

***KYODO PRINTING CO., LTD.***  
***and Consolidated Subsidiaries***

*Interim Consolidated Financial Statements (Unaudited)*  
*for the Nine-Month Period Ended December 31, 2019*

# KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

## Interim Consolidated Balance Sheets

December 31, 2019 as compared with March 31, 2019 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2019	March 31, 2019	December 31, 2019
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 5)	¥ 10,229	¥ 10,432	\$ 93,372
Receivables:			
Trade notes (Note 4)	5,997	6,685	54,742
Trade accounts	21,983	21,717	200,666
Allowance for doubtful accounts	(61)	(64)	(556)
Short-term investments (Note 5)	67	329	611
Inventories	8,961	7,367	81,798
Prepaid expenses and other current assets	1,306	1,391	11,921
	<u>48,484</u>	<u>47,859</u>	<u>442,574</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	14,816	14,579	135,244
Buildings and structures	50,881	51,902	464,454
Machinery and vehicles	49,145	49,315	448,607
Furniture and fixtures	6,913	6,953	63,103
Lease assets	3,283	3,471	29,968
Construction in progress	1,702	1,709	15,536
Total	<u>126,741</u>	<u>127,931</u>	<u>1,156,923</u>
Accumulated depreciation	<u>(72,564)</u>	<u>(74,652)</u>	<u>(662,382)</u>
Net property, plant and equipment	<u>54,177</u>	<u>53,279</u>	<u>494,541</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities	19,219	18,854	175,435
Investments in subsidiaries and associated companies	113	137	1,031
Goodwill	2,143	1,248	19,561
Intangible assets	1,363	1,195	12,441
Long-term loans receivable	28	35	255
Asset for retirement benefits	1,356	1,108	12,377
Deferred tax assets	489	481	4,463
Other long-term assets	1,156	1,240	10,552
Allowance for doubtful accounts	<u>(48)</u>	<u>(49)</u>	<u>(438)</u>
Total investments and other assets	<u>25,822</u>	<u>24,251</u>	<u>235,709</u>
<b>TOTAL</b>	<u>¥ 128,484</u>	<u>¥ 125,390</u>	<u>\$ 1,172,834</u>

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Balance Sheets

December 31, 2019 as compared with March 31, 2019 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2019	March 31, 2019	December 31, 2019
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt	¥ 515	¥ 5,553	\$ 4,701
Payables:			
Trade notes (Note 4)	8,224	8,145	75,070
Trade accounts	10,470	9,791	95,572
Income taxes payable	736	151	6,718
Accrued bonuses	448	1,201	4,089
Other current liabilities (Note 4)	7,946	10,321	72,533
	<u>28,342</u>	<u>35,163</u>	<u>258,712</u>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt	24,218	16,353	221,068
Liability for retirement benefits	6,528	6,382	59,589
Provision for environmental measures	596	16	5,440
Provision for dismantling of non-current assets	1,385	1,970	12,642
Deferred tax liabilities	1,892	1,761	17,270
Other long-term liabilities	2,087	357	19,050
	<u>36,709</u>	<u>26,842</u>	<u>335,089</u>
<b>EQUITY:</b>			
Common stock—authorized, 36,080,000 shares; issued, 9,020,000 shares as of December 31, 2019 and March 31, 2019	4,510	4,510	41,168
Capital surplus	1,766	1,765	16,120
Retained earnings	48,975	48,832	447,056
Treasury stock—at cost, 434,985 shares as of December 31, 2019 and 298,748 shares as of March 31, 2019	(1,088)	(726)	(9,931)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	9,683	9,365	88,388
Foreign currency translation adjustments	(180)	(155)	(1,643)
Remeasurement of defined benefit plans	(198)	(213)	(1,807)
Total	<u>63,467</u>	<u>63,378</u>	<u>579,342</u>
Non-controlling interests	<u>(33)</u>	<u>6</u>	<u>(301)</u>
Total equity	<u>63,433</u>	<u>63,384</u>	<u>579,032</u>
<b>TOTAL</b>	<u>¥ 128,484</u>	<u>¥ 125,390</u>	<u>\$ 1,172,834</u>

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Income Nine-Month Periods Ended December 31, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2019	2018	2019
NET SALES (Note 6)	¥ 75,045	¥ 71,920	\$ 685,029
COST OF SALES	61,982	59,510	565,787
Gross profit	13,062	12,410	119,233
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 6):			
Delivery expenses	3,409	3,489	31,118
Provision of allowance for doubtful accounts	(2)	(10)	(18)
Salaries and allowances	4,428	4,144	40,419
Provision for employees' bonuses	136	123	1,241
Provision for directors' bonuses	32	39	292
Retirement benefit expenses	279	269	2,546
Other	3,721	3,519	33,966
Total selling, general and administrative expenses	12,005	11,574	109,584
Operating income (Note 6)	1,057	835	9,648
OTHER INCOME (EXPENSES):			
Interest and dividend income	312	282	2,848
Interest expenses	(113)	(90)	(1,031)
Gain on sales of goods	190	192	1,734
Rent income (expenses) on facilities	37	83	337
Dividend income of insurance	155	172	1,414
Foreign exchange losses	(24)	-	(219)
Gain on sales of investment securities	820	344	7,485
Share of loss (profit) of entities accounted for using equity method	(44)	(36)	(401)
Reversal of provision for dismantling of non-current assets	585	-	5,340
Loss on sales and retirement of non-current assets	(413)	(460)	(3,769)
Loss on valuation of investment securities	(69)	(71)	(629)
Provision for environmental measures	(588)	-	(5,367)
Syndicated loan fee	(2)	(55)	(18)
Other—net	26	(41)	237
Other income—net	871	318	7,950
INCOME BEFORE INCOME TAXES	1,929	1,154	17,608
INCOME TAXES	983	545	8,973
NET INCOME	945	609	8,626

NET INCOME (LOSS) ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	<u>(61)</u>	<u>(26)</u>	<u>(556)</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	<u>¥ 1,007</u>	<u>¥ 635</u>	<u>\$ 9,192</u>

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Income

#### Nine-Month Periods Ended December 31, 2019 and 2018 (Unaudited)

	Yen		U.S. Dollars	
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31	
	2019	2018	2019	
PER SHARE OF COMMON STOCK:				
Basic net income (*1)	¥ 116.77	¥ 72.41	\$	1.06
Diluted net income (*1, 2)	-	64.06		-
Cash dividends applicable to the period (*1)	50.00	50.00		0.45

#### Notes:

(\*1) Shares of the Company owned by Trust & Custody Services Bank, Ltd. (trust E account) as a trust property of Board Benefit Trust (“BBT”) are included in treasury stock which is deducted from the calculation of the average number of shares during the period, in order to calculate basic net income per share and diluted net income per share.

The average number of shares of treasury stock deducted during the period was 28,500 shares in calculating the basic net income per share and the diluted net income per share for the Nine-month period ended December 31, 2018 and 57,000 shares in calculating the basic net income per share and the diluted net income per share for the Nine-month period ended December 31, 2019.

(\*2) The diluted net income per share for the Nine-month period ended December 31, 2019, due to the full redemption of ¥5,000 million (\$45,641 thousand) of bonds with stock acquisition rights on December 12, 2019, was not listed as there is no potential stock for the Nine-month period ended December 31, 2019.

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Comprehensive Income Nine-Month Periods Ended December 31, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of
	Nine-Month		U.S. Dollars
	Period Ended		(Note 1)
	December 31		Nine-Month
	2019	2018	Period Ended
			December 31
			2019
NET INCOME	¥ 945	¥ 609	\$ 8,626
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	305	(1,393)	2,784
Foreign currency translation adjustments	(25)	(194)	(228)
Remeasurement of defined benefit plans	14	(0)	127
Share of other comprehensive income in associate accounted for using the equity method	12	(4)	109
Total other comprehensive income (loss)	307	(1,592)	2,802
COMPREHENSIVE INCOME	¥ 1,253	¥ (983)	\$ 11,437
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of parent	¥ 1,314	¥ (955)	\$ 11,994
Non-controlling interests	(61)	(27)	(556)

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Cash Flows

Nine-Month Periods Ended December 31, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2019	2018	2019
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 1,929	¥ 1,154	\$ 17,608
Adjustments for:			
Income taxes paid	(69)	(2,261)	(629)
Depreciation and amortization	4,007	3,692	36,576
Amortization of goodwill	319	148	2,911
(Gain) Loss on sales and retirement of property, plant and equipment	412	457	3,760
(Gain) Loss on sales of investment securities	(820)	(272)	(7,485)
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	420	481	3,833
(Increase) Decrease in inventories	(1,411)	(1,314)	(12,879)
Increase (Decrease) in trade payables	760	(579)	6,937
Increase (Decrease) in liability for retirement benefits	(80)	(126)	(730)
Increase (Decrease) in accrued consumption tax	696	(40)	6,353
Increase (Decrease) in accrued expense	(432)	(185)	(3,943)
Increase (Decrease) in accrued bonuses	(752)	(773)	(6,864)
Increase (Decrease) in provision for dismantling of non-current assets	(585)	-	(5,340)
Increase (Decrease) in provision for environmental measures	579	-	5,285
Other—net	2,004	(43)	18,293
Total adjustments	5,048	(817)	46,079
Net cash provided by operating activities	6,978	336	63,696
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(7,754)	(8,736)	(70,780)
Purchases of intangible assets	(282)	(229)	(2,574)
Proceeds from sales of property, plant and equipment	118	33	1,077
Purchases of investment securities	(14)	(504)	(127)
Proceeds from sales of investment securities	811	197	7,403
Payments for acquisition of businesses	(1,677)	-	(15,308)
Other—net	238	(431)	2,172
Net cash used in investing activities	(8,560)	(9,670)	(78,137)
<b>FORWARD</b>	¥ (1,581)	¥ (9,334)	\$ (14,431)



## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Cash Flows

Nine-Month Periods Ended December 31, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Nine-Month Period Ended December 31		Nine-Month Period Ended December 31
	2019	2018	2019
FORWARD	¥ (1,581)	¥ (9,334)	\$ (14,431)
FINANCING ACTIVITIES:			
Dividends paid	(871)	(881)	(7,950)
Repayments of long-term debt	(432)	(421)	(3,943)
Purchases of treasury stock	(361)	-	(3,295)
Proceeds from long-term debt	8,000	5,000	73,026
Redemption of bonds	(5,000)	-	(45,641)
Other—net	22	(0)	200
Net cash provided by financing activities	<u>1,356</u>	<u>3,696</u>	<u>12,377</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>14</u>	<u>(44)</u>	<u>127</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(210)	(5,681)	(1,916)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>10,432</u>	<u>14,606</u>	<u>95,225</u>
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	7	-	63
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 5)	<u>¥ 10,229</u>	<u>¥ 8,924</u>	<u>\$ 93,372</u>

See notes to interim consolidated financial statements.

# KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

## Notes to Interim Consolidated Financial Statements (Unaudited)

---

### 1. BASIS OF PRESENTING INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying interim consolidated financial statements of KYODO PRINTING CO., LTD. (the “Company”) and its consolidated subsidiaries (together, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accounting standard for quarterly financial statements requires companies to prepare a set of interim consolidated financial statements for each quarter comprised of the consolidated balance sheet as of the current quarter-end and the consolidated statements of income, and comprehensive income, and cash flows for the year-to-date period. A statement of changes in equity is not required.

The interim consolidated statements of changes in equity are not presented herein.

In preparing these interim consolidated financial statements, certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109.55 to \$1, the approximate rate of exchange as of December 30, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen except for per share data. U.S. dollar figures are translated from millions of yen and rounded down to the nearest thousand dollars except for per share data.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2019, with certain simplified methods, except for the policy specifically allowed and adopted for interim accounting periods described below.

- a. Scope of Consolidation*—Kyodo Blow Bottle Co., Ltd. has been newly included in the scope of consolidation from the Three-month period ended June 30, 2019 since it was newly established. In addition, the company changed its trade name to Kyodo Kureha Blow Bottle Co., Ltd. on October 1, 2019. Masukachi Inc., which was previously a non-consolidated subsidiary accounted for by the equity method, has been included in the scope of consolidation from the Nine-month period ended December 31, 2019 due to its increased importance. BioNet Laboratory Inc., due to the sale of some shares held by the Company, is excluded from the scope of application of the equity method as of the end of the Six-month period ended September 30, 2019.
- b. Tax Expense*—Tax expense for interim period is measured by applying a reasonably estimated effective tax rate for this fiscal year as adjusted after tax effect accounting to income before income taxes for the interim period.

### 3. ADDITIONAL INFORMATION

Based on a resolution at the 138th annual shareholders’ meeting held on June 28, 2018, the Company introduced a Board Benefit Trust (“BBT”) as a performance-linked stock compensation plan (the “Plan”) for directors and executive officers of the Company and directors with titles of certain subsidiaries (“Directors, etc.”).

The Company adopted the gross method as to the accounting treatment of the trust in line with the “Practical

Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts''  
(Accounting Standards Board of Japan, Practical Issues Task Force No. 30, March 26, 2015).

(1) Overview of the transaction

Under the Plan, the Company will acquire the Company's stock through a trust using the money entrusted by the Company. The Company's stock and/or money equivalent to their fair conversion value will be delivered to Directors, etc. through the trust based on the attainment of performance targets and other indicators in accordance with the internal rules on stock distribution to officers established by the Company and certain subsidiaries. Directors, etc. are eligible to receive the Company's stock, etc. in principle, when they retire.

(2) The remaining balance of the Company's own stock in the trust

The Company records the balance of the Company's stock remaining in the trust as treasury stock in the net assets section at the carrying amount (excluding the amount of ancillary expenses) in the trust. The carrying amount and the number of shares of such treasury stock was ¥164 million (\$1,497 thousand) and 57,000 shares, respectively, as of December 31, 2019 and March 31, 2019.

#### 4. TRADE NOTES AND OTHERS

Notes maturing at the end of the period are settled on their clearance dates. As the balance sheet dates of the Nine-month period ended December 31, 2019 and the year ended March 31, 2019 were bank holidays, the following amounts of notes matured on the balance sheet date were included in the balance of trade notes as of December 31, 2019 and March 31, 2019:

	Millions of Yen		Thousands of
	December 31, 2019	March 31, 2019	U.S. Dollars December 31, 2019
Trade notes receivable	¥ 400	¥ 483	\$ 3,651
Trade notes payable	55	55	502
Other (notes payable - facilities)	-	2	-

#### 5. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents as of December 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of
	December 31, 2019	December 31, 2018	U.S. Dollars December 31, 2019
Cash and time deposits	¥ 10,297	¥ 9,257	\$ 93,993
Time deposits exceeding three months to maturity	(67)	(332)	(611)
Cash and cash equivalents	<u>¥ 10,229</u>	<u>¥ 8,924</u>	<u>\$ 93,372</u>

## 6. SEGMENT INFORMATION

### *Information about Sales and Profit (Loss)*

<u>December 31, 2019</u>	Millions of Yen			
	Reportable Segment			
	Information Communication	Information Security	Living and Industrial Materials	Total
Sales to external customers	¥ 29,779	¥ 23,580	¥ 19,685	¥ 73,046
Intersegment sales or transfers	1,249	625	302	2,177
<b>Total</b>	<b>¥ 31,029</b>	<b>¥ 24,206</b>	<b>¥ 19,988</b>	<b>¥ 75,223</b>
Segment profit (loss)	¥ (35)	¥ 1,054	¥ (176)	¥ 842

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated Statements of Income (*3)
	Sales:			
Sales to external customers	¥ 1,999	¥ 75,045	¥ -	¥ 75,045
Intersegment sales or transfers	6,248	8,426	(8,426)	-
<b>Total</b>	<b>¥ 8,248</b>	<b>¥ 83,471</b>	<b>¥ (8,426)</b>	<b>¥ 75,045</b>
Segment profit (loss)	¥ 213	¥ 1,055	¥ 1	¥ 1,057

<u>December 31, 2018</u>	Millions of Yen			
	Reportable Segment			
	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 28,589	¥ 22,903	¥ 18,893	¥ 70,386
Intersegment sales or transfers	1,183	648	309	2,142
<b>Total</b>	<b>¥ 29,773</b>	<b>¥ 23,552</b>	<b>¥ 19,203</b>	<b>¥ 72,529</b>
Segment profit (loss)	¥ (545)	¥ 975	¥ 204	¥ 634

	Millions of Yen			
	Other (*1)	Total	Reconciliations (*2)	Consolidated Statements of Income (*3)
	Sales:			
Sales to external customers	¥ 1,534	¥ 71,920	¥ -	¥ 71,920
Intersegment sales or transfers	6,219	8,362	(8,362)	-
<b>Total</b>	<b>¥ 7,753</b>	<b>¥ 80,283</b>	<b>¥ (8,362)</b>	<b>¥ 71,920</b>
Segment profit (loss)	¥ 241	¥ 875	¥ (39)	¥ 835

	Thousands of U.S. Dollars			
	Reportable Segment			
December 31, 2019	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	\$ 271,830	\$ 215,244	\$ 179,689	\$ 666,782
Intersegment sales or transfers	11,401	5,705	2,756	19,872
Total	<u>\$ 283,240</u>	<u>\$ 220,958</u>	<u>\$ 182,455</u>	<u>\$ 686,654</u>
Segment profit (loss)	\$ (319)	\$ 9,621	\$ (1,606)	\$ 7,685

	Thousands of U.S. Dollars			
	Other (*1)	Total	Reconciliations (*2)	Consolidated Statements of Income (*3)
Sales:				
Sales to external customers	\$ 18,247	\$ 685,029	\$ -	\$ 685,029
Intersegment sales or transfers	57,033	76,914	(76,914)	-
Total	<u>\$ 75,289</u>	<u>\$ 761,944</u>	<u>\$ (76,914)</u>	<u>\$ 685,029</u>
Segment profit (loss)	\$ 1,944	\$ 9,630	\$ 9	\$ 9,648

Notes: (\*1) "Other" refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

(\*2) Reconciliations for segment profit (loss) refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments.

(\*3) Segment profit (loss) is adjusted to the operating income stated in the interim consolidated statements of income.

### ***Information About Impairment Loss on Non-current Assets or Goodwill for Each Reportable Segment***

#### **Significant changes in the amount of goodwill**

In the Information Communication segment, Masukachi Inc., which was previously a non-consolidated subsidiary accounted for by the equity method, has been included in the scope of consolidation from the Nine-month period ended December 31, 2019 due to its increased importance. The increased amount of goodwill associated with the said event was ¥13 million (\$118 thousand) in the Nine-month period ended December 31, 2019.

In the Living and Industrial Materials segment, the segment succeeded the blow bottle business of KUREHA CORPORATION during the Nine-month period ended December 31, 2019. The increased amount of goodwill associated with the said event was ¥1,200 million (\$10,953 thousand) in the Nine-month period ended December 31, 2019.

## 7. BUSINESS COMBINATION, ETC.

### Business combination through acquisition

The Company has succeeded the blow bottle business of KUREHA CORPORATION (“KUREHA”) through company split on November 1, 2019 based on the absorption-type split agreement signed on July 24, 2019.

#### (1) Overview of business combination

##### (a) Name of partner company and details of acquired business

Name of partner company	KUREHA CORPORATION
Business description	Sale and manufacture of blow bottles

##### (b) The main reason for business combination

Under the medium-term management policy, “Challenge toward developing and expanding our strengths as well as reforming our business base so as to achieve sustained growth,” which covers the three years from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2021, the Group positions expansion of the Living and Industrial Materials Division as a priority measure. The purpose of the company split is to take over the business from KUREHA and further enhance the corporate value of the Group as part of measures to broaden the business domain of the Living and Industrial Materials Division.

##### (c) Business combination date

November 1, 2019

##### (d) Legal form of business combination

An absorption-type split with KUREHA as the splitting company and the Company as the succeeding company

##### (e) Name of company after combination

There is no change.

##### (f) Main grounds for deciding the acquirer

Transfer of business for consideration of cash

#### (2) Period of business performance of acquired business included in interim consolidated statements of income for the quarterly consolidated cumulative period

From November 1, 2019 to December 31, 2019

#### (3) Acquisition cost and consideration of the acquired business, and the breakdown thereof

Consideration for acquisition	Cash	¥1,677 million (\$15,308 thousand)
Acquisition cost		¥1,677 million (\$15,308 thousand)

#### (4) Breakdown and amount of major acquisition-related costs

Advisory fees, etc. ¥23 million (\$209 thousand)

#### (5) Amount of goodwill incurred, reason, amortization method and period

##### (a) Amount of goodwill

¥1,200 million (\$10,953 thousand)

##### (b) Reason for goodwill

The extra earning potential expected to be realized through the future business development

##### (c) Amortization method and period

Straight-line amortization over 5 years

(6) Assets and liabilities assumed on the date of the business combination and their major components

Current assets	¥186 million (\$1,697 thousand)
<u>Non-current assets</u>	<u>¥291 million (\$2,656 thousand)</u>
Total assets	¥477 million (\$4,354 thousand)

No liabilities assumed on the date of the business combination.

**8. SUBSEQUENT EVENT**

**There was no significant subsequent event to be noted.**

*On-Site Inspection by the Japan Fair Trade Commission*

On October 8, 2019, the Company received an on-site inspection from the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act with regard to the bidding of the Japan Pension Service's form creation business. The Company will fully cooperate with the Japan Fair Trade Commission's investigation.

\* \* \* \* \*