisions to the dividend forecast since most recent announcement: None

3. Forecast of Results for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	54,000	2.9	3,700	13.9	3,650	5.7	2,350	2.3	62.70

Note: Revisions to the forecast of results since most recent announcement: None

* Notes

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

(2) Application of special accounting methods for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements of financial statements for prior periods:

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies for other reasons: None

3) Changes in accounting estimates: None

4) Restatements of financial statements for prior periods: None

Note: For more information, please refer to "Changes in Accounting Policies" on page 9 of this document, under (3) Notes Regarding Consolidated Financial Statements of 2. Consolidated Financial Statements and Primary Notes.

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2021:	41,397,500 shares	As of March 31, 2021:	41,397,500 shares
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2) Number of treasury shares at the end of the period

As of June 30, 2021:	4,459,006 shares	As of March 31, 2021:	3,921,557 shares
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3) Average number of shares issued during the period

Three months ended June 30, 2021:	37,231,143 shares	Three months ended June 30, 2020:	38,771,970 shares
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The consolidated financial results presented herein are not subject to a quarterly review by certified public accountants or an audit firm.

Note regarding the appropriate use of performance forecasts and other related items

Caution concerning forward-looking statements:

This document contains forward-looking statements including performance forecasts based on information available to the Company at the time of disclosure and certain assumptions that the Company believes to be reasonable. The Company makes no assurances as to their outcomes. Actual performance may differ substantially from these forecasts owing to a wide range of factors.

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1. Qualitative Information on Quarterly Results

(1) Summary of Operating Results

During the first quarter ended June 30, 2021 ("the period under review"), the Japanese economy showed signs of recovery amid the continued impact of the COVID-19 pandemic, but full-scale economic recovery is expected to take more time mainly due to the spread of new variants.

The France Bed Group (the "Group") saw demand for home care increasing in the nursing-care industry following the expansion of COVID-19, although the business environment remained unpredictable, with sales opportunities restricted by the intermittent declarations of a state of emergency and other measures. Nonetheless, demand for high-quality bedding was firm in the furniture and interior industry due to at-home consumption and rising health consciousness.

Under these circumstances, the Group developed a new medium-term management plan for the three years starting from April 2021. Based on the policy of seeking to continue to enhance corporate value and promoting ESG management to realize a sustainable society by resolving issues facing society as a whole, such as the shortage of human resources for nursing care and the increase in elderly care by the elderly, through new products and services by concentrating the Group's management resources on the "silver business", the Group is working on major initiatives such as (1) expanding business by concentrating management resources on the rental business of special-needs equipment (the Medical Services Business), (2) improving the profit margin by developing products that meet prevailing needs (the Home Furnishing and Health Business) and (3) strengthening the management base that supports corporate growth on an ongoing basis.

In this environment, the Group recorded consolidated net sales of 12,771 million yen (up 14.5% year on year) for the period under review in its operating results, reflecting a recovery in sales of home beds, which had declined significantly in the previous year, and other products in the Home Furnishing and Health Business, in addition to the firm performance of the core rental business of special-needs equipment in the Medical Services Business amid the continued impact of COVID-19.

Moreover, with an improvement in the cost of sales ratio, etc., the Group posted operating profit of 942 million yen for the period under review, up 149.9% year on year. The Group's ordinary profit amounted to 974 million yen, up 83.9% year on year, and its profit attributable to owners of parent rose to 752 million yen, up 179.1% year on year.

Associated with the application of the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. from the first quarter of the current fiscal year, the accounting treatment for revenue recognition is different from the first quarter of the previous fiscal year. In the summary of operating results, year-on-year comparisons are shown based on different accounting treatment methods.

For more information, please refer to (3) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policies) of 2. Consolidated Financial Statements and Primary Notes.

The performance of each business segment for the period under review is described below:

From the first quarter of the current fiscal year, the calculation basis of segment profit has been changed from operating profit to ordinary profit. As a result, the comparisons and analysis for the period under review are based on the segment profit after the change. For more information, please refer to "2. Matters concerning changes in reporting segments" under (3) Notes Regarding Consolidated Financial Statements (Segment Information) of 2. Consolidated Financial Statements and Primary Notes.

1) Medical Services Business

In the core rental business of special-needs equipment, the Group has continued to make efforts to prevent the spread of COVID-19 and provide home-based services while ensuring that employees wear a mask, gargle, wash their hands and disinfect their hands.

In an effort to expand our product offerings, we worked to provide opportunities for care managers to recognize the usability of functions of multi-position beds designed to support a bedridden person in

independently getting up, which provide self-reliance support to users and ease the stress on caregivers, by holding events for care managers to experience our products. The multi-position beds were launched in 2020. In an effort to expand our products and services in regional Japan, we merged with two non-consolidated subsidiaries (Sagamihara-shi, Kanagawa and Wakayama-shi, Wakayama) through an absorption-type merger in April 2021 and opened them as sales offices that operate a rental business for special-needs equipment. In addition, we set up a second sales office in Kawasaki-shi, Kanagawa in June 2021 and improved our service offerings to users in neighboring areas by establishing a delivery warehouse in the same place.

For hospitals and welfare facilities, although we were forced to limit our business activities to prevent the spread of COVID-19, we focused on promoting the replacement of existing products with those that would contribute to labor saving, such as beds featuring the monitoring care system M2 and automatic roll-over assistant beds, by concurrently using online sales.

As a result, the Medical Services Business recorded net sales of 8,041 million yen for the period under review, up 10.4% year on year, and ordinary profit of 815 million yen, up 20.2% year on year.

2) Home Furnishing and Health Business

In the Home Furnishing and Health Business, sales of beds mainly to highly hygiene-conscious consumers remained strong as we continued to enhance the lineup of products with the standard of “cleanliness will continue,” such as Culiess AG™ antibacterial mattresses and our mainstay Life Treatment Mattress series newly featuring a standard antibacterial function, as part of product development that meets the needs of the times. In addition, for the expanding e-commerce market, we focused on the sale of products suitable for online sales, such as pillow cushions for lying down, to respond to changes in consumer purchasing behavior. As an effort to develop new markets, in June 2021 we launched a new line of pet furniture with a sense of luxury that does not look out of place even when placed in living rooms and bedrooms, by renewing the FrancePet, a brand we launched as “beds for pets” in 2003.

In an initiative for showrooms, we expanded the space where customers can see our high value-added products that would help them maintain their health and improve the quality of their sleep. To do this, we took thorough infection prevention measures, including advance reservations and limited admission, and relocated the Group’s showroom (Niigata-shi, Niigata) to expand its floor, as exhibitions and sales events where visitors can see our products were forced to be cancelled or scaled down due to the declaration of a state of emergency.

For hotels, etc. in Japan, we stepped up sales promotion to company dormitories and training camps with accommodation facilities other than hotels and inns, amid a sharp fall in hotel occupancy rates and decreases in new and replacement demand due to the self-restraint on domestic travel and the evaporation of inbound demand.

As a result, the Group posted net sales of 4,589 million yen in the Home Furnishing and Health Business for the period under review, a year-on-year increase of 21.8%, and ordinary profit of 205 million yen, compared with an ordinary loss of 123 million yen for the same period the previous fiscal year.

(2) Summary of Financial Position

Assets

Total assets as of June 30, 2021 decreased by 907 million yen to 61,310 million yen compared with the end of the previous fiscal year (“the previous year-end”). Current assets were down 1,443 million yen to 30,611 million yen from the previous year-end.

This was primarily due to decreases of 1,266 million yen in cash and deposits and 1,089 million yen in notes and accounts receivable - trade and contract assets (including electronically recorded monetary claims - operating), which were partially offset by increases of 200 million yen in securities and 621 million yen in inventories. Non-current assets increased by 540 million yen from the previous year-end, to 30,675 million yen. This mainly reflected the purchase and depreciation/amortization of property, plant and equipment as well as intangible assets.

Liabilities

Total liabilities decreased by 406 million yen to 24,397 million yen from the previous year-end. This was primarily due to decreases in notes and accounts payable - trade (including electronically recorded obligations - operating) and income taxes payable, which were partially offset by an increase in accrued expenses and others.

Net assets

Net assets decreased by 500 million yen from the previous year-end, to 36,912 million yen. This was primarily due to decreases resulting from the 599 million yen payment of dividends from surplus and the 488 million yen purchase of treasury shares, which were partially offset by 752 million yen profit attributable to owners of parent.

As a result, the shareholders' equity ratio increased to 60.2% from 60.1% at the previous year-end.

(3) Forward-looking Statements Including Forecasts of Consolidated Business Results

The forecast of results for the fiscal year ending March 31, 2022, which we announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 on May 14, 2021, remain unchanged.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	FY2021 (As of March 31, 2021)	Q1 of FY2022 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	9,702	8,435
Notes and accounts receivable - trade	9,063	-
Notes and accounts receivable - trade, and contract assets	-	7,791
Electronically recorded monetary claims - operating	976	1,159
Securities	3,100	3,300
Merchandise and finished goods	5,487	5,937
Work in process	415	403
Raw materials and supplies	1,885	2,070
Other	1,438	1,530
Allowance for doubtful accounts	(14)	(15)
Total current assets	32,055	30,611
Non-current assets		
Property, plant and equipment		
Land	6,991	7,027
Other, net	12,642	13,438
Total property, plant and equipment	19,633	20,466
Intangible assets		
Goodwill	353	377
Other	1,473	1,425
Total intangible assets	1,826	1,803
Investments and other assets	8,674	8,406
Total non-current assets	30,135	30,675
Deferred assets	27	22
Total assets	62,217	61,310

(Million yen)

	FY2021 (As of March 31, 2021)	Q1 of FY2022 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,856	2,478
Electronically recorded obligations - operating	2,476	2,383
Short-term borrowings	3,300	3,300
Current portion of long-term borrowings	300	300
Current portion of bonds	600	600
Income taxes payable	1,224	78
Provision for bonuses	1,378	667
Other provisions	15	5
Other	5,546	7,285
Total current liabilities	17,698	17,099
Non-current liabilities		
Bonds payable	2,400	2,400
Provisions	81	78
Retirement benefit liability	453	436
Asset retirement obligations	343	343
Other	3,827	4,039
Total non-current liabilities	7,106	7,298
Total liabilities	24,804	24,397
Net assets		
Shareholders' equity		
Share capital	3,000	3,000
Capital surplus	0	0
Retained earnings	35,881	35,987
Treasury shares	(3,626)	(4,115)
Total shareholders' equity	35,255	34,872
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15)	(25)
Deferred gains or losses on hedges	35	34
Remeasurements of defined benefits plans	2,137	2,031
Total accumulated other comprehensive income	2,157	2,040
Total net assets	37,412	36,912
Total liabilities and net assets	62,217	61,310

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Three months ended June 30, 2020 and 2021)

(Million yen)

	Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)
Net sales	11,150	12,771
Cost of sales	5,277	5,834
Gross profit	5,873	6,937
Selling, general and administrative expenses	5,496	5,994
Operating profit	377	942
Non-operating income		
Interest income	0	1
Dividend income	11	7
Patent-related income	–	45
Other	181	20
Total non-operating income	194	74
Non-operating expenses		
Interest expenses	15	16
Share of loss of entities accounted for using equity method	0	4
Other	24	21
Total non-operating expenses	41	43
Ordinary profit	529	974
Extraordinary income		
Gain on sales of non-current assets	–	145
Gain on sales of investment securities	–	10
Total extraordinary income	–	156
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Loss resulting from temporary suspension of business	102	–
Total extraordinary losses	103	3
Profit before income taxes	426	1,126
Income taxes - current	20	23
Income taxes - deferred	136	350
Total income taxes	157	374
Profit	269	752
Profit attributable to owners of parent	269	752

Consolidated Statements of Comprehensive Income
(Three months ended June 30, 2020 and 2021)

(Million yen)

	Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)
Profit	269	752
Other comprehensive income		
Valuation difference on available-for-sale securities	39	(10)
Deferred gains or losses on hedges	1	(1)
Remeasurements of defined benefits plans, net of tax	(96)	(105)
Total other comprehensive income	(54)	(117)
Comprehensive income	214	635
(Breakdown)		
Comprehensive income attributable to owners of parent	214	635
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes Regarding Consolidated Financial Statements

Notes Regarding the Going Concern Assumption

Not applicable.

Notes Regarding Significant Changes in the Amount of Shareholders' Equity

The Company acquired 530,000 shares of its own stock based on a resolution adopted at the Board of Directors meeting held on May 14, 2021. As a result, treasury shares increased 488 million yen in the period under review, to 4,115 million yen at the end of the period under review.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020, hereinafter the "Revenue Recognition Accounting Standard") and related measures at the beginning of the period under review. Accordingly, the Company recognizes amounts expected to be received in exchange for promised goods or services as revenue at the point where control over the goods and services has been transferred to the customer. Major changes attributable to the application are as follows:

1. For sales transactions in which revenue was previously recognized at the time of shipment, revenue will be recognized at the time of arrival of shipment or acceptance inspection.
2. For construction contracts, revenue was previously recognized when the performance obligation was fully satisfied. However, in cases where control over goods or services is transferred to the customer for a certain period of time, we will recognize revenue over a certain period of time as we satisfy the performance obligation to transfer goods or services to the customer. For construction contracts in which the period from the date of commencement of transactions to the time when the performance obligation is expected to be fully satisfied is very short, we recognize revenue when the performance obligation has been fully satisfied by applying alternative treatment, without recognizing revenue over a certain period of time.
3. For certain expenses that were previously recorded as selling, general and administrative expenses and sales discounts that were previously recorded as non-operating expenses, we reduce them from net sales as consideration to be paid to customers.
4. In buy-sell transactions, we previously recognized the extinguishment of raw materials, etc. which had been supplied for value, but we have decided not to recognize the extinguishment of raw materials, etc. which were supplied for value because we are obliged to repurchase them in the transactions. In these transactions, we do not recognize revenue from the transfer of supplied goods.

The application of the Revenue Recognition Accounting Standard and related measures follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in case of retroactively applying the new accounting policy to before the beginning of the period under review are adjusted in retained earnings at the beginning of the period under review, and the new accounting policy is applied from this initial balance. However, as a result of applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy is not applied retroactively to contracts in which the amount of almost all revenues was recognized according to the previous treatment before the beginning of the period under review. In addition, we account for all contract changes made prior to the beginning of the period under review by applying the method prescribed in (1) of Paragraph 86 of the Revenue Recognition Accounting Standard based on the contract terms, after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the period under review.

As a result, net sales for the period under review increased 123 million yen, cost of sales increased 61 million yen, and selling, general and administrative expenses rose 0 million yen. Operating profit, ordinary profit and profit before income taxes each increased 61 million yen. The balance of retained earnings at the beginning of the period under review decreased 43 million yen.

With the application of the Revenue Recognition Accounting Standard and related measures "trade notes and accounts receivable" posted under "current assets" on the balance sheet of the previous fiscal year is posted as "trade notes and accounts receivable and contract assets" starting from the period under review. In accordance with the provisional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method is not made for the previous fiscal year.

Application of Accounting Standard for Fair Value Measurement and related measures

We started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") at the beginning of the period under review. Accordingly, we have decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard and related measures according to the provisional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the quarterly consolidated financial statements.

Segment Information

1. Information on net sales and profit (loss) by reporting segment

Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on consolidated statement of income (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	7,283	3,765	11,048	102	11,150	–	11,150
Internal sales among segments or transfers	1	26	27	1	28	(28)	–
Total	7,284	3,791	11,075	103	11,179	(28)	11,150
Segment profit (loss)	678	(123)	554	1	555	(26)	529

Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts reported on consolidated statement of income (Note 3)
	Medical Services	Home Furnishing and Health	Total				
Net sales							
Sales to external customers	8,041	4,589	12,630	140	12,771	–	12,771
Internal sales among segments or transfers	1	33	35	1	36	(36)	–
Total	8,043	4,622	12,665	142	12,808	(36)	12,771
Segment profit (loss)	815	205	1,020	1	1,021	(47)	974

Notes: 1. The "Other" segment is a business segment not included in any of the reporting segments and includes such businesses as real estate leasing.

2. The details of "Adjustments" are as follows:

	Segment profit (loss)	
	Three months ended June 30, 2020	Three months ended June 30, 2021
Elimination of inter-segment transactions	181	177
Corporate profits and expenses*	(207)	(225)
Total	(26)	(47)

* Corporate profits and expenses are profits and expenses which do not belong to the reporting segments pertaining to the company submitting consolidated financial statements.

3. Segment profit (loss) is adjusted to be consistent with the ordinary profit reported in the consolidated statements of income.

2. Matters related to changes in reporting segments

As described in the “Change in Accounting Policies,” the Company has adopted the Revenue Recognition Accounting Standard and related measures from the beginning of the period under review and changed accounting methods for revenue recognition. Reflecting this change, it modified the method for measuring the profits and losses of its business segments.

As a result of the change, compared to the previous methods, net sales and segment profit for the Medical Services Business increased 2 million yen and 1 million yen, respectively, in the period under review. Net sales and segment profit for Home Furnishing and Health Business increased 118 million yen and 59 million yen, respectively. Net sales and segment profit for the Other segment increased 2 million yen and 0 million yen, respectively.

In addition, the Group has developed a new medium-term management plan for the three years ending FY2023 (the fiscal year ending March 31, 2024) and announced it on May 14, 2021. As the Group has changed the target for each segment from operating profit to ordinary profit for the purpose of strengthening the management of the business portfolio under the medium-term management plan, the Group has changed the basis of calculation of segment profit from operating profit to ordinary profit from the period under review. The segment information for the first quarter of the previous fiscal year is prepared based on the changes above.

Significant Subsequent Events

Disposition of treasury shares as restricted stock compensation

At a meeting of the Board of Directors held on June 29, 2021, the Company resolved to dispose of treasury shares as restricted stock compensation for its Directors (excluding Outside Directors and Directors who are the Audit and Supervisory Committee Members) and Directors of its subsidiaries, and disposed of treasury shares as follows.

- Overview of the disposition of treasury shares

(1) Class of shares disposed of

Common shares of the Company

(2) Total number of shares disposed of

56,600 shares

(3) Disposition price

941 yen per share

(4) Total disposition amount

53,260,600 yen

(5) Offering or disposition method

Method of allotting shares with restriction on transfer

(6) Method of performance of contributions

In-kind contribution of monetary compensation claims

(7) Allottees, number thereof, and number of shares disposed of

Four Directors of the Company (excluding Outside Directors and Directors who are the Audit and Supervisory Committee Members), 39,000 shares

Two Directors of the Company's subsidiaries, 17,600 shares

(8) Date of disposition

July 21, 2021

(9) Other

A securities notice under the Financial Instruments and Exchange Act has been submitted for the Disposition of Treasury Shares.