

**RAKSUL INC.**  
**Financial Statements**  
**Balance Sheet**  
**As of July 31, 2021 (Unaudited)**

| ASSETS                                     | Thousands of Yen   |                    |
|--|--------------------|--------------------|
|  | 2021               | 2020               |
| <b>CURRENT ASSETS:</b>                     |                    |                    |
| Cash and deposits                          | ¥13,447,522        | ¥15,451,377        |
| Trade notes receivable                     | 23,297             | 22,915             |
| Electronically recorded monetary claims    | 8,085              | 12,452             |
| Trade accounts receivable                  | 2,922,841          | 2,157,262          |
| Supplies                                   | 5,396              | 36,983             |
| Prepaid expenses                           | 348,716            | 188,673            |
| Other current assets                       | 160,856            | 154,246            |
| Allowance for doubtful receivables         | (358)              | (637)              |
| <b>Total current assets</b>                | <b>16,916,358</b>  | <b>18,023,273</b>  |
| <b>NON-CURRENT ASSETS:</b>                 |                    |                    |
| <b>PROPERTY AND EQUIPMENT:</b>             |                    |                    |
| Buildings                                  | 208,031            | 207,716            |
| Accumulated depreciation                   | (79,530)           | (62,411)           |
| Buildings, net                             | 128,500            | 145,305            |
| Machinery and equipment                    | 751,336            | 751,336            |
| Accumulated depreciation                   | (447,985)          | (372,851)          |
| Machinery and equipment, net               | 303,350            | 378,484            |
| Tools, furniture and fixtures              | 79,489             | 72,003             |
| Accumulated depreciation                   | (54,436)           | (41,802)           |
| Tools, furniture and fixtures, net         | 25,052             | 30,200             |
| <b>Total property and equipment</b>        | <b>456,904</b>     | <b>553,990</b>     |
| <b>INTANGIBLE ASSETS:</b>                  |                    |                    |
| Software                                   | 329,547            | 297,625            |
| Software in progress                       | 40,996             | 47,659             |
| <b>Total intangible assets</b>             | <b>370,543</b>     | <b>345,285</b>     |
| <b>INVESTMENTS AND OTHER ASSETS:</b>       |                    |                    |
| Investments in subsidiaries and associates | 3,447,680          | 31,683             |
| Investment securities                      | 203,384            | 124,256            |
| Long-term prepaid expenses                 | 211,456            | 126,665            |
| Lease and guarantee deposits               | 140,139            | 174,662            |
| Long-term other deposits                   | 12,000             | —                  |
| Deferred tax assets                        | 157,803            | —                  |
| <b>Total investments and other assets</b>  | <b>4,172,464</b>   | <b>457,267</b>     |
| <b>Total non-current assets</b>            | <b>4,999,912</b>   | <b>1,356,543</b>   |
| <b>TOTAL ASSETS</b>                        | <b>¥21,916,271</b> | <b>¥19,379,817</b> |

(Continued)

**RAKSUL INC.**  
**Balance Sheet**  
**As of July 31, 2021 (Unaudited)**

| LIABILITIES AND NET ASSETS                              | Thousands of Yen   |                    |
|---|--------------------|--------------------|
|   | 2021               | 2020               |
| <b>CURRENT LIABILITIES:</b>                             |                    |                    |
| Trade accounts payable                                  | ¥ 2,347,182        | ¥ 1,654,786        |
| Short-term loans payable                                | —                  | 40,000             |
| Current portion of long-term loans payable              | 1,287,220          | —                  |
| Other payables  | 771,949            | 500,595            |
| Income taxes payable                                    | 164,905            | 30,902             |
| Consumption taxes payable                               | 258,286            | 63,715             |
| Advances received                                       | 121,497            | 70,473             |
| Other current liabilities                               | 117,231            | 45,273             |
| <b>Total current liabilities</b>                        | <b>5,068,273</b>   | <b>2,405,745</b>   |
| <b>LONG-TERM LIABILITIES:</b>                           |                    |                    |
| Convertible bonds                                       | 5,033,333          | 5,043,333          |
| Long-term loans payable                                 | 3,712,780          | 5,000,000          |
| Asset retirement obligations                            | 105,280            | 104,495            |
| Deferred tax liabilities                                | —                  | 24,714             |
| <b>Total long-term liabilities</b>                      | <b>8,851,393</b>   | <b>10,172,543</b>  |
| <b>Total liabilities</b>                                | <b>13,919,667</b>  | <b>12,578,288</b>  |
| <b>NET ASSETS:</b>                                      |                    |                    |
| <b>SHAREHOLDERS' EQUITY:</b>                            |                    |                    |
| Capital stock   | 2,452,848          | 2,152,347          |
| Capital surplus—additional paid-in capital              | 5,260,187          | 4,959,686          |
| Retained earnings (Accumulated deficit)                 | (249,073)          | (409,078)          |
| Treasury stock  | (485)              | (249)              |
| <b>Total shareholders' equity</b>                       | <b>7,463,476</b>   | <b>6,702,705</b>   |
| <b>VALUATION AND TRANSLATION DIFFERENCES:</b>           |                    |                    |
| Unrealized gain (loss) on available-for-sale securities | 3,640              | (10,542)           |
| <b>Total valuation and translation differences</b>      | <b>3,640</b>       | <b>(10,542)</b>    |
| <b>STOCK ACQUISITION RIGHTS</b>                         | <b>529,487</b>     | <b>109,364</b>     |
| <b>Total net assets</b>                                 | <b>7,996,604</b>   | <b>6,801,528</b>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                 | <b>¥21,916,271</b> | <b>¥19,379,817</b> |

(Concluded)

See notes to financial statements.

**RAKSUL INC.****Statement of Income****For the Year Ended July 31, 2021 (Unaudited)**

|  | Thousands of Yen  |                    |
|--|-------------------|--------------------|
|  | <u>2021</u>       | <u>2020</u>        |
| NET SALES  | ¥30,261,212       | ¥ 21,494,598       |
| COST OF SALES                                      | <u>23,109,405</u> | <u>16,566,457</u>  |
| Gross profit                                       | 7,151,807         | 4,928,140          |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES       | <u>6,931,251</u>  | <u>5,172,422</u>   |
| Operating income (loss)                            | <u>220,555</u>    | <u>(244,281)</u>   |
| NON-OPERATING INCOME:                              |                   |                    |
| Interest income                                    | 10,169            | 6,886              |
| Dividend income                                    | —                 | 780                |
| Other  | <u>10,011</u>     | <u>5,835</u>       |
| Total non-operating income                         | <u>20,181</u>     | <u>13,502</u>      |
| NON-OPERATING EXPENSES:                            |                   |                    |
| Interest expenses                                  | 32,989            | 29,193             |
| Bond issuance cost                                 | —                 | 59,414             |
| Loss on investments in investment partnerships     | 4,226             | 3,451              |
| Listing-related cost                               | —                 | 9,111              |
| Office relocation cost                             | —                 | 21,527             |
| Loss on extinguishment of stock-based compensation | 64,469            | —                  |
| Other  | <u>9,009</u>      | <u>14,951</u>      |
| Total non-operating expenses                       | <u>110,694</u>    | <u>137,649</u>     |
| ORDINARY INCOME (LOSS)                             | <u>130,041</u>    | <u>(368,429)</u>   |
| SPECIAL LOSSES:                                    |                   |                    |
| Loss on disposal of non-current assets             | 7,960             | 20,292             |
| Loss on write-down of investments in subsidiaries  | <u>16,741</u>     | <u>—</u>           |
| Total special losses                               | <u>24,702</u>     | <u>20,292</u>      |
| PROFIT (LOSS) BEFORE INCOME TAXES                  | <u>105,339</u>    | <u>(388,722)</u>   |
| INCOME TAXES:                                      |                   |                    |
| Current  | 129,458           | 6,383              |
| Deferred   | <u>(184,123)</u>  | <u>99,029</u>      |
| Total income taxes                                 | <u>(54,665)</u>   | <u>105,413</u>     |
| NET PROFIT (LOSS)                                  | <u>¥ 160,005</u>  | <u>¥ (494,135)</u> |

See notes to financial statements.

**RAKSUL INC.**
**Statement of Changes in Net Assets**
**For the Year Ended July 31, 2021 (Unaudited)**

|                                   | Thousands of Yen     |   |   |                |                            |  |                          |                  |
|-----------------------------------|----------------------|---|---|----------------|----------------------------|--|--------------------------|------------------|
|                                   | Shareholders' Equity |   |   |                |                            | Valuation and Translation Differences<br>Unrealized Gain (Loss) on Available-for-Sale Securities | Stock Acquisition Rights | Total Net Assets |
|                                   | Capital Stock        | Capital Surplus<br>Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Treasury Stock | Total Shareholders' Equity |  |                          |                  |
| BALANCE at AUGUST 1, 2019         | ¥ 1,958,453          | ¥ 4,765,791                                   | ¥ 85,057                                | ¥ (101)        | ¥ 6,809,201                | ¥ (284)  | ¥ 854                    | ¥ 6,809,770      |
| Issuance of new shares            | 193,894              | 193,894                                       | —                                       | —              | 387,789                    | —  | —                        | 387,789          |
| Net loss                          | —                    | —   | (494,135)                               | —              | (494,135)                  | —  | —                        | (494,135)        |
| Purchase of treasury stock        | —                    | —   | —                                       | (148)          | (148)                      | —  | —                        | (148)            |
| Other change during the year, net | —                    | —   | —                                       | —              | —                          | (10,257)   | 108,510                  | 98,252           |
| BALANCE at JULY 31, 2020          | ¥ 2,152,347          | ¥ 4,959,686                                   | ¥ (409,078)                             | ¥ (249)        | ¥ 6,702,705                | ¥ (10,542)   | ¥ 109,364                | ¥ 6,801,528      |
| Issuance of new shares            | 300,500              | 300,500                                       | —                                       | —              | 601,001                    | —  | —                        | 601,001          |
| Net profit                        | —                    | —   | 160,005                                 | —              | 160,005                    | —  | —                        | 160,005          |
| Purchase of treasury stock        | —                    | —   | —                                       | (236)          | (236)                      | —  | —                        | (236)            |
| Other change during the year, net | —                    | —   | —                                       | —              | —                          | 14,182   | 420,122                  | 434,305          |
| BALANCE at JULY 31, 2021          | ¥ 2,452,848          | ¥ 5,260,187                                   | ¥ (249,073)                             | ¥ (485)        | ¥ 7,463,476                | ¥ 3,640  | ¥ 529,487                | ¥ 7,996,604      |

See notes to financial statements.

**RAKSUL INC.****Statement of Cash Flows****For the Year Ended July 31, 2021 (Unaudited)**

|  | Thousands of Yen     |                    |
|--|----------------------|--------------------|
|  | <u>2021</u>          | <u>2020</u>        |
| OPERATING ACTIVITIES:  |                      |                    |
| Profit (loss) before income taxes                                | ¥ 105,339            | ¥ (388,722)        |
| Depreciation and amortization                                    | 197,467              | 170,989            |
| Stock compensation expenses                                      | 612,675              | 84,493             |
| Loss on write-down of investments in subsidiaries and associates | 16,741               | —                  |
| Loss (gain) on investments in investment partnerships            | 4,226                | 3,451              |
| Increase (decrease) in allowance for doubtful receivables        | (278)                | 523                |
| Interest and dividend income                                     | (10,169)             | (7,666)            |
| Interest expenses  | 32,989               | 29,193             |
| Bond issuance cost   | —                    | 59,414             |
| Loss on disposal of non-current assets                           | 7,960                | 20,292             |
| Decrease (increase) in trade notes and accounts receivable       | (761,595)            | (282,423)          |
| Increase (decrease) in trade accounts payable                    | 692,396              | 196,293            |
| Increase (decrease) in other payables                            | 275,103              | 162,470            |
| Increase (decrease) in consumption taxes payable                 | 194,571              | 10,158             |
| Other—net  | <u>230,678</u>       | <u>(123,225)</u>   |
| Subtotal   | 1,598,106            | (64,756)           |
| Interest and dividends received                                  | 169                  | 999                |
| Interest paid  | (28,340)             | (27,221)           |
| Income taxes paid  | (40,128)             | (35,259)           |
| Income taxes refunded  | <u>9,655</u>         | <u>—</u>           |
| Net cash provided by (used in) operating activities              | <u>1,539,463</u>     | <u>(126,238)</u>   |
| INVESTING ACTIVITIES:  |                      |                    |
| Purchases of property and equipment                              | (12,066)             | (26,935)           |
| Purchases of intangible assets                                   | (129,215)            | (224,463)          |
| Payments for guarantee deposits                                  | —                    | (2,599)            |
| Proceeds from collection of guarantee deposits                   | 1,785                | 11,815             |
| Proceeds from collection of lease deposits                       | 31,731               | —                  |
| Purchases of investment securities                               | (61,959)             | (9,784)            |
| Payments for investments in subsidiaries                         | (3,432,738)          | (31,683)           |
| Payments for short-term loans receivable                         | (10,300)             | (47,500)           |
| Proceeds from collection of short-term loans receivable          | 10,300               | 47,500             |
| Payments into long-term other deposits                           | <u>(16,000)</u>      | <u>—</u>           |
| Net cash provided by (used in) investing activities              | <u>¥ (3,618,463)</u> | <u>¥ (283,651)</u> |

(Continued)

**RAKSUL INC.****Statement of Cash Flows****For the Year Ended July 31, 2021 (Unaudited)**

|  | Thousands of Yen   |                     |
|--|--------------------|---------------------|
|  | <u>2021</u>        | <u>2020</u>         |
| FINANCING ACTIVITIES:  |                    |                     |
| Net decrease in short-term loans payable                                   | ¥ (40,000)         | ¥ (140,000)         |
| Proceeds from long-term loans payable                                      | —                  | 5,000,000           |
| Repayments of long-term loans payable                                      | —                  | (91,430)            |
| Proceeds from issuance of shares upon exercise of stock acquisition rights | 115,381            | 112,718             |
| Proceeds from issuance of stock acquisition rights                         | —                  | 84,700              |
| Purchase of treasury stock   | (236)              | (148)               |
| Proceeds from issuance of convertible bonds                                | —                  | 4,990,585           |
|  | <u>75,145</u>      | <u>9,956,425</u>    |
| Net cash provided by (used in) financing activities                        | <u>75,145</u>      | <u>9,956,425</u>    |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                       | (2,003,854)        | 9,546,536           |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR                         | <u>15,451,377</u>  | <u>5,904,840</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR                               | <u>¥13,447,522</u> | <u>¥ 15,451,377</u> |
|  |                    | (Concluded)         |

See notes to financial statements.

## **RAKSUL INC.**

### **Notes to Financial Statements**

**For the Year Ended July 31, 2021 (Unaudited)**

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#### **1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The accompanying financial statements of RAKSUL INC. ("the Company") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"), and are compiled from the financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Under Japanese GAAP, in principle, subsidiaries are required to be consolidated. However, any insignificant subsidiaries which are not material in terms of their effect on total assets, net sales, net profit, and retained earnings in both qualitative and quantitative respects on a consolidated basis may be excluded from the scope of consolidation. Because the Company did not have any significant subsidiaries as of July 31, 2021 and 2020, the Company does not prepare consolidated financial statements.

Amounts less than one thousand yen have been rounded down to the nearest thousand yen in the presentation of the accompanying financial statements. As a result, the totals in yen do not necessarily agree with the sum of the individual amounts.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Investment securities**

(1) Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost determined by the moving-average method.

(2) Available-for-sale securities:

(a) Available-for-sale securities whose fair values are readily determinable are stated at fair value based on the quoted market price as of the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly as a separate component of net assets, and cost of securities sold is determined by the moving-average method.

(b) Available-for-sale securities whose fair values are not readily determinable are stated at cost determined by the moving-average method.

##### **2. Inventories**

Inventories are stated at the lower of cost or net realizable value, cost being determined by the gross average method.

##### **3. Depreciation and amortization**

(1) Property and equipment

Depreciation of property and equipment is calculated by the declining-balance method based on the estimated useful lives and the residual value determined by the Company, except for buildings acquired on or after April 1, 2016, which are depreciated by the straight-line method. The estimated useful lives of the assets are as follows:

|                               |               |
|-------------------------------|---------------|
| Buildings                     | 6 to 18 years |
| Machinery and equipment       | 10 years      |
| Tools, furniture and fixtures | 2 to 15 years |

(2) Intangible assets

Intangible assets are amortized by the straight-line method. The estimated useful life of the assets is as follows:

Software for internal use      5 years

**4. Provisions and allowances**

Allowance for doubtful receivables—The allowance for doubtful receivables is provided for possible losses on customer defaults and is stated at the amount considered to be appropriate based on the Company's credit loss experience and an evaluation of potential losses for specific receivables outstanding.

**5. Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows consist of cash on hand, bank deposits that can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased that can easily be converted to cash and are subject to little risk of change in value.

**6. Other significant items**

(1) Bond issuance cost

Bond issuance cost is charged to income as incurred.

(2) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

**3. SIGNIFICANT ACCOUNTING ESTIMATES**

**1. Measurement of investments in subsidiaries and associates**

(1) Balance as of the current fiscal year-end

|                   | <u>Thousands of Yen</u> |           |
|-------------------|-------------------------|-----------|
|                   | <u>2021</u>             |           |
| Peraichi, Inc.    | ¥                       | 1,387,882 |
| DANBALL ONE, Inc. |                         | 2,003,495 |

(2) Details of accounting estimates

(a) Measurement method

Investments in subsidiaries and associates are stated at cost determined by the moving-average method. Since both Peraichi, Inc. and DANBALL ONE, Inc. develop their businesses in the EC market and are expected to increase their corporate value in the future, the acquisition costs reflect the excess earning power based on the business plans at the time of stock acquisition. In assessing whether the excess earning power is maintained as of the balance sheet date, the Company comprehensively evaluates the status of achievement of business plans, market environment and other factors.

(b) Significant assumptions

The significant assumptions regarding the estimate of business plans are sales growth rate and gross profit margin. These assumptions are determined by considering the actual results in prior years and the market environment.

(c) Possible effect on the financial statements for the following fiscal year

Since the significant assumptions involve uncertainties in the estimates, valuation losses may be recorded when it is considered that the excess earning power is impaired due to significant changes.



## 2. Recoverability of deferred tax assets

### (1) Balance as of the current fiscal year-end

The balance as of the current fiscal year-end is disclosed in Note 13, Tax Effect Accounting.

### (2) Details of accounting estimates

#### (a) Measurement method

The recoverability of deferred tax assets recognized for deductible temporary differences and tax loss carry forwards is determined based on the estimated taxable income according to the future profitability.

#### (b) Significant assumptions

The estimated taxable income according to the future profitability is based on the future business plans. The significant assumptions used in formulating the business plans are sales growth rate and gross profit margin. These assumptions are determined by considering the actual results in prior years and the market environment. The Company has assumed that a certain level of decline in demand due to the COVID-19 pandemic will continue in the following fiscal year.

#### (c) Possible effect on the financial statements for the following fiscal year

These accounting estimates may be affected by the timing of when the COVID-19 pandemic will subside and changes in the future economic conditions that are uncertain. If the actual profit as well as the amount and timing of taxable income are different from the estimates, it may significantly affect the amount of deferred tax assets in the financial statements for the following fiscal year.

## 4. ACCOUNTING STANDARD ISSUED BUT NOT YET APPLIED

***"Accounting Standard for Revenue Recognition" (Statement No. 29, issued by the Accounting Standards Board of Japan ("ASBJ") on March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 26, 2021)***

### (1) Outline of the standard

The International Accounting Standards Board (the "IASB") and the Financial Accounting Standards Board (the "FASB") jointly developed a comprehensive accounting standard for revenue recognition, and issued "Revenue from Contracts with Customers" (IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. Considering that the application of IFRS 15 is effective from fiscal years beginning on or after January 1, 2018 and the application of Topic 606 is effective from fiscal years beginning after December 15, 2017, a comprehensive accounting standard for revenue recognition was developed by the ASBJ and issued together with its implementation guidance.

The basic policy in developing the accounting standard for revenue recognition by the ASBJ was to incorporate the basic principles of IFRS 15 as a starting point, from the viewpoint of comparability between financial statements, one of the benefits of consistency with IFRS 15. In addition, alternative accounting treatments are provided for common business practices in Japan to the extent that they do not impair comparability.

### (2) Scheduled date of application

The Company expects to apply the accounting standard and implementation guidance from the beginning of the fiscal year ending July 31, 2022.

### (3) Impact of the application of the accounting standard and implementation guidance

The Company is currently evaluating the effect of the application of this accounting standard and implementation guidance on the Company's financial statements.

***"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019), "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 4, 2019), "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on July 4, 2019), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on July 4, 2019), and "Implementation Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 31, 2020).***

(1) Outline of the standard

With regard to fair value measurement, the IASB and FASB have issued IFRS 13 "Fair Value Measurement" and Topic 820 "Fair Value Measurement," respectively, which are almost identical. Given the situation, the ASBJ developed and issued "Accounting Standard for Fair Value Measurement" and other standards together with their implementation guidance to ensure the consistency with other accounting standards as to accounting treatments and disclosure requirements about fair value measurement of financial instruments and other assets.

The basic policy in developing the accounting standards for fair value measurement by the ASBJ was to incorporate the principles of IFRS 13 to ensure the comparability between financial statements. In addition, alternative accounting treatments are provided for common business practices in Japan to the extent that they do not impair comparability.

(2) Scheduled date of application

The Company expects to apply the accounting standards and implementation guidance from the beginning of the fiscal year ending July 31, 2022.

(3) Impact of the application of the accounting standard and implementation guidance

The Company is currently evaluating the effect of the application of these accounting standards and implementation guidance on the Company's financial statements.

## **5. CHANGES IN PRESENTATION**

### ***Statement of Cash Flows***

Increase (decrease) in consumption taxes payable, which was included in other—net in cash flows from operating activities in the prior-year statement of cash flows, has been reclassified and presented separately in the current-year statement of cash flows due to increased materiality. As a result, other—net of ¥(113,067) thousand in the prior-year statement of cash flows has been reclassified to increase (decrease) in consumption taxes payable of ¥10,158 thousand and other-net of ¥(123,225) thousand in the current-year statement of cash flows.

### ***Application of Accounting Standard for Disclosure of Accounting Estimates***

The Company applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued on March 31, 2020) starting from the financial statements as of July 31, 2021 and has disclosed information regarding significant accounting estimates. Comparative information for the year ended July 31, 2020 has not been disclosed in accordance with the transitional provisions set forth in Article 11 of the aforementioned standard.

## 6. NOTES TO STATEMENT OF INCOME

The details of cost of sales for the years ended July 31, 2021 and 2020 are as follows:

|                                  | 2021               |                       | 2020                |                       |
|----------------------------------|--------------------|-----------------------|---------------------|-----------------------|
|                                  | Thousands of Yen   | Composition Ratio (%) | Thousands of Yen    | Composition Ratio (%) |
| PURCHASES                        | ¥20,131,719        | 87.1                  | ¥ 14,198,628        | 85.7                  |
| LABOR COSTS                      | 312,583            | 1.4                   | 211,911             | 1.3                   |
| UTILITIES AND OTHER COSTS (Note) | <u>2,665,103</u>   | 11.5                  | <u>2,155,918</u>    | 13.0                  |
| COST OF SALES                    | <u>¥23,109,405</u> | 100.0                 | <u>¥ 16,566,457</u> | 100.0                 |

Cost is determined by the specific cost method based on the actual costs incurred.

Note: The major components of utilities and other costs are as follows:

|                               | Thousands of Yen |             |
|-------------------------------|------------------|-------------|
|                               | 2021             | 2020        |
| Freight                       | ¥ 2,493,294      | ¥ 1,995,898 |
| Outsourcing                   | 63,499           | 50,249      |
| Depreciation and amortization | 75,772           | 75,619      |

Of selling, general and administrative expenses for the years ended July 31, 2021 and 2020, 36% and 39%, respectively, were attributable to selling expenses; the remaining 64% and 61%, respectively, were attributable to general and administrative expenses. The major components of selling, general and administrative expenses are as follows:

|   | Thousands of Yen |             |
|---|------------------|-------------|
|   | 2021             | 2020        |
| Salaries and wages                              | ¥ 2,516,280      | ¥ 1,590,841 |
| Advertising                                     | 1,956,614        | 1,572,467   |
| Provision of allowance for doubtful receivables | (278)            | 655         |
| Depreciation and amortization                   | 121,695          | 94,591      |
| Outsourcing expenses                            | 777,193          | 404,674     |

The details of loss on disposal of non-current assets for the years ended July 31, 2021 and 2020 are as follows:

|                               | Thousands of Yen |                 |
|-------------------------------|------------------|-----------------|
|                               | 2021             | 2020            |
| Buildings                     | ¥ —              | ¥ 19,385        |
| Tools, furniture and fixtures | —                | 906             |
| Software                      | <u>7,960</u>     | <u>—</u>        |
| Total                         | <u>¥ 7,960</u>   | <u>¥ 20,292</u> |

## 7. NOTES TO STATEMENT OF CHANGES IN NET ASSETS

*For the year ended July 31, 2021*

### 1. Type and number of issued shares and treasury stock

|                       | Shares            |                |          | July 31,<br>2021  |
|-----------------------|-------------------|----------------|----------|-------------------|
|                       | August 1,<br>2020 | Increase       | Decrease |                   |
| Issued shares         |                   |                |          |                   |
| Common stock (Note 1) | 28,270,090        | 459,130        | —        | 28,729,220        |
| Total                 | <u>28,270,090</u> | <u>459,130</u> | <u>—</u> | <u>28,729,220</u> |
| Treasury stock        |                   |                |          |                   |
| Common stock (Note 2) | 1,171             | 11,009         | —        | 12,180            |
| Total                 | <u>1,171</u>      | <u>11,009</u>  | <u>—</u> | <u>12,180</u>     |

- Notes:
1. The increase of 459,130 shares represents the issuance of new shares due to exercise of stock acquisition rights and issuance of restricted shares in the course of the Company's restricted stock compensation program.
  2. The increase of 11,009 shares of treasury stock represents the purchases of less than one trading unit and forfeitures of restricted stock in the course of the Company's restricted stock compensation program.

### 2. Stock acquisition rights as stock options of the Company

|  | Number of Shares to be Issued upon<br>Exercise of Stock Options (shares) |          |          | Thousands<br>of Yen |
|--|--|----------|----------|---------------------|
|  | August 1,<br>2020  | Increase | Decrease |                     |
| Stock Acquisition<br>Rights<br>Stock options<br>of the Company | —  | —        | —        | ¥ 529,487           |
| Total  | <u>—</u>   | <u>—</u> | <u>—</u> | <u>¥ 529,487</u>    |

### 3. Dividends

Not applicable.

*For the year ended July 31, 2020*

### 1. Type and number of issued shares and treasury stock

|                       | Shares            |          |          | July 31,<br>2020 |
|-----------------------|-------------------|----------|----------|------------------|
|                       | August 1,<br>2019 | Increase | Decrease |                  |
| Issued shares         |                   |          |          |                  |
| Common stock (Note 1) | 27,805,200        | 464,890  | —        | 28,270,090       |
| Total                 | 27,805,200        | 464,890  | —        | 28,270,090       |
| Treasury stock        |                   |          |          |                  |
| Common stock (Note 2) | 32                | 1,139    | —        | 1,171            |
| Total                 | 32                | 1,139    | —        | 1,171            |

Notes: 1. The increase of 464,890 shares represents the issuance of new shares due to exercise of stock acquisition rights and issuance of restricted shares in the course of the Company's restricted stock compensation program.

2. The increase of 1,139 shares of treasury stock represents the purchases of less than one trading unit and forfeitures of restricted stock in the course of the Company's restricted stock compensation program.

### 2. Stock acquisition rights as stock options of the Company

|  | Number of Shares to be Issued upon<br>Exercise of Stock Options (shares) |          |          | Thousands<br>of Yen |
|--|--|----------|----------|---------------------|
|  | August 1,<br>2019  | Increase | Decrease |                     |
| Stock Acquisition<br>Rights<br>Stock options<br>of the Company | —  | —        | —        | ¥ 109,364           |
| Total  | —  | —        | —        | ¥ 109,364           |

### 3. Dividends

Not applicable.

### 8. NOTES TO STATEMENT OF CASH FLOWS

A reconciliation between cash and cash equivalents in the statement of cash flows and cash and deposits disclosed in the balance sheet is as follows:

|                           | Thousands of Yen |              |
|---------------------------|------------------|--------------|
|                           | 2021             | 2020         |
| Cash and deposits         | ¥ 13,447,522     | ¥ 15,451,377 |
| Adjustments               | —                | —            |
| Cash and cash equivalents | ¥ 13,447,522     | ¥ 15,451,377 |

## 9. LEASES

The minimum rental commitments under noncancelable operating leases as of July 31, 2021 and 2020 were as follows:

|                   | Thousands of Yen |           |
|-------------------|------------------|-----------|
|                   | 2021             | 2020      |
| Due within a year | ¥ 192,888        | ¥ 192,888 |
| Due after a year  | 55,975           | 248,864   |
| Total             | ¥ 248,864        | ¥ 441,753 |

## 10. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 1. Nature and status of financial instruments

#### (1) Policy for Financial Instruments

The Company raises funds in accordance with its internal capital investment plan. The Company's use of its surplus funds is limited to short-term deposits and other low-risk investments. The Company does not enter into any derivative contracts.

#### (2) Nature and Extent of Risks Arising from Financial Instruments

Trade notes receivable, electronically recorded monetary claims, and trade accounts receivable are exposed to customer credit risks or counterparty credit risks.

Investment securities principally comprise investments in shares related to operating alliances with business partners and investments in an investment partnership, and are subject to market risks and issuers' credit risks.

Lease and guarantee deposits are mainly related to the lease agreement involving the headquarter office and exposed to the counterparty's credit risk. In order to control this risk, the Company evaluates the counterparty's credit status upon entering into the agreement.

Trade accounts payable and other payables are due within a year. Loans payable are utilized for funding working capital and are exposed to liquidity risks.

Certain loans payable have variable interest rates and are exposed to interest rate risk.

Receivables and payables that are denominated in foreign currencies are subject to foreign exchange risks.

#### (3) Risk Management for Financial Instruments

##### *Credit risk management (default risk of counterparties)*

As to trade receivables, in accordance with internal rules of accounting and credit control, the Corporate Administrative Division of the Company controls due dates and balances of individual customers and shares the information of their payment status with the sales divisions to identify and reduce the default risk of the counterparties at an early stage.

##### *Market risk management (foreign exchange and interest rate risk)*

The Company manages the risks associated with loans payable with variable interest rates by periodically monitoring the fluctuation in interest rates. As to foreign exchange risks related to receivables and payables that are denominated in foreign currencies, the Company periodically monitors the foreign exchange rates by currency.

*Liquidity risk management (risk that the Company cannot meet its obligations to make payments on due dates)*

In accordance with its internal profit plan, the Corporate Administrative Division of the Company prepares and updates its cash management plan in a timely manner. The Company also manages liquidity risks by maintaining a certain level of liquidity on hand.

(4) *Supplemental Information Regarding Fair Values of Financial Instruments*

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Such valuation techniques include certain assumptions. Results may differ if different assumptions are used in the valuation.

**2. Fair value of financial instruments**

Financial instruments whose fair values are readily determinable as of July 31, 2021 and 2020 are as follows:

|  | Thousands of Yen   |                    |                           |
|--|--------------------|--------------------|---------------------------|
|  | 2021               |                    |                           |
|  | Carrying<br>Amount | Fair<br>Value      | Unrealized<br>Gain (Loss) |
| <b>Assets:</b>   |                    |                    |                           |
| (1) Cash and deposits                                  | ¥13,447,522        | ¥13,447,522        | ¥ —                       |
| (2) Trade notes receivable                             | 23,297             | 23,297             | —                         |
| (3) Electronically recorded monetary claims            | 8,085              | 8,085              | —                         |
| (4) Trade accounts receivable                          | 2,922,841          | 2,922,841          | —                         |
| (5) Lease and guarantee deposits                       | 140,139            | 140,627            | 488                       |
| (6) Investment securities                              | 29,200             | 29,200             | —                         |
| <b>Total</b>   | <b>¥16,571,087</b> | <b>¥16,571,575</b> | <b>¥ 488</b>              |
| <b>Liabilities:</b>                                    |                    |                    |                           |
| (1) Trade accounts payable                             | ¥ 2,347,182        | ¥ 2,347,182        | ¥ —                       |
| (2) Other payables                                     | 771,949            | 771,949            | —                         |
| (3) Short-term loans payable                           | —                  | —                  | —                         |
| (4) Long-term loans payable, including current portion | 5,000,000          | 4,997,704          | (2,295)                   |
| (5) Convertible bonds                                  | 5,033,333          | 4,992,511          | (40,821)                  |
| <b>Total</b>   | <b>¥13,152,465</b> | <b>¥13,109,348</b> | <b>¥(43,117)</b>          |

|   | Thousands of Yen   |                    |                           |
|---|--------------------|--------------------|---------------------------|
|   | 2020               |                    |                           |
|   | Carrying<br>Amount | Fair<br>Value      | Unrealized<br>Gain (Loss) |
| <b>Assets:</b>                              |                    |                    |                           |
| (1) Cash and deposits                       | ¥15,451,377        | ¥15,451,377        | ¥ —                       |
| (2) Trade notes receivable                  | 22,915             | 22,915             | —                         |
| (3) Electronically recorded monetary claims | 12,452             | 12,452             | —                         |
| (4) Trade accounts receivable               | 2,157,262          | 2,157,262          | —                         |
| (5) Lease and guarantee deposits            | 174,662            | 174,574            | (88)                      |
| (6) Investment securities                   | 16,000             | 16,000             | —                         |
| <b>Total</b>                                | <b>¥17,834,669</b> | <b>¥17,834,581</b> | <b>¥ (88)</b>             |
| <b>Liabilities:</b>                         |                    |                    |                           |
| (1) Trade accounts payable                  | ¥ 1,654,786        | ¥ 1,654,786        | ¥ —                       |
| (2) Other payables                          | 500,595            | 500,595            | —                         |
| (3) Short-term loans payable                | 40,000             | 40,000             | —                         |
| (4) Long-term loans payable                 | 5,000,000          | 5,003,392          | 3,392                     |
| (5) Convertible bonds                       | 5,043,333          | 4,987,458          | (55,875)                  |
| <b>Total</b>                                | <b>¥12,238,715</b> | <b>¥12,186,232</b> | <b>¥(52,483)</b>          |

**Notes: Assets:**

(1) Cash and deposits, (2) trade notes receivable, (3) electronically recorded monetary claims, and (4) trade accounts receivable—As these items are settled in a short period of time and have fair values approximately equal to their carrying amounts, they are stated at their carrying amounts.

(5) Lease and guarantee deposits—Fair values of lease and guarantee deposits are measured at the present value of future cash flows discounted by an appropriate index such as the yield of Japanese government bonds with corresponding maturities grouped based on specific time periods.

(6) Investment securities—Fair values of investment securities are stated at the quoted market price.

**Liabilities:**

(1) Trade accounts payable, (2) other payables, and (3) short-term loans payable—As these items are settled in a short period of time and have fair values approximately equal to their carrying amounts, they are stated at their carrying amounts.

(4) Long-term loans payable (including current portion)—Fair values of long-term loans payable are stated at present value of the total amount of principal and interest discounted by an assumed rate that would be applicable to loan agreements that are newly entered into under the same conditions.

(5) Convertible bonds—Fair values of convertible bonds are stated at present value of the total amount of principal and interest discounted by an assumed rate that would be applicable to convertible bonds that are newly issued under the same conditions.



Financial instruments which do not have quoted market prices and whose fair values are not readily determinable are not included in the table above. The carrying amounts of such financial instruments as of July 31, 2021 and 2020 are as follows:

|  | Thousands of Yen |          |
|--|------------------|----------|
|  | 2021             | 2020     |
| Investments in subsidiaries and associates | ¥ 3,447,680      | ¥ 31,683 |
| Unlisted equity securities                 | 75,304           | 75,304   |
| Investments in an investment partnership   | 98,879           | 32,951   |

### 3. Redemption schedule of receivables

A redemption schedule of receivables as of July 31, 2021 and 2020 is as follows:

|  | Thousands of Yen     |  |  |                       |
|--|----------------------|--|--|-----------------------|
|  | 2021                 |  |  |                       |
|  | Due within<br>1 Year | Due after 1<br>Year through<br>5 Years | Due after 5<br>Years through<br>10 Years | Due after 10<br>Years |
| Cash and deposits                          | ¥ 13,447,522         | ¥ —                                    | ¥ —                                      | ¥ —                   |
| Trade notes receivable                     | 23,297               | —                                      | —  | —                     |
| Electronically recorded<br>monetary claims | 8,085                | —                                      | —  | —                     |
| Trade accounts receivable                  | 2,922,841            | —                                      | —  | —                     |
| Lease and guarantee<br>deposits            | 6,769                | 17,328                                 | —  | 116,041               |
| <b>Total</b>                               | <b>¥ 16,408,517</b>  | <b>¥ 17,328</b>                        | <b>¥ —</b>                               | <b>¥ 116,041</b>      |

|  | Thousands of Yen     |  |  |                       |
|--|----------------------|--|--|-----------------------|
|  | 2020                 |  |  |                       |
|  | Due within<br>1 Year | Due after 1<br>Year through<br>5 Years | Due after 5<br>Years through<br>10 Years | Due after 10<br>Years |
| Cash and deposits                          | ¥ 15,451,377         | ¥ —                                    | ¥ —                                      | ¥ —                   |
| Trade notes receivable                     | 22,915               | —                                      | —  | —                     |
| Electronically recorded<br>monetary claims | 12,452               | —                                      | —  | —                     |
| Trade accounts receivable                  | 2,157,262            | —                                      | —  | —                     |
| Lease and guarantee<br>deposits            | 41,170               | 17,328                                 | —  | 116,163               |
| <b>Total</b>                               | <b>¥ 17,685,117</b>  | <b>¥ 17,328</b>                        | <b>¥ —</b>                               | <b>¥ 116,163</b>      |

#### 4. Repayment schedule of long-term loans payable and convertible bonds

A repayment schedule of long-term loans payable and convertible bonds as of July 31, 2021 and 2020 is as follows:

|                         |          | Thousands of Yen                       |  |  |
|-------------------------|----------|--|--|--|
|                         |          | 2021                                   |  |  |
|                         |          | Due within<br>1 Year                   | Due after 1<br>Year through 2<br>Years | Due after 2<br>Year through 3<br>Years |
| Long-term loans payable | ¥        | 1,287,220                              | 1,582,664                              | 1,582,664                              |
| Convertible bonds       |          | —                                      | —                                      | —                                      |
| <b>Total</b>            | <b>¥</b> | <b>1,287,220</b>                       | <b>1,582,664</b>                       | <b>1,582,664</b>                       |
|                         |          | Thousands of Yen                       |  |  |
|                         |          | 2021                                   |  |  |
|                         |          | Due after 3<br>Year through<br>4 Years | Due after 4<br>Year through 5<br>Years | Due after 5<br>Years                   |
| Long-term loans payable | ¥        | 494,452                                | 78,000                                 | 10,000                                 |
| Convertible bonds       |          | 5,000,000                              | —                                      | —                                      |
| <b>Total</b>            | <b>¥</b> | <b>5,459,452</b>                       | <b>78,000</b>                          | <b>10,000</b>                          |
|                         |          | Thousands of Yen                       |  |  |
|                         |          | 2020                                   |  |  |
|                         |          | Due within<br>1 Year                   | Due after 1<br>Year through 2<br>Years | Due after 2<br>Year through 3<br>Years |
| Long-term loans payable | ¥        | —                                      | 1,287,220                              | 1,582,664                              |
| Convertible bonds       |          | —                                      | —                                      | —                                      |
| <b>Total</b>            | <b>¥</b> | <b>—</b>                               | <b>1,287,220</b>                       | <b>1,582,664</b>                       |
|                         |          | Thousands of Yen                       |  |  |
|                         |          | 2020                                   |  |  |
|                         |          | Due after 3<br>Year through<br>4 Years | Due after 4<br>Year through 5<br>Years | Due after 5<br>Years                   |
| Long-term loans payable | ¥        | 1,582,664                              | 494,452                                | 88,000                                 |
| Convertible bonds       |          | —                                      | 5,000,000                              | —                                      |
| <b>Total</b>            | <b>¥</b> | <b>1,582,664</b>                       | <b>5,459,452</b>                       | <b>88,000</b>                          |

## 11. INVESTMENT SECURITIES

### 1. Investments in subsidiaries and associates

As of July 31, 2021

Because investments in subsidiaries and associates (subsidiaries: ¥56,301 thousand and associates: ¥3,391,378 thousand) did not have a quoted market price and their fair values were not readily determinable, information regarding fair values is not presented.

As of July 31, 2020

Because investments in subsidiaries (¥31,683 thousand) did not have a quoted market price and their fair values were not readily determinable, information regarding fair values is not presented.

### 2. Available-for-sale securities

As of July 31, 2021

(1) Investment securities whose carrying amounts exceed their acquisition costs:

|                            | Thousands of Yen   |                     |                           |
|----------------------------|--------------------|---------------------|---------------------------|
|                            | 2021               |                     |                           |
|                            | Carrying<br>Amount | Acquisition<br>Cost | Unrealized<br>Gain (Loss) |
| Equity securities—Stocks   | ¥ 29,200           | ¥ 24,480            | ¥ 4,720                   |
| Debt securities            |                    |                     |                           |
| Government and local bonds | —                  | —                   | —                         |
| Corporate bonds            | —                  | —                   | —                         |
| Other                      | —                  | —                   | —                         |
| Other securities           | —                  | —                   | —                         |
| Total                      | <u>¥ 29,200</u>    | <u>¥ 24,480</u>     | <u>¥ 4,720</u>            |

(2) Investment securities whose carrying amounts do not exceed their acquisition costs:

Not applicable.

Because unlisted equity securities and investments in an investment partnership of the Company (¥174,184 thousand) did not have quoted market prices and their fair values were not readily determinable, information regarding fair values is not presented.

As of July 31, 2020

(1) Investment securities whose carrying amounts exceed their acquisition costs:

Not applicable.

(2) Investment securities whose carrying amounts do not exceed their acquisition costs:

|                            | Thousands of Yen   |                     |                           |
|----------------------------|--------------------|---------------------|---------------------------|
|                            | 2020               |                     |                           |
|                            | Carrying<br>Amount | Acquisition<br>Cost | Unrealized<br>Gain (Loss) |
| Equity securities—Stocks   | ¥ 16,000           | ¥ 24,480            | ¥ (8,480)                 |
| Debt securities            |                    |                     |                           |
| Government and local bonds | —                  | —                   | —                         |
| Corporate bonds            | —                  | —                   | —                         |
| Other                      | —                  | —                   | —                         |
| Other securities           | —                  | —                   | —                         |
| Total                      | <u>¥ 16,000</u>    | <u>¥ 24,480</u>     | <u>¥ (8,480)</u>          |

Because unlisted equity securities and investments in an investment partnership of the Company (¥108,256 thousand) did not have quoted market prices and their fair values were not readily determinable, information regarding fair values is not presented.

### 3. Write-down of investment securities

The Company recorded ¥16,741 thousand of loss on write-down of investments in subsidiaries for the year ended July 31, 2021. No such loss was recorded for the year ended July 31, 2020.

For investment securities whose fair values are not readily determinable, if the substantial value of such investments significantly declines, the Company recognizes a loss on write-down on investment securities after considering future recoverability.

## 12. STOCK OPTIONS

### 1. Expenses related to stock options

Stock compensation expenses included in selling, general and administrative expenses for the years ended July 31, 2021 and 2020 were ¥420,352 thousand and ¥23,922 thousand, respectively.

## 2. Details of stock options

(1) Stock options that existed during the year ended July 31, 2021 are as follows:

| <u>Stock Options</u> | <u>Grantees</u>                   | <u>Number of Options Granted</u> | <u>Grant Date</u> | <u>Exercise Period</u>                      |
|----------------------|-----------------------------------|----------------------------------|-------------------|---|
| Stock Option #4      | 1 director<br>18 employees        | 583,400 shares                   | November 21, 2014 | From November 22, 2016 to November 21, 2024 |
| Stock Option #4-2    | 3 employees                       | 15,000 shares                    | January 13, 2015  | From January 14, 2017 to January 13, 2025   |
| Stock Option #6      | 1 outside director<br>8 employees | 79,000 shares                    | May 25, 2015      | From May 23, 2017 to May 22, 2025           |
| Stock Option #7      | 1 director<br>3 outside auditors  | 480,000 shares                   | May 25, 2015      | From May 26, 2015 to May 25, 2025           |
| Stock Option #6-2    | 4 employees                       | 56,000 shares                    | August 11, 2015   | From August 12, 2017 to August 11, 2025     |
| Stock Option #6-3    | 15 employees                      | 212,000 shares                   | October 27, 2015  | From October 14, 2017 to October 13, 2025   |
| Stock Option #6-4    | 5 employees                       | 11,000 shares                    | March 9, 2016     | From March 9, 2018 to March 8, 2026         |
| Stock Option #9      | 1 director<br>22 employees        | 273,000 shares                   | October 27, 2016  | From October 28, 2018 to October 27, 2026   |
| Stock Option #9-2    | 5 employees                       | 76,000 shares                    | December 14, 2016 | From December 15, 2018 to December 14, 2026 |
| Stock Option #9-3    | 5 employees                       | 13,000 shares                    | February 8, 2017  | From February 9, 2019 to February 8, 2027   |
| Stock Option #9-4    | 4 employees                       | 7,000 shares                     | April 12, 2017    | From April 13, 2019 to April 12, 2027       |
| Stock Option #9-5    | 1 director                        | 152,000 shares                   | May 17, 2017      | From May 18, 2019 to May 17, 2027           |
| Stock Option #10     | 5 employees                       | 60,000 shares                    | June 30, 2017     | From July 1, 2019 to June 30, 2027          |
| Stock Option #11     | 3 directors<br>5 employees        | 96,000 shares                    | October 27, 2017  | From October 28, 2019 to October 27, 2027   |
| Stock Option #12     | 5 directors<br>6 employees        | 700,000 shares                   | July 3, 2020      | From November 1, 2022 to July 2, 2027       |

Notes: 1. Number of options granted is presented after conversion to number of shares to be issued upon exercise.

2. Number of shares have been restated to reflect a 100-for-1 stock split that was effective February 1, 2018.

3. At the time of exercise, the holder of the stock options shall occupy the position of a director, employee or consultant of the Company or the Company's wholly-owned subsidiary.

4. Stock options of the Company do not have any service-period requirements for vesting.

(2) Stock option activity during the year ended July 31, 2021 is as follows:

|                            | <u>Stock<br/>Option #4</u> | <u>Stock<br/>Option #4-2</u><br>(Number of Shares) | <u>Stock<br/>Option #6</u>   |
|----------------------------|----------------------------|--|------------------------------|
| <u>Non-vested</u>          |                            |  |                              |
| August 1, 2020—Outstanding | —                          | —  | —                            |
| Granted                    | —                          | —  | —                            |
| Forfeited                  | —                          | —  | —                            |
| Vested                     | —                          | —  | —                            |
| July 31, 2021—Outstanding  | —                          | —  | —                            |
| <u>Vested</u>              |                            |  |                              |
| August 1, 2020—Outstanding | 298,900                    | 5,000  | 1,000                        |
| Vested                     | —                          | —  | —                            |
| Exercised                  | 128,100                    | —  | —                            |
| Canceled                   | —                          | —  | —                            |
| July 31, 2021—Outstanding  | 170,800                    | 5,000  | 1,000                        |
|                            | <u>Stock<br/>Option #7</u> | <u>Stock<br/>Option #6-2</u><br>(Number of Shares) | <u>Stock<br/>Option #6-3</u> |
| <u>Non-vested</u>          |                            |  |                              |
| August 1, 2020—Outstanding | —                          | 20,000   | 59,200                       |
| Granted                    | —                          | —  | —                            |
| Forfeited                  | —                          | —  | —                            |
| Vested                     | —                          | 10,000   | 29,600                       |
| July 31, 2021—Outstanding  | —                          | 10,000   | 29,600                       |
| <u>Vested</u>              |                            |  |                              |
| August 1, 2020—Outstanding | 265,000                    | 10,000   | 37,000                       |
| Vested                     | —                          | 10,000   | 29,600                       |
| Exercised                  | 82,000                     | 20,000   | 32,600                       |
| Canceled                   | —                          | —  | —                            |
| July 31, 2021—Outstanding  | 183,000                    | —  | 34,000                       |

|                            | <u>Stock<br/>Option #6-4</u> | <u>Stock<br/>Option #9</u><br>(Number of Shares) | <u>Stock<br/>Option #9-2</u> |
|----------------------------|------------------------------|--|------------------------------|
| <u>Non-vested</u>          |                              |  |                              |
| August 1, 2020—Outstanding | 800                          | 100,800  | 10,800                       |
| Granted                    | —                            | —  | —                            |
| Forfeited                  | —                            | —  | —                            |
| Vested                     | 400                          | 50,400   | 5,400                        |
| July 31, 2021—Outstanding  | 400                          | 50,400   | 5,400                        |

|                            |     |        |        |
|----------------------------|-----|--------|--------|
| <u>Vested</u>              |     |        |        |
| August 1, 2020—Outstanding | 200 | 51,600 | 5,000  |
| Vested                     | 400 | 50,400 | 5,400  |
| Exercised                  | 600 | 37,300 | 400    |
| Canceled                   | —   | —      | —      |
| July 31, 2021—Outstanding  | —   | 64,700 | 10,000 |

|                            | <u>Stock<br/>Option #9-3</u> | <u>Stock<br/>Option #9-4</u><br>(Number of Shares) | <u>Stock<br/>Option #9-5</u> |
|----------------------------|------------------------------|--|------------------------------|
| <u>Non-vested</u>          |                              |  |                              |
| August 1, 2020—Outstanding | 4,800                        | 2,400  | 60,800                       |
| Granted                    | —                            | —  | —                            |
| Forfeited                  | 2,000                        | —  | —                            |
| Vested                     | 1,400                        | 1,200  | 30,400                       |
| July 31, 2021—Outstanding  | 1,400                        | 1,200  | 30,400                       |

|                            |       |       |        |
|----------------------------|-------|-------|--------|
| <u>Vested</u>              |       |       |        |
| August 1, 2020—Outstanding | 1,200 | 3,000 | 91,200 |
| Vested                     | 1,400 | 1,200 | 30,400 |
| Exercised                  | 800   | 700   | 38,300 |
| Canceled                   | —     | —     | —      |
| July 31, 2021—Outstanding  | 1,800 | 3,500 | 83,300 |

|                            | <u>Stock<br/>Option #10</u> | <u>Stock<br/>Option #11</u><br>(Number of Shares) | <u>Stock<br/>Option #12</u> |
|----------------------------|-----------------------------|---|-----------------------------|
| <u>Non-vested</u>          |                             |   |                             |
| August 1, 2020—Outstanding | 22,000                      | 33,600  | 700,000                     |
| Granted                    | —                           | —   | —                           |
| Forfeited                  | —                           | —   | —                           |
| Vested                     | 11,000                      | 16,800  | —                           |
| July 31, 2021—Outstanding  | 11,000                      | 16,800  | 700,000                     |
| <u>Vested</u>              |                             |   |                             |
| August 1, 2020—Outstanding | 13,000                      | 27,400  | —                           |
| Vested                     | 11,000                      | 16,800  | —                           |
| Exercised                  | 9,800                       | 16,600  | —                           |
| Canceled                   | —                           | —   | —                           |
| July 31, 2021—Outstanding  | 14,200                      | 27,600  | —                           |

Notes: 1. Number of options granted is presented after conversion to number of shares to be issued upon exercise.

2. Number of shares have been restated to reflect a 100-for-1 stock split that was effective February 1, 2018.



(3) Price information is as follows:

|                                 | Yen                        |                              |                            |
|---------------------------------|----------------------------|------------------------------|----------------------------|
|                                 | <u>Stock<br/>Option #4</u> | <u>Stock<br/>Option #4-2</u> | <u>Stock<br/>Option #6</u> |
| Exercise price                  | ¥ 313                      | ¥ 313                        | ¥ 313                      |
| Average stock price at exercise | 4,277                      | —                            | —                          |
| Fair value at grant date        | —                          | —                            | —                          |

|                                 | Yen                        |                              |                              |
|---------------------------------|----------------------------|------------------------------|------------------------------|
|                                 | <u>Stock<br/>Option #7</u> | <u>Stock<br/>Option #6-2</u> | <u>Stock<br/>Option #6-3</u> |
| Exercise price                  | ¥ 313                      | ¥ 313                        | ¥ 313                        |
| Average stock price at exercise | 4,889                      | 4,770                        | 4,864                        |
| Fair value at grant date        | —                          | —                            | —                            |

|                                 | Yen                          |                            |                              |
|---------------------------------|------------------------------|----------------------------|------------------------------|
|                                 | <u>Stock<br/>Option #6-4</u> | <u>Stock<br/>Option #9</u> | <u>Stock<br/>Option #9-2</u> |
| Exercise price                  | ¥ 313                        | ¥ 313                      | ¥ 313                        |
| Average stock price at exercise | 4,790                        | 4,797                      | 4,790                        |
| Fair value at grant date        | —                            | —                          | —                            |

|                                 | Yen                          |                              |                              |
|---------------------------------|------------------------------|------------------------------|------------------------------|
|                                 | <u>Stock<br/>Option #9-3</u> | <u>Stock<br/>Option #9-4</u> | <u>Stock<br/>Option #9-5</u> |
| Exercise price                  | ¥ 313                        | ¥ 313                        | ¥ 313                        |
| Average stock price at exercise | 4,790                        | 3,797                        | 3,615                        |
| Fair value at grant date        | —                            | —                            | —                            |

|                                 | Yen                         |                             |                             |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                 | <u>Stock<br/>Option #10</u> | <u>Stock<br/>Option #11</u> | <u>Stock<br/>Option #12</u> |
| Exercise price                  | ¥ 313                       | ¥ 340                       | ¥ 3,180                     |
| Average stock price at exercise | 4,607                       | 4,881                       | —                           |
| Fair value at grant date        | —                           | —                           | 1,488                       |

### 3. Assumptions used to measure fair value of stock options

(1) Because the Company was an unlisted company at the grant date of the stock options #4 through #11, the stock options are measured based on their intrinsic values instead of their market values. The intrinsic value of each stock option is estimated based on the stock price determined under the discounted cash flow method less the amounts to be paid upon exercise of the stock option.

(2) The method and assumptions used to measure the fair value of stock option #12, which was granted during the year ended July 31, 2020 are as follows:

|                              | <u>Stock Option #12</u> |
|------------------------------|-------------------------|
| Volatility of stock price    | 69.23%                  |
| Estimated remaining period   | 4.668 years             |
| Estimated dividend per share | ¥0                      |
| Risk free interest rate      | (0.094)%                |

The method used to estimate the fair value of the above stock options is Black-Scholes option pricing model. Volatility of stock price is based on the historical stock prices of the Company for the period from May 31, 2018 (the Company's listing date) to July 3, 2020. Because it is difficult to reasonably estimate the remaining period of stock options, the estimated remaining periods are determined based on the assumption that all the options are exercised by the median date of the exercise period. The estimated dividend is based on the historical dividend applicable to the year ended July 31, 2019. The risk free interest rate is based on the yield of Japanese government bonds that corresponds to the remaining term of the respective option.

### 4. Estimation of the number of vested stock options

Because it is difficult to reasonably estimate the number of stock options that will expire in the future, the actual number of forfeited stock options is used.

### 5. Total intrinsic value of stock options

The total intrinsic value of the stock options as of July 31, 2021 amounted to ¥5,032,154 thousand.

The total intrinsic value of the stock options exercised during the year ended July 31, 2021, as of the date of exercise, was ¥1,542,123 thousand.

### 13. TAX EFFECT ACCOUNTING

Significant components of deferred tax assets and liabilities as of July 31, 2021 and 2020 are as follows:

|  | Thousands of Yen   |                    |
|--|--------------------|--------------------|
|  | <u>2021</u>        | <u>2020</u>        |
| Deferred tax assets:   |                    |                    |
| Bad debt losses  | ¥ 165              | ¥ 81               |
| Accrued bonuses  | 32,855             | 11,654             |
| Stock compensation expenses                                    | 166,518            | 16,229             |
| Liabilities not yet determined to be deductible                | 544                | 2,700              |
| Lump-sum depreciation  | 2,009              | 2,322              |
| Loss on write-down of investment securities                    | 3,061              | 3,061              |
| Loss on write-down of investments in a subsidiary              | 5,126              | —                  |
| Asset retirement obligations                                   | 36,618             | 35,334             |
| Enterprise tax payable   | 15,314             | 8,023              |
| Tax loss carryforwards   | 1,427,420          | 1,546,183          |
| Other  | <u>5,023</u>       | <u>2,471</u>       |
| Subtotal   | 1,694,659          | 1,628,063          |
| Valuation allowance for tax loss carryforwards                 | (1,305,360)        | (1,546,183)        |
| Valuation allowance for total deductible temporary differences | <u>(207,586)</u>   | <u>(81,880)</u>    |
| Total valuation allowances                                     | <u>(1,512,947)</u> | <u>(1,628,063)</u> |
| Deferred tax assets  | <u>¥ 181,712</u>   | <u>¥ —</u>         |
| Deferred tax liabilities:                                      |                    |                    |
| Unrealized gain on available-for-sale securities               | ¥ (1,606)          | ¥ —                |
| Asset retirement costs   | <u>(22,303)</u>    | <u>(24,714)</u>    |
| Deferred tax liabilities                                       | <u>¥ (23,909)</u>  | <u>¥ (24,714)</u>  |
| Deferred tax assets (liabilities), net                         | <u>¥ 157,803</u>   | <u>¥ (24,714)</u>  |

Tax loss carryforwards as of July 31, 2021 expire as follows:

|                                   | Thousands of Yen                      |                        |                                    |
|-----------------------------------|---------------------------------------|------------------------|------------------------------------|
|                                   | 2021                                  |                        |                                    |
|                                   | Tax Loss<br>Carryforwards<br>(Note 1) | Valuation<br>Allowance | Deferred<br>Tax Assets<br>(Note 2) |
| Due within 1 year                 | ¥ —                                   | ¥ —                    | ¥ —                                |
| Due after 1 year through 2 years  | —                                     | —                      | —                                  |
| Due after 2 years through 3 years | 507,919                               | (385,859)              | 122,060                            |
| Due after 3 years through 4 years | 431,059                               | (431,059)              | —                                  |
| Due after 4 years through 5 years | 360,215                               | (360,215)              | —                                  |
| Due after 5 years                 | 128,226                               | (128,226)              | —                                  |
| <b>Total</b>                      | <b>¥ 1,427,420</b>                    | <b>¥ (1,305,360)</b>   | <b>¥ 122,060</b>                   |

Notes: 1. The amounts above are determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.

2. Deferred tax assets corresponding to a portion of tax loss carryforwards were recognized because future taxable income is expected.

Tax loss carryforwards as of July 31, 2020 expire as follows:

|                                   | Thousands of Yen                    |                        |                        |
|-----------------------------------|-------------------------------------|------------------------|------------------------|
|                                   | 2020                                |                        |                        |
|                                   | Tax Loss<br>Carryforwards<br>(Note) | Valuation<br>Allowance | Deferred<br>Tax Assets |
| Due within 1 year                 | ¥ —                                 | ¥ —                    | ¥ —                    |
| Due after 1 year through 2 years  | —                                   | —                      | —                      |
| Due after 2 years through 3 years | 100,684                             | (100,684)              | —                      |
| Due after 3 years through 4 years | 525,998                             | (525,998)              | —                      |
| Due after 4 years through 5 years | 431,059                             | (431,059)              | —                      |
| Due after 5 years                 | 488,441                             | (488,441)              | —                      |
| <b>Total</b>                      | <b>¥ 1,546,183</b>                  | <b>¥ (1,546,183)</b>   | <b>¥ —</b>             |

Note: The amounts above are determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.

The reconciliation between the effective statutory tax rate and the effective tax rate reflected in the accompanying statement of income for the year ended July 31, 2021 is as follows:

|   |                |
|---|----------------|
|   | <u>2021</u>    |
| Effective statutory tax rate  | 30.6%          |
| Entertainment and other expenses not deductible for income tax purposes | 22.7           |
| Per capita levy of inhabitant tax                                       | 6.0            |
| Change in valuation allowance   | (110.3)        |
| Other—net   | <u>(1.0)</u>   |
| Effective tax rate  | <u>(51.9)%</u> |

The reconciliation for the year ended July 31, 2020 is not presented because the Company recorded a loss before income taxes.

#### 14. PROFIT AND LOSS UNDER THE EQUITY METHOD OF ACCOUNTING

|  | Thousands of Yen |      |
|--|------------------|------|
|  | 2021             | 2020 |
| Investments in associates  | ¥ 3,391,378      | ¥ —  |
| Investments in associates if the equity method had been applied                | 2,784,050        | —    |
| Share of profits (losses) of investments if the equity method had been applied | (607,328)        | —    |

#### 15. ASSET RETIREMENT OBLIGATIONS

##### Asset retirement obligations on the balance sheet

##### (1) Nature of asset retirement obligations

Asset retirement obligations of the Company mainly represent the restoration obligation of the headquarter office under the real estate rental agreement.

##### (2) Assumptions used in computation of asset retirement obligations

|                            |                           |
|----------------------------|---------------------------|
| (a) Estimated useful life: | 13 years from acquisition |
| (b) Discount rate:         | 0.8%                      |

##### (3) The changes in asset retirement obligations for the years ended July 31, 2021 and 2020 are as follows:

|                                   | Thousands of Yen |           |
|-----------------------------------|------------------|-----------|
|                                   | 2021             | 2020      |
| Balance at beginning of year      | ¥ 104,495        | ¥ 103,716 |
| Adjustment due to passage of time | 784              | 778       |
| Balance at end of year            | ¥ 105,280        | ¥ 104,495 |

#### 16. SEGMENT INFORMATION

##### 1. Description of reportable segments

The reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine the allocation of operating resources and evaluate their performance.

The Company has three reportable segments, namely, Raksul, Novasell, and Hacobell. RakSul provides a sharing platform service for printing and customer-acquisition support (advertising). Novasell provides a platform service for TV commercial advertising. Hacobell provides a sharing platform service for logistics.

##### 2. Computation of net sales, profit or loss, assets and liabilities, and other items of reportable segments

The reportable segment information is prepared under the same accounting policies as discussed in Note 2. Segment profit is determined based on operating income. The Company does not allocate its assets to the reportable segments.

### 3. Net sales, profit or loss, assets and liabilities, and other items of reportable segments

*For the year ended July 31, 2021*

|                                  | Reportable segments |                    |                    |                     | Other Business<br>(Note 1) | Total               | Reconciliation<br>(Notes 2 and 4) | Amount on the<br>Financial<br>Statements<br>(Note 3) |
|----------------------------------|---------------------|--------------------|--------------------|---------------------|----------------------------|---------------------|-----------------------------------|--|
|                                  | Raksul              | Novasell           | Hacobell           | Total               |                            |                     |                                   |  |
| Sales to external customers      | ¥ 20,311,809        | ¥ 6,719,089        | ¥ 2,939,226        | ¥ 29,970,125        | ¥ 291,086                  | ¥ 30,261,212        | ¥ —                               | ¥ 30,261,262   |
| Intersegment sales and transfers | —                   | —                  | —                  | —                   | —                          | —                   | —                                 | —  |
| <b>Total</b>                     | <b>¥ 20,311,809</b> | <b>¥ 6,719,089</b> | <b>¥ 2,939,226</b> | <b>¥ 29,970,125</b> | <b>¥ 291,086</b>           | <b>¥ 30,261,212</b> | <b>¥ —</b>                        | <b>¥ 30,261,212</b>                                  |
| Segment profit (loss)            | ¥ 2,140,674         | ¥ 9,196            | ¥ (114,228)        | ¥ 2,035,642         | ¥ 104,347                  | ¥ 2,139,990         | ¥ (1,919,435)                     | ¥ 220,555  |
| Other items:                     |                     |                    |                    |                     |                            |                     |                                   |  |
| Depreciation and amortization    | ¥ 143,226           | ¥ 5,707            | ¥ 18,859           | ¥ 167,793           | ¥ —                        | ¥ 167,793           | ¥ 29,674                          | ¥ 197,467  |
| Capital expenditures             | 74,900              | 15,542             | 34,658             | 125,101             | —                          | 125,101             | 7,800                             | 132,902  |

*For the year ended July 31, 2020*

|                                  | Reportable segments |                    |                    |                     | Other Business<br>(Note 1) | Total               | Reconciliation<br>(Notes 2 and 4) | Amount on the<br>Financial<br>Statements<br>(Note 3) |
|----------------------------------|---------------------|--------------------|--------------------|---------------------|----------------------------|---------------------|-----------------------------------|--|
|                                  | Raksul              | Novasell           | Hacobell           | Total               |                            |                     |                                   |  |
| Sales to external customers      | ¥ 16,330,308        | ¥ 2,853,831        | ¥ 2,186,047        | ¥ 21,370,187        | ¥ 124,411                  | ¥ 21,494,598        | ¥ —                               | ¥ 21,494,598   |
| Intersegment sales and transfers | —                   | —                  | —                  | —                   | —                          | —                   | —                                 | —  |
| <b>Total</b>                     | <b>¥ 16,330,308</b> | <b>¥ 2,853,831</b> | <b>¥ 2,186,047</b> | <b>¥ 21,370,187</b> | <b>¥ 124,411</b>           | <b>¥ 21,494,598</b> | <b>¥ —</b>                        | <b>¥ 21,494,598</b>                                  |
| Segment profit (loss)            | ¥ 1,340,790         | ¥ 4,986            | ¥ (370,333)        | ¥ 975,443           | ¥ 44,586                   | ¥ 1,020,030         | ¥ (1,264,312)                     | ¥ (244,281)  |
| Other items:                     |                     |                    |                    |                     |                            |                     |                                   |  |
| Depreciation and amortization    | ¥ 113,986           | ¥ 2,025            | ¥ 15,777           | ¥ 131,789           | ¥ —                        | ¥ 131,789           | ¥ 39,200                          | ¥ 170,989  |
| Capital expenditures             | 163,801             | 16,618             | 46,424             | 226,844             | —                          | 226,844             | 28,239                            | 255,083  |

- Notes:
- "Other Business" represents business segments other than reportable segments, which includes the system-development support business.
  - Reconciliation of segment profit (¥ (1,919,435) thousand and ¥ (1,264,312) thousand in 2021 and 2020, respectively) includes corporate expenses that are primarily comprised of general and administrative expenses that are not allocable to the reportable segments.
  - Segment profit (loss) corresponds to operating income on the statement of income.
  - Reconciliation of other items is related to corporate assets that are not allocable to the reportable segments.

## ***Related Information***

*For the years ended July 31, 2021 and 2020*

### **1. Information by product or service**

Information by product or service is not presented because the same information is disclosed in the preceding tables.

### **2. Information by geographical area**

(1) Sales

Information by geographical area is not presented because sales to customers in Japan exceeded 90% of net sales.

(2) Property and equipment

Information by geographical area is not presented because property and equipment located in Japan exceeded 90% of total property and equipment on the balance sheet.

### **3. Information on major customers**

Information on major customers is not presented because there was no single customer accounting for 10% or more of net sales on the statement of income.

## ***Information on impairment losses***

*For the years ended July 31, 2021 and 2020*

Not applicable.

## ***Information on amortization and remaining balance of goodwill***

*As of and for the years ended July 31, 2021 and 2020*

Not applicable.

## ***Information on gain on negative goodwill***

*For the years ended July 31, 2021 and 2020*

Not applicable.

## 17. RELATED PARTY TRANSACTIONS

### Transactions of the Company with individuals (directors and major shareholders)

For the year ended July 31, 2021

Transactions of the Company with individuals consist of the following transactions with the Company's directors:

| Name and Position   | Share Ownership Ratio (%) | Nature of Transaction  | Thousands of Yen      |                             |
|---|---------------------------|--|-----------------------|-----------------------------|
|   |                           |  | Amount of Transaction | Balance as of July 31, 2021 |
| Yasukane Matsumoto,<br>CEO and Representative<br>Director | 17.3                      | Exercise of stock options<br>(Note 1)                          | ¥ 11,987              | ¥ —                         |
|   |                           | Contribution in kind of<br>remuneration receivable<br>(Note 2) | 22,704                | —                           |
| Yo Nagami,<br>Director                                    | 0.8                       | Exercise of stock options<br>(Note 1)                          | 49,641                | —                           |
|   |                           | Contribution in kind of<br>remuneration receivable<br>(Note 2) | 22,704                | —                           |
| Masaki Tabe,<br>Director                                  | 0.0                       | Exercise of stock options<br>(Note 1)                          | 11,987                | —                           |
|   |                           | Contribution in kind of<br>remuneration receivable<br>(Note 2) | 22,704                | —                           |
| Kozo Fukushima,<br>Director                               | 0.0                       | Exercise of stock options<br>(Note 1)                          | 18,247                | —                           |
|   |                           | Contribution in kind of<br>remuneration receivable<br>(Note 2) | 23,760                | —                           |
| Yusuke Izumi,<br>Director                                 | 0.0                       | Exercise of stock options<br>(Note 1)                          | 10,398                | —                           |
|   |                           | Contribution in kind of<br>remuneration receivable<br>(Note 2) | 14,784                | —                           |



Notes: 1. This item represents the exercise of the following stock options during the year ended July 31, 2021:

| Stock Option | Date of the Resolution Made at<br>the Extraordinary General<br>Shareholders Meeting | Date of the Resolution Made at<br>the Board of Directors Meeting |
|--------------|---|--|
| #4           | October 24, 2014  | November 21, 2014  |
| #7           | May 22, 2015  | May 12, 2015   |
| #6-2         | May 22, 2015  | August 11, 2015  |
| #6-3         | May 22, 2015  | October 13, 2015   |
| #9           | October 27, 2016  | October 27, 2016   |
| #9-5         | October 27, 2016  | May 17, 2017   |
| #10          | June 30, 2017   | June 15, 2017  |
| #11          | October 27, 2017  | October 27, 2017   |

"Amount of transactions" was determined by multiplying cash paid upon the exercise of the stock options by the number of shares granted through the exercise of stock options during the year ended July 31, 2021.

2. This item represents the contribution in kind of remuneration receivable from the Company which was paid by the director in the course of the restricted stock compensation program.

For the year ended July 31, 2020

Transactions of the Company with individuals consist of the following transactions with the Company's directors:

| Name and Position  | Share Ownership Ratio (%) | Nature of Transaction   | Thousands of Yen      |                             |
|--|---------------------------|---|-----------------------|-----------------------------|
|  |                           |   | Amount of Transaction | Balance as of July 31, 2020 |
| Yasukane Matsumoto,<br>CEO and<br>Representative<br>Director | 17.4                      | Grant of stock options<br>(Balance recorded as<br>stock acquisition rights)<br>(Note 1) | ¥ 55,055              | ¥ 55,055                    |
|  |                           | Contribution in kind of<br>remuneration receivable<br>(Note 4)                          | 16,155                | —                           |
| Yo Nagami,<br>Director                                       | 0.5                       | Exercise of stock options<br>(Note 3)   | 24,507                | —                           |
|  |                           | Contribution in kind of<br>remuneration receivable<br>(Note 4)                          | 16,155                | —                           |
| Masaki Tabe,<br>Director                                     | 0.1                       | Exercise of stock options<br>(Note 3)   | 23,975                | —                           |
|  |                           | Contribution in kind of<br>remuneration receivable<br>(Note 4)                          | 14,360                | —                           |
|  |                           | Loans of money (Note 2)   | 26,000                | —                           |
|  |                           | Collection of loans (Note 2)  | 26,000                | —                           |
|  |                           | Interest received (Note 2)  | 63                    | —                           |
| Kozo Fukushima,<br>Director                                  | 0.2                       | Grant of stock options<br>(Balance recorded as<br>stock acquisition rights)<br>(Note 1) | 12,100                | 12,100                      |
|  |                           | Exercise of stock options<br>(Note 3)   | 16,092                | —                           |
|  |                           | Contribution in kind of<br>remuneration receivable<br>(Note 4)                          | 14,360                | —                           |
|  |                           | Loans of money (Note 2)   | 15,000                | —                           |
|  |                           | Collection of loans (Note 2)  | 15,000                | —                           |
|  |                           | Interest received (Note 2)  | 36                    | —                           |
| Yusuke Izumi,<br>Director                                    | 0.0                       | Exercise of stock options<br>(Note 3)   | 12,770                | —                           |
|  |                           | Contribution in kind of<br>remuneration receivable<br>(Note 4)                          | 10,770                | —                           |

Notes: 1. This item represents the grant of stock option #12 during the year ended July 31, 2020, following the resolutions made at the Board of Directors meeting held on June 18, 2020, involving considerations from the grantee. "Amount of transactions" was determined by multiplying cash to be paid upon the exercise of the stock options by the number of shares granted.

2. The interest rates for loans of money are determined in a rational manner by considering market rates.

3. This item represents the exercise of the following stock options during the year ended July 31, 2020:

| <u>Stock Option</u> | <u>Date of the Resolution Made at<br/>the Extraordinary General<br/>Shareholders Meeting</u> | <u>Date of the Resolution Made at<br/>the Board of Directors Meeting</u> |
|---------------------|--|--|
| #4                  | October 24, 2014   | November 21, 2014  |
| #7                  | May 22, 2015   | May 12, 2015   |
| #6-2                | May 22, 2015   | August 11, 2015  |
| #6-3                | May 22, 2015   | October 13, 2015   |
| #9                  | October 27, 2016   | October 27, 2016   |
| #10                 | June 30, 2017  | June 15, 2017  |
| #11                 | October 27, 2017   | October 27, 2017   |

"Amount of transactions" was determined by multiplying cash paid upon the exercise of the stock options by the number of shares granted through the exercise of stock options during the year ended July 31, 2020.

4. This item represents the contribution in kind of remuneration receivable from the Company which was paid by the director in the course of the restricted stock compensation program.

## 18. PER SHARE INFORMATION

Per share information as of and for the years ended July 31, 2021 and 2020 was as follows:

|                                 | Yen      |          |
|---------------------------------|----------|----------|
|                                 | 2021     | 2020     |
| Net assets per share            | ¥ 260.02 | ¥ 236.73 |
| Basic earnings (loss) per share | 5.62     | (17.64)  |
| Diluted earnings per share      | 4.98     | —        |

Notes: 1. Although the Company has shares with a potentially dilutive effect, the diluted earnings per share for the year ended July 31, 2020 is not presented because the Company recorded net loss for the year.

2. Basis for computing basic and diluted earnings per share is as follows:

|  | 2021       | 2020        |
|--|------------|-------------|
| Basic earnings per share   |            |             |
| Net profit (loss) (thousands of yen)   | ¥ 160,005  | ¥ (494,135) |
| Net profit not attributable to common shareholders (thousands of yen)  | —          | —           |
| Net profit (loss) attributable to common shareholders (thousands of yen)   | 160,005    | (494,135)   |
| Average number of shares of common stock outstanding during the year (shares)  | 28,491,806 | 28,014,294  |
| Diluted earnings per share   |            |             |
| Adjustments to net profit attributable to common shareholders (thousands of yen)   | ¥ (6,937)  | ¥ —         |
| Increase in the number of shares of common stock (shares)  | 2,218,642  | —           |
| Outline of potentially dilutive shares that were not included in the computation of diluted earnings per share due to their anti-dilutive effect | N/A        | N/A         |

## 19. SUBSEQUENT EVENT

### *Share acquisition of NETSQUARE CO., Ltd., a new associate*

At the Board of Directors' meeting held on August 16, 2021, the Company decided to enter into an investment agreement to acquire shares of NETSQUARE CO., Ltd. ("NETSQUARE"). The outline is as follows:

#### 1. Purpose

The Company anticipates that making NETSQUARE an associate of the Company will strengthen the partnership with the Company and contribute to the further improvement of the value provided to customers by expanding the variety of digital printing products.

#### 2. Name and business of acquired company

Name: NETSQUARE CO., Ltd.

Business: Printing business for digital information and online printing business of New Year's greeting cards and others for individual customers

#### 3. Acquisition cost and ownership ratio after the acquisition

Acquisition cost: Not disclosed due to the duty of confidentiality

Ownership ratio after the acquisition: 38%

#### 4. Method of financing the funds for acquisition

The Company's own fund

#### 5. Scheduled date of acquisition

September 2021

20. SUPPLEMENTAL SCHEDULES

*Non-current assets*

|                               | Thousands of Yen  |           |           |                  |  |   |   |
|-------------------------------|-------------------|-----------|-----------|------------------|--|---|---|
|                               | August 1,<br>2020 | Increase  | Decrease  | July 31,<br>2021 | Accumulated<br>Depreciation/<br>Amortization | Depreciation/<br>Amortization<br>for the Year | July 31, 2021,<br>Net of<br>Depreciation/<br>Amortization |
| Property and equipment        |                   |           |           |                  |  |   |   |
| Buildings                     | ¥ 207,716         | ¥ 314     | ¥ —       | ¥ 208,031        | ¥ 79,530                                     | ¥ 17,119                                      | ¥ 128,500   |
| Machinery and equipment       | 751,336           | —         | —         | 751,336          | 447,985                                      | 75,133  | 303,350   |
| Tools, furniture and fixtures | 72,003            | 7,486     | —         | 79,489           | 54,436                                       | 12,634  | 25,052  |
| Total                         | ¥ 1,031,056       | ¥ 7,800   | ¥ —       | ¥ 1,038,856      | ¥ 581,952                                    | ¥ 104,886                                     | ¥ 456,904   |
| Intangible assets             |                   |           |           |                  |  |   |   |
| Software                      | ¥ 397,706         | ¥ 131,764 | ¥ 14,385  | ¥ 515,086        | ¥ 185,539                                    | ¥ 91,882                                      | ¥ 329,547   |
| Software in progress          | 47,659            | 123,595   | 130,258   | 40,996           | —  | —   | 40,996  |
| Total                         | ¥ 445,366         | ¥ 255,360 | ¥ 144,643 | ¥ 556,082        | ¥ 185,539                                    | ¥ 91,882                                      | ¥ 370,543   |
| Long-term prepaid expenses    | ¥ 126,665         | ¥ 580,295 | ¥ 495,504 | ¥ 211,456        | ¥ —  | ¥ —   | ¥ 211,456   |

Notes: 1. Major components of increase in the table above are as follows:

|                               |  | Thousands of Yen |
|-------------------------------|--|------------------|
| Buildings                     | Interior construction in Meguro office                                     | ¥ 314            |
| Tools, furniture and fixtures | Purchase of computers corresponding to increase in the number of employees | 3,972            |
| Software                      | Software development for expansion of services in each segment             | 125,101          |
| Long-term prepaid expenses    | Increase due to issuance of restricted shares                              | 485,390          |

2. Major components of decrease in the table above are as follows:

|                            |   |           |
|----------------------------|---|-----------|
| Software in progress       | Transfers to software due to completion of development      | ¥ 130,258 |
| Long-term prepaid expenses | Decrease due to recording stock-based compensation expenses | 488,321   |

## Bonds

|   | Thousands of Yen |               | Date of issuance  | Due Date          |
|---|------------------|---------------|-------------------|-------------------|
|   | August 1, 2020   | July 31, 2021 |                   |                   |
| Unsecured Zero coupon Euro-Yen convertible bonds due 2024 | ¥ 5,043,333      | ¥ 5,033,333   | November 29, 2019 | November 29, 2024 |

Notes: 1. Details of the convertible bonds are as follows:

|  |   |
|--|---|
| Shares to be issued upon conversion:   | Common stock of the Company                 |
| Conversion price:                      | ¥4,074                                      |
| Aggregated amount of conversion price: | ¥5,000,000 thousand                         |
| Conversion ratio:                      | 100%  |
| Conversion period:                     | From December 13, 2019 to November 15, 2024 |

2. A redemption schedule of the convertible bonds for the following five years as of July 31, 2021 is as follows:

|  | Thousands of Yen |                                  |                                  |                                  |                                  |
|--|------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|  | Within one year  | Due after 1 Year through 2 Years | Due after 2 Year through 3 Years | Due after 3 Year through 4 Years | Due after 4 Year through 5 Years |
|  | ¥ —              | ¥ —                              | ¥ —                              | ¥ 5,000,000                      | ¥ —                              |

## Borrowings

|   | Thousands of Yen   |                    | Weighted Average Interest Rate (%) | Due Date          |
|---|--------------------|--------------------|------------------------------------|-------------------|
|   | August 1, 2020     | July 31, 2021      |                                    |                   |
| Short-term loans payable                      | ¥ 40,000           | ¥ —                | —                                  | —                 |
| Current portion of long-term loans payable    | —                  | 1,287,220          | 0.7                                | —                 |
| Long-term loans payable, less current portion | 5,000,000          | 3,712,780          | 0.7                                | From 2021 to 2026 |
| Other interest-bearing liabilities            | —                  | —                  | —                                  | —                 |
| <b>Total</b>                                  | <b>¥ 5,040,000</b> | <b>¥ 5,000,000</b> | —                                  | —                 |

Notes: 1. The weighted average interest rate represents the average interest rate on the balances outstanding as of July 31, 2021.

2. A repayment schedule of long-term loans payable, less current portion as of July 31, 2021 is as follows:

|                         | Thousands of Yen                       |  |  |  |
|-------------------------|--|--|--|--|
|                         | 2021                                   |  |  |  |
|                         | Due after 1<br>Year through<br>2 Years | Due after 2<br>Years<br>through 3<br>Years | Due after 3<br>Years<br>through 4<br>Years | Due after 4<br>Years<br>through 5<br>Years |
| Long-term loans payable | ¥ 1,582,664                            | ¥ 1,582,664                                | ¥ 459,452                                  | ¥ 78,000                                   |

**Provisions**

|                                    | Thousands of Yen  |          |                    |                     |                  |
|------------------------------------|-------------------|----------|--------------------|---------------------|------------------|
|                                    | August 1,<br>2020 | Increase | Decrease<br>(Used) | Decrease<br>(Other) | July 31,<br>2021 |
| Allowance for doubtful receivables | ¥ 637             | ¥ 358    | ¥ —                | ¥ 637               | ¥ 358            |

Note: Decrease (other) in the above table represents the year-end reversal determined based on the Company's ratio of historical credit loss experience attributable to general receivables.

**Asset retirement obligations**

Supplemental schedules of asset retirement obligations are not presented because applicable information is disclosed in Note 15 "Asset retirement obligations."

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