



INTEGRATED REPORT 2025

Advancing IT solutions
with our customers in mind

OTSUKA CORPORATION Integrated Report 2025

CONTENTS

Introduction

- 01 CONTENTS
- 02 OTSUKA CORPORATION in Numbers
- 03 **HIGHLIGHT** The Core of OTSUKA CORPORATION
- 07 **HIGHLIGHT** Support the Entire Office
- 09 Founding Spirit and Mission Statement
- 10 Progress Since the Establishment of the Mission Statement

President's Message

- 11 President's Message

Sources of Value Creation

- 17 Capital (Strengths that OTSUKA CORPORATION Has Built Up)
- 19 Business Model
- 21 Message from the CFO

Materiality

- 27 Recognition of External Environment for Solving Customer Issues
- 29 Materiality
- 31 Value Creation Model
- 33 **Materiality ①** Maintenance and Expansion of the Customer Base
- 37 **HIGHLIGHT** Company B's Story
The Collaborative History of Company B and OTSUKA CORPORATION

- 39 **Materiality ②** Coexistence and Co-Prosperity with Partners
- 41 **HIGHLIGHT** Partner Roundtable
- 45 **Materiality ③** Coexistence with the Community
- 47 Overview of Human Resources Strategies
- 49 **Materiality ④** Improvement of Employee Engagement
- 51 **Materiality ⑤** Promotion of Diversity, Equity, and Inclusion (DE&I)
- 53 **Materiality ⑥** Human Resource Development
- 55 Sustainability Management
- 56 **Materiality ⑦** Contribution to Global Environmental Conservation
- 60 **Materiality ⑧** Realizing a Safe, Secure, and Comfortable Society
- 63 **Materiality ⑨** Strengthening Corporate Governance
- 69 Roundtable Discussion among Outside Directors

Overview by Segment

- 75 System Integration Business (SI Business)
- 76 Service and Support Business (S&S Business)
- 77 SI and S&S Business Strategies

Data Section

- 79 Principal Financial and Non-Financial Data
- 81 Financial Statements
- 85 Corporate Information / Stock Information
- 86 Awards Received / About the Cover

Editorial Policy

OTSUKA CORPORATION has a business model that is rare even around the world, offering almost every product an office might need. By further evolving this business model that can solve customers' problems through the support of their entire office, OTSUKA CORPORATION will continue to contribute to a sustainable society.

This Integrated Report summarizes OTSUKA CORPORATION's initiatives to enhance its corporate value over the medium to long term, including its management strategy, financial information, and ESG information. By showing these initiatives as our growth stories centered on "supporting the entire office of our customers," we hope that more stakeholders will gain an understanding of our corporate activities toward the realization of our Mission Statement.

Reported Period of Activities

Fiscal 2024 (from January 1 to December 31, 2024)

- To report the latest situation, the Report also contains information on activities carried out after the reported period.

Reference Guidelines

- International Integrated Reporting Framework, IFRS Foundation
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- GRI Standards

Disclaimer on Forward-Looking Statements

The forecasts, plans, and outlooks concerning future business results are judgements believed to be reasonable by the Company's management based on currently available information. Actual results may differ significantly from the forecasts, plans, and outlooks in the Report due to changes in various factors.

Others

In the PDF version of this Report, page numbers such as **P.00** are linked to the corresponding pages, and each item marked with **Web** contains a link to the relevant website.

OTSUKA CORPORATION in Numbers

Otsuka Corporation

Established
July 17, 1961



1961

64 years

Support
the Entire Office



2025

Net sales

¥1,107.6 billion
(+13.3% compared to fiscal 2023)

Operating profit

¥74.3 billion
(+18.1% compared to fiscal 2023)

Profit attributable to owners of parent

¥53.4 billion
(+12.7% compared to fiscal 2023)

ROE **P.25**

Over 10% for
15 consecutive fiscal years

15.0%
(+0.7 points
compared to fiscal 2023)

PBR **P.26**

As of December 31, 2024

3.7 times
(+0.5 points
compared to fiscal 2023)

Dividend per share **P.22**

Dividend increases for
15 consecutive fiscal years

¥80
(+¥12.5
compared to fiscal 2023)

Market capitalization **P.26**

As of December 31, 2024

¥1,368.5 billion **+¥266.3 billion**
(compared to December 31, 2023)

Regular employees: As of December 31, 2024

Consolidated

Non-consolidated

9,680

7,949

Net sales per employee (Non-consolidated)

¥123.93 million
(+9.9% compared to fiscal 2023)

Products offered
(Non-consolidated)
As of December 31, 2024

Approx.
3.2 million items



Cloud business
Started in 1995

30 years
World-class

Security business
Started in 1996

29 years

Strengthening
relationships
with customers
(Non-consolidated) **P.33**

Number of customer
companies per year

295 thousand companies
(-0.2% compared to fiscal 2023)

Net sales
per company

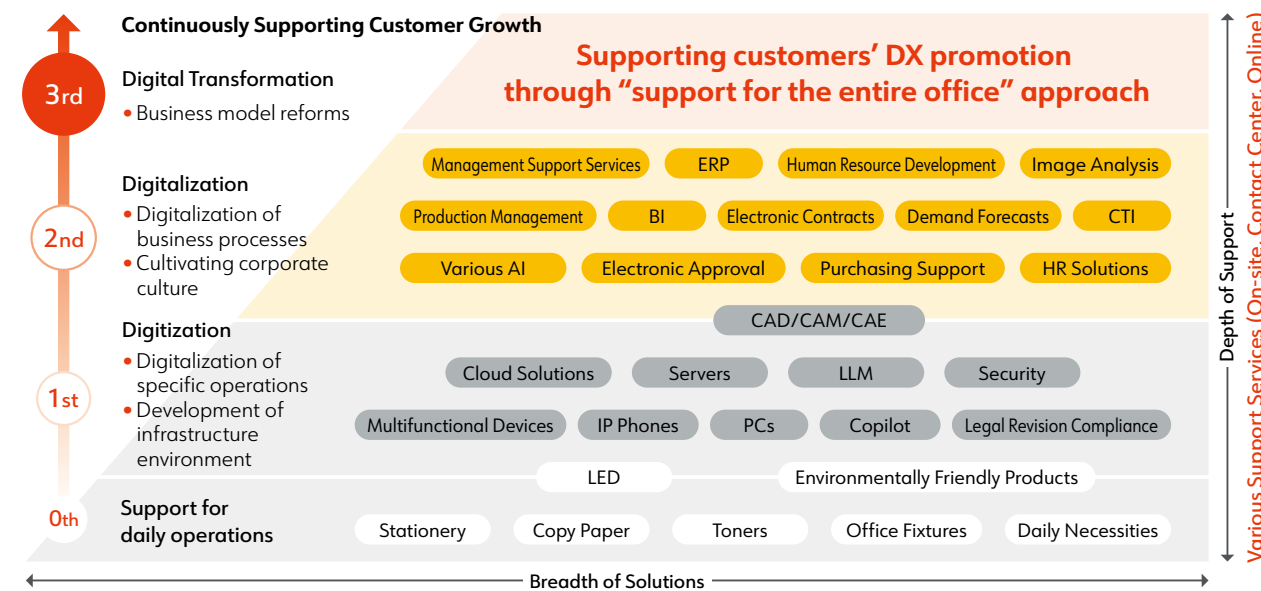
¥3.33 million
(+13.6% compared to fiscal 2023)

The Core of OTSUKA CORPORATION

To realize our "support for the entire office" approach, OTSUKA CORPORATION has organized its unique strengths into five distinct Cores. These Cores work together synergistically, forming a unique business model that is rare even on a global scale.

CORE 1 Business Domains (Breadth and Depth)

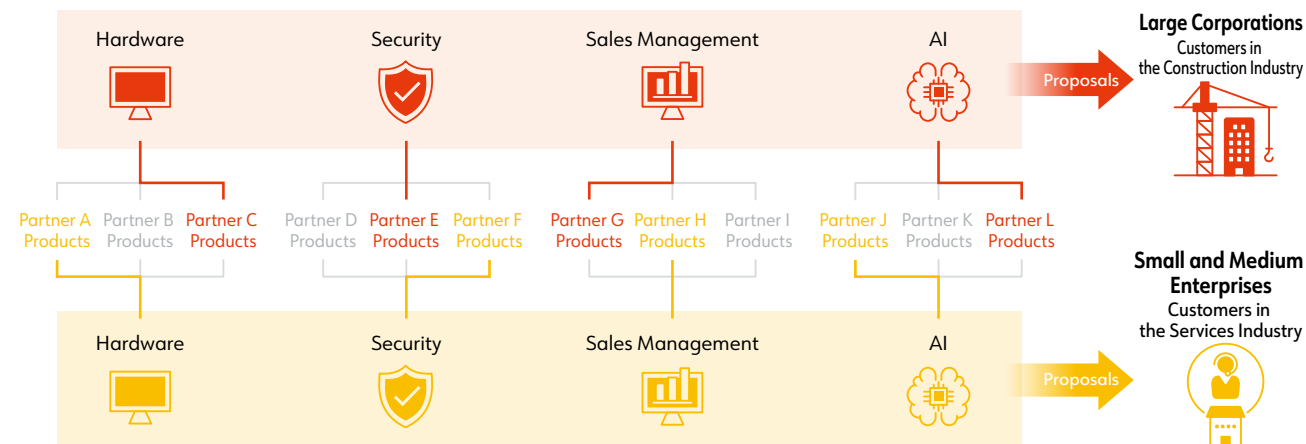
OTSUKA CORPORATION has a business model that is rare even around the world, offering almost every product an office might need. While responding to customer needs, we continuously refine both the breadth of our solutions and the depth of our support.



CORE 2 Business Ecosystem (Partner Cooperation)

Collaboration with partners is essential for expanding our business domains. Even for similar types of solutions, we offer a wide range of variations, enabling us to make tailored proposals that suit each customer's industry, scale, and specific use case.

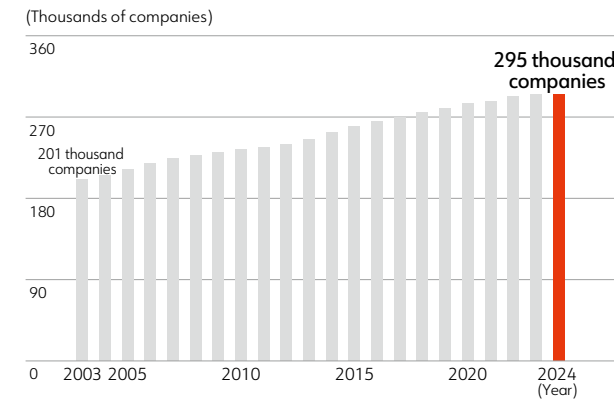
Only OTSUKA CORPORATION enables seamless integration of partner solutions



CORE 3 Customer Base

Since our founding, we have placed strong emphasis on a support system that ensures our customers' operations never come to a halt. By staying closely connected to local communities and consistently resolving even minor issues quickly, OTSUKA CORPORATION has built a unique customer base centered primarily around SMEs.

Number of customer companies per year (Non-consolidated)



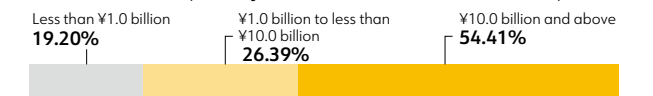
In 2024, OTSUKA CORPORATION conducted transactions with 295,000 companies. This represents about 8%* of all companies in Japan. Supported by a broad customer base rather than relying on specific clients, OTSUKA CORPORATION's customer base is notable for its size, which facilitates strong synergies with our business domains (CORE 1) and business ecosystem (CORE 2) through cross-selling and additional sales.

*2023 White Paper on Small and Medium Enterprises in Japan / White Paper on Small Enterprises in Japan (Small and Medium Enterprise Agency)

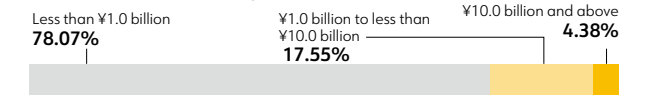
Customer Composition Ratios by Annual Sales and by Industry (Non-Consolidated)

Customers with annual sales of ¥10 billion or more account for over 50% of our net sales, but they represent less than 5% of the number of our customer companies. SMEs with annual sales of less than ¥1.0 billion account for about 80% of OTSUKA CORPORATION's customers.

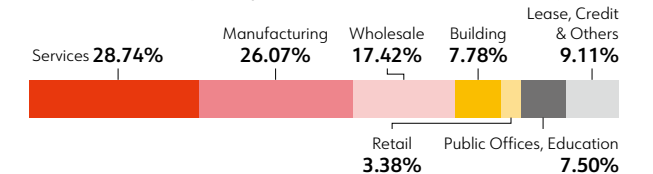
By annual sales Net sales composition ratio (Fiscal year ended December 31, 2024)



By annual sales Composition ratio of customer companies (Fiscal year ended December 31, 2024)



By industry Net sales composition ratio (Fiscal year ended December 31, 2024)



CORE 1 Business Domains

Cross-selling & additional sales

CORE 2 Business Ecosystem

Optimal proposals tailored to customers' growth stages

Number of customer companies per year: 295,000

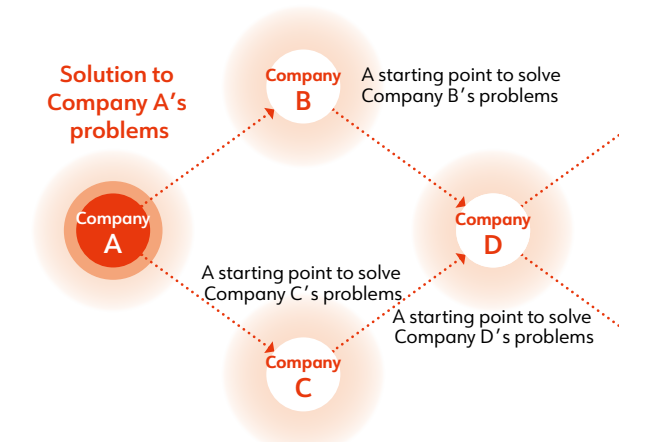
Total number of companies in Japan: Approx. 3.60 million

= 8%

Transactions with 8% of all companies in Japan over one year

Acquiring and utilizing know-how

Over the course of a year, we conduct 3.56 million business negotiations with our customers. Solutions to one customer's challenges often provide clues to solving issues faced by others, enabling us to acquire and leverage valuable know-how through our customer base. We are also advancing efforts to enhance the efficiency and sophistication of our sales activities, such as using AI to analyze business negotiations and transaction data to gain new insights.



The Core of OTSUKA CORPORATION

CORE 4 Data-Driven Management

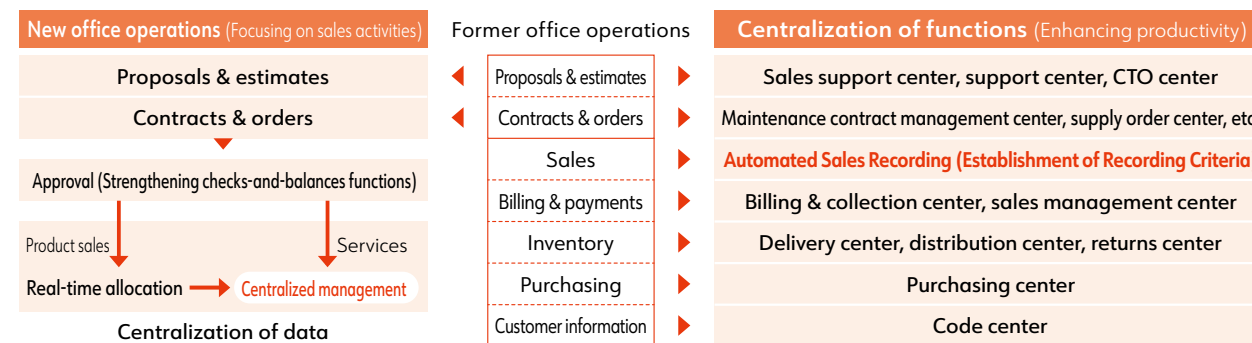
○ Otsuka Strategy = IT-Based Management Structure Reform

Otsuka Strategy (Otsuka Management Strategy), launched in 1993, was a bold challenge aimed at transforming OTSUKA CORPORATION's business model. The clean data generated through this led to the development of SPR, and the accumulation of SPR data has become the foundation for our current AI utilization.

The Otsuka Strategy project, undertaken by OTSUKA CORPORATION nearly 30 years ago, embodies what many companies today pursue as DX and serves as the foundation supporting OTSUKA CORPORATION's data-driven management.

The two pillars of the Otsuka Strategy

① Centralization Simultaneously improving productivity and checks-and-balances functions



② Automated Sales Recording

Based on Shipping Criteria Generating clean data through the development of an end-to-end system



○ SPR (Sales Process Re-engineering)

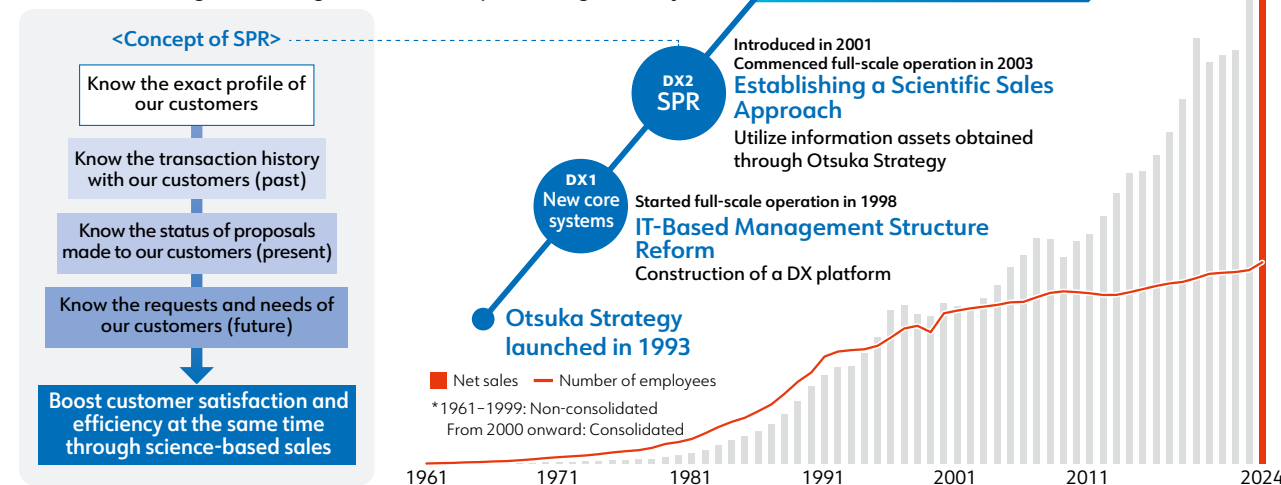
A proprietary system combining customer relationship management (CRM) and sales force automation (SFA)

Before Otsuka Strategy

Increasing sales required additional workforce

After Otsuka Strategy

While workforce growth was gradual, sales expanded significantly



CORE 5 Human Capital

Reading market trends to expand business domains.

Adding unique OTSUKA CORPORATION value to solutions provided by partners. Continuously standing by customers from their perspective. Interpreting insights suggested by AI... Whether we can leverage each of these Cores ultimately depends on the people.

This is not only OTSUKA CORPORATION's greatest strength but also a critical challenge for growth. That is why OTSUKA CORPORATION has identified three material issues related to people and is promoting initiatives in these areas.

Three materiality issues related to people



Since its founding, OTSUKA CORPORATION's style has remained unchanged: technical staff, the largest proportion, working together with sales and corporate staff as one to support customers. From the very beginning, the Company has placed great importance on employee satisfaction*1. This spirit is carried on in its Mission Statement*2, which expresses the aim of becoming a corporate group that supports the growth and self-fulfillment of its employees. To balance customer support with employee growth and self-fulfillment, the company strives to provide opportunities for skill development tailored to individual circumstances, such as offering various support systems for obtaining qualifications.

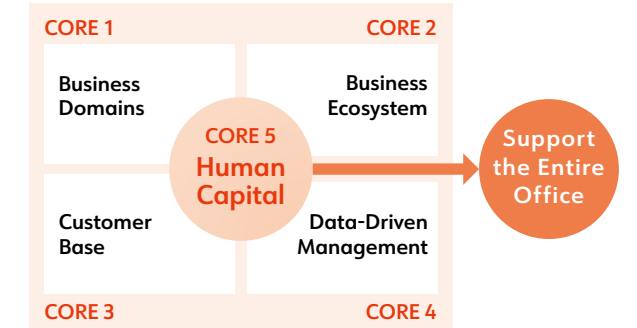
Breakdown of regular employees by job category (Consolidated)*3

Technical	Sales	Corporate	Others	Total
3,752 (38.8%)	3,180 (32.9%)	2,597 (26.8%)	151 (1.6%)	9,680

Number of employees with qualifications: 14,663
(Cumulative total as of December 31, 2024, non-consolidated)
Information technology qualifications: 11,671
Other official qualifications: 2,922

Recommended qualifications (Excerpt)
Systems Auditor Information Technology Strategist
Fundamental Information Technology Engineer
Applied Information Technology Engineer Information Security Management
Small and Medium Enterprise Management Consultant
G-Certificate and E-Certificate Business Accounting Test and the Official Business Skill Test in Book-Keeping

In an era where change is constant, it is all the more important to secure human resources who can adapt to these changes and think and act autonomously. Strengthening our human capital to this end also contributes to further reinforcing each of our Cores. We will continue striving to realize our Mission Statement by enhancing the alignment between our human resources strategy and our management strategy ("supporting the entire office") more than ever before.*4



*1, *2 Founding Spirit and Mission Statement ● P.09

*3 As of December 31, 2024. Figures in parentheses indicate composition ratios

*4 Overview of Human Resources Strategies ● P.47

Toward Supporting the Entire Office

By leveraging each of our cores, we aim to achieve "support for the entire office" approach.

For a more concrete overview of what "supporting the entire office" entails, please also refer to ● P.07 .

Because we want to

Since our foundation in 1961, we have built a unique customer base centered on SMEs, and we have continued to grow together with our customers. Just as we have always done, we want to be a community-based partner that remains close to and is relied on by our customers. We want to energize SMEs in Japan. That is our wish.

Because we can

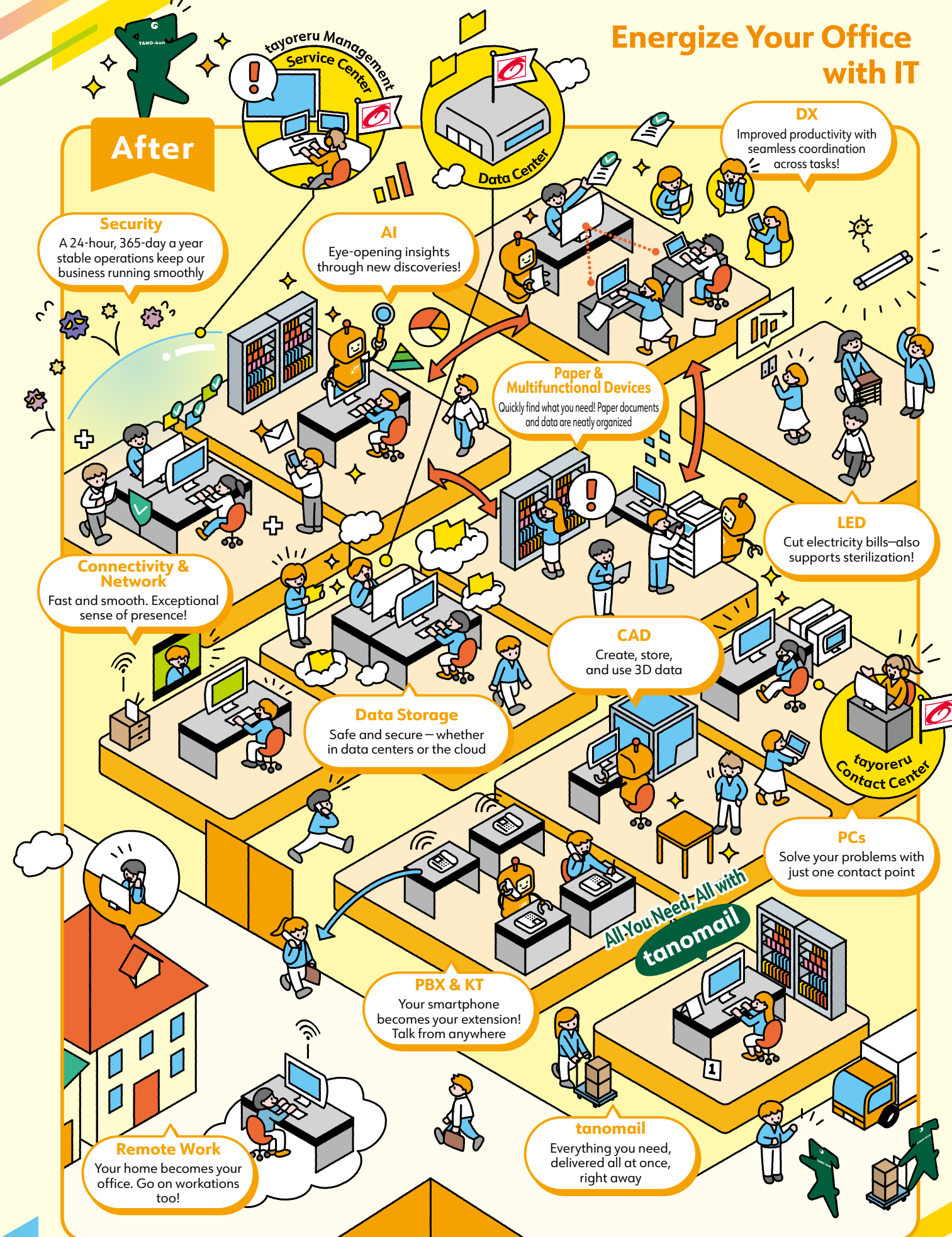
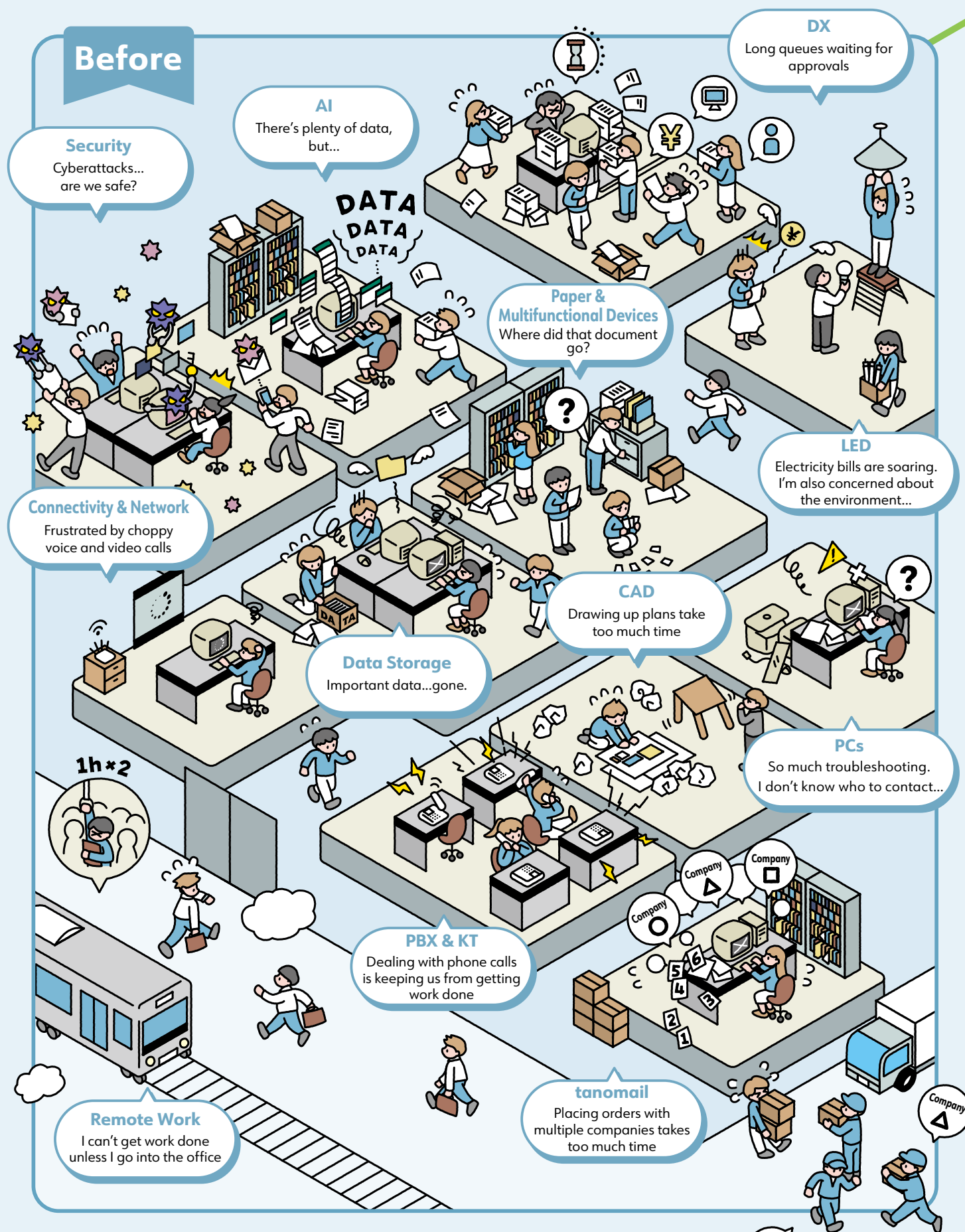
We have continued to expand our product lineup to meet the various needs of our customers. We have also built an ecosystem with our many partners, and we continue to refine our unique business model. To solve all manner of our customers' problems in their offices with the power of IT. This is a strength that only we possess.

Because we should

Many SMEs are facing various management challenges, such as ongoing serious labor shortages. We will enhance SMEs' productivity by using IT to improve their efficiency, and in doing so, help them to establish an environment in which they can focus on their main business. "Support for the entire office" approach encourages the growth of SMEs and will contribute to the realization of a sustainable society.

Support the Entire Office

With OTSUKA CORPORATION's broad range of solutions and robust support capabilities, we solve all kinds of problems our customers may face.



Founding Spirit and Mission Statement

1961: Founding spirit

Create a company where employees are happy, employees are proud to work, and employees are appreciated by their families

OTSUKA CORPORATION began in Akihabara, Tokyo in July 1961. The aim of our founder, Minoru Otsuka was to "create a company where employees are happy, employees are proud to work, and employees are appreciated by their families." These words, which are the founding spirit of the Company, are imbued with the founder's belief that enhancing employee satisfaction leads to the satisfaction of customers and partners, and to the happiness of those around us.



Defining feature of the business model

We continue to expand our business domains in response to customer needs and changes in the office environment.

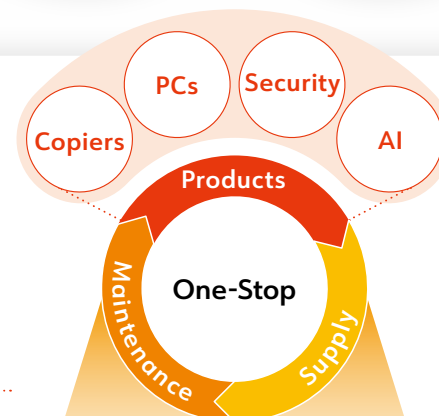
Business model [P.19](#) Support the Entire Office [P.07](#)

1998: IT-based management structure reform

Productivity improvement

Strengthening of financial foundation

2000: Listed on the 1st Section (now Prime Market) of the Tokyo Stock Exchange

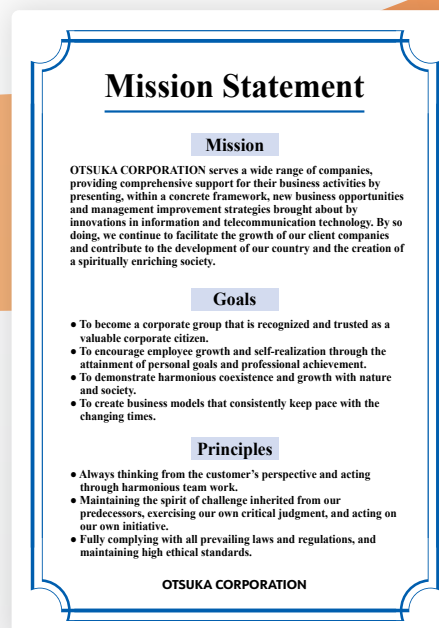


Evolving toward a Mission Statement that aims to contribute to society, while preserving the warm, family-oriented management style for our employees

2003: Mission Statement

Then, with Yuji Otsuka's appointment as President & Chief Executive Officer in 2001, a series of surveys and discussions were conducted, ultimately leading to the announcement of the Mission Statement in 2003.

As companies grow larger, it becomes more difficult to keep all employees aligned. The Mission Statement clearly defines OTSUKA CORPORATION's ideal vision for the future while preserving the founding spirit, unifying the direction of its employees. It serves as OTSUKA CORPORATION's equivalent of a "constitution."



Progress Since the Establishment of the Mission Statement

OTSUKA CORPORATION's growth drivers [P.33](#)

Number of customer companies

Net sales per company

Staying close to every customer and building deep, long-term relationships is what drives OTSUKA CORPORATION's growth. While continuing to expand our customer base, we also provide optimal add-on solutions tailored to increasingly diverse needs. Through the Otsuka Strategy II, which promotes the creation of new customer relationships, we aim to become a partner who take pride in knowing our customers better than anyone else. By supporting our customers through our "support for the entire office" approach, we grow together, and in doing so, we bring our Mission Statement to life.

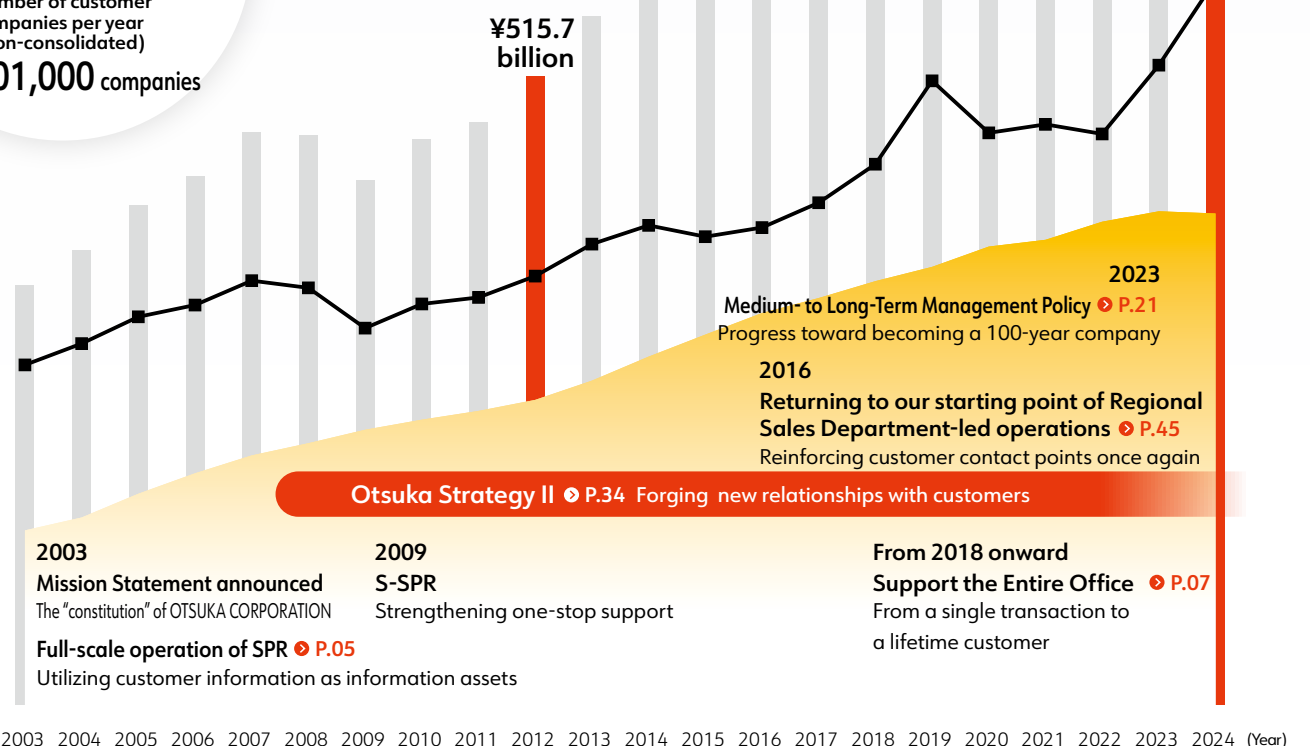


2003

Consolidated net sales
¥344.3 billion

Net sales per company (Non-consolidated)
¥1.56 million

Number of customer companies per year (Non-consolidated)
201,000 companies



2024

Consolidated net sales

¥1.1 trillion

Net sales per company (Non-consolidated)

¥3.33 million

Number of customer companies per year (Non-consolidated)

295,000 companies

President's Message

PRESIDENT'S MESSAGE



We continue to stay close to and grow together with our customers

President & Chief Executive Officer

Yuji Otsuka

Topic 1 Looking Back at 2024

One trillion yen is merely a stepping stone

In 2024, consolidated net sales surpassed one trillion yen.

The one-trillion-yen mark first came to our attention in March 2011, when we were told by a securities analyst of the potential for OTSUKA CORPORATION to become a one-trillion-yen company. At the time, we hadn't yet reached half that figure and the notion was merely a dream. However, thanks to ongoing support from our customers, clients, shareholders, employees, and all other stakeholders, this dream has become a reality.

That said, we did not engage in any special measures to hit this target. Rather, it is a result of our steady,

unassuming commitment to **"support for the entire office" concept**. Net sales represent the total extent to which we have solved customers' problems and are a sign of the trust that customers have in us. We are overjoyed to have far exceeded our targets and achieved record highs for net sales and each profit segment.

However, surpassing the one-trillion-yen mark is nothing more than a stepping stone. While nothing will change for us as a company, there will no doubt be higher expectations for and a greater focus on our role in society.

Growing alongside our employees and reinforcing shareholder returns

Operating profit increased by 18.1% from the previous year to ¥74.3 billion and the operating profit margin improved by 0.3 points to 6.7%. Addressing the reason why we were unable to achieve the 7% operating profit target set out in the **Medium- to Long-term Management Policy** announced in 2023 is a challenge for 2025 onwards. It is very much an achievable yet slightly out-of-grasp target. In terms of our selling, general and administrative expenses (non-consolidated), personnel costs (salary and bonuses) account for around 40%. When including the amount for technical personnel included in cost of sales, personnel expenses totaled around ¥76.0 billion. Since 2022 we have been conducting **reviews of salary levels**, and in 2024 we increased the base level and paid a commemorative bonus to mark our achievement of one trillion yen in consolidated net sales. As a result, the average annual salary per employee increased by 5.9% to ¥9.92 million to close in on the ¥10 million mark. For argument's sake, if salary levels were unchanged from 2023, operating profit would have increased by approximately ¥4.0 billion and we would have achieved our operating profit margin target of 7%. But this is not the approach I want to take. To achieve sustainable growth, it is important to share the growth of the company with our employees.

As one part of these efforts, in 2024 we promoted initiatives for employees' wellbeing. In February we modified our **engagement survey** to advance our

analysis of employee engagement levels, introducing cross-industry comparisons, which is something we hadn't done before. In line with the results, in July we began working to visualize employees' happiness levels through the company-wide rollout of the **AI Happiness** app. We are beginning to see a correlation with business performance, and in 2024 we achieved higher productivity levels than ever before with **net sales per employee (non-consolidated)** reaching ¥123.93 million, a 9.9% increase from the previous year. If an employee is not happy with their company, how can they convince their customers to buy our products? Ensuring that OTSUKA CORPORATION is a company that employees are glad to work for is essential to further corporate growth. We will continue to promote employees' wellbeing to make sure that we carry on with our "support for the entire office" approach. For our shareholders, with commemorative dividends to celebrate our one trillion yen in consolidated net sales, dividends exceeded initial targets and **increased for the 15 consecutive fiscal years**. In 2025, we plan to begin interim dividends. Further, at 15.0% (up 0.7 points from the previous year), ROE stayed at double digits for the 15th consecutive year, surpassing our 13% target. We will continue **to engage in management with a focus on shareholder dialogue** to earn shareholders' long-term support.

① Support the Entire Office ▶P.07 ② Medium- to Long-term Management Policy ▶P.21, ▶P.71 ③ Review of salary levels ▶P.50

④ Engagement survey ▶P.49 ⑤ AI Happiness ▶P.50 ⑥ Productivity per employee (Non-consolidated) ▶P.48

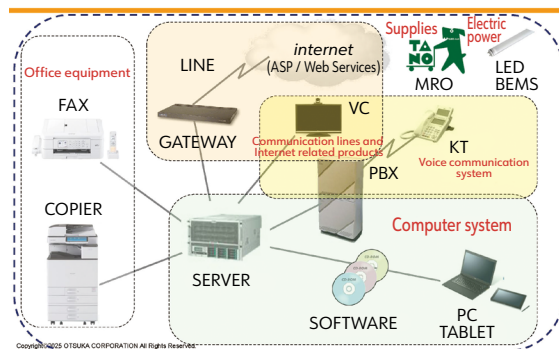
⑦ Shareholder returns (dividend payout ratio) ▶P.22 ⑧ Realizing management that is conscious of capital costs and share price ▶P.25

President's Message

Creating relationships with customers by "support for the entire office" approach

"Support for the entire office" concept may sound greedy, but it does not actually mean that we want our customers to buy many products at once. OTSUKA CORPORATION handles a wide variety of solutions from a **large number of partners**①. As we continue to provide customers with appropriate support in line with their growth and to suit their situation, those customers find themselves entrusting OTSUKA CORPORATION with all their office needs. This is our vision of supporting the entire office of our customers.

OTSUKA CORPORATION for the Entire Office



To measure our progress, in the Medium- to Long-term Management Policy we have set **two KPIs**② related to relationships with customers. One is the number of customer companies per year. Unfortunately, in 2024 we did not achieve our 2% increase target. Numbers instead decreased by 0.2%, showing that issues remain with our acquisition of new customers. **From the second half of the year**, the number of customer companies we supply PCs to increased significantly **thanks to PC replacement demand in preparation for the end of support for Windows 10 in October 2025**③. However, this also meant that we were somewhat more focused on supporting our existing customers, and so we will look at ways to improve this

balance moving forward. Despite the decrease in number of customer companies with transactions per year, there was a steady increase in the number of transaction accounts per year. This shows an increasing number of transactions with different departments within customer companies, and a certain level of success in our efforts to further explore existing customer potential.

As a result, net sales per company, our other customer-related KPI, increased 13.6% to far exceed our targeted increase of 3% and reached double digits for the second consecutive year. One of our key characteristics is our ability to gradually expand the scope of our support by cross-selling solutions to customers who initially started doing business with us through the tanomail mail-order service. The relatively high unit sales of price of PCs compared to products on tanomail, which mainly offers office supplies, is reflected in the results of the two KPIs.

Figures for these two KPIs will improve as we increase the number of new customers and further explore the potential in both new and existing customers. Essential to enhancing these KPIs is our "support for the entire office" approach. In 2025, we believe it will be important to continue to carefully do what needs to be done and proceed **to forge relationships with our customers**④.

In July 2023, we set up the Marugoto Solutions Team (MST) as an organization that works closely with our customers to "support their entire office" solutions. Through this team, we are steadily transitioning to a proposal-driven sales system offering our wide-ranging solutions. Moreover, in April 2024 we changed the name of our Marketing Headquarters to the Marugoto Marketing (MM) Headquarters, and later set up several related departments. By shifting away from single-product marketing and reinforcing our customer-oriented approach to marketing, we aim to develop awareness among employees of our commitment to entire office solutions.

- ① Coexistence and co-prosperity with partners ②P.39
- ② Strengthening relationships with customers ③P.33
- ③ Preparation for Windows 10 EOS began in the second half of the year ④P.23
- ④ Accumulated business ⑤P.76
- ⑤ Practical Solutions Fair ⑥P.40
- ⑥ Strengthening customer relationships through technology utilization ⑦P.35
- ⑦ SPR ⑧P.05
- ⑧ Human resource development ⑨P.53

Topic 2 Policy for 2025

Our basic policy remains unchanged

Every year we formulate and announce a slogan both internally and externally as part of our basic annual policy. Our slogan for 2025 is "Getting close to customers and growing together with customers through DX and AI." While our basic policy remains unchanged from last year,

this year we have added AI. In addition to solving customers' challenges using DX, we will provide customers with the AI expertise we have developed through in-house use in various forms and focus on helping customers with its use.

Special demand from Windows 10 EOS with a focus on "support for the entire office" approach

In 2025 we anticipate the full-scale replacement of PCs in line with the end of support for Windows 10. In 2019, the end of support for Windows 7 helped to drive positive business performance. At the time, however, we were too focused on selling PCs, and with drastic market changes brought on by the pandemic, we were not able to provide post-sales support to the required level. This time, however, will be different. With full awareness of our commitment to "support for the entire office" approach, employees will strive to propose additional products and services. We will

also reinforce our post-installation support and additional sales of various solutions. It is important to carefully identify and understand challenges our customers are faced with and use our findings for further support down the line. As a result, in addition to reinforcing our customer relationships, more so than ever before we will strengthen our **accumulated business**⑤, creating a stable revenue base that can drive business performance even in the absence of one-off occasions like Windows EOS.

Stay closely attuned to customer needs using AI

Although it is this year that we added AI to our slogan, we have in fact been using AI in-house for several years now. Both the news and our first-hand experience tell us that in several years' time, AI will drastically transform the way we go about work. At the **Jissen (Practical) Solution Fair**⑥ we held in February 2025, there was a high level of interest among customers in AI PCs and Copilot PCs. The incorporation of AI into various applications can enable everyone to naturally reap the benefits that AI can bring. We also believe that a company's ability to effectively use AI could have a major effect on its business performance.

At OTSUKA CORPORATION, we are working particularly hard to **streamline sales activities using AI**⑦. At the Multi-AI Research Center, which was reorganized in January 2024, we study the characteristics of AI at each of our partner companies. It is an organization unique to OTSUKA CORPORATION that enables us to incorporate these AI technologies into in-house operations and integrate them into easy-to-use solutions for our customers. The organization is leading the introduction of AI into various operational processes, be it the automatic scheduling of appointments with customers that AI has deemed should be visited or support for day-to-day operations such as the creation of quotations. It is also promoting the use of AI for the

development of junior sales employees and to fulfill personal secretary roles. AI does not belong to any specific organization, nor does it find things hard to deal with. For example, from our vast range of solutions, it can easily recommend additional products for customers who have purchased PCs from us in line with their individual circumstances. In this sense, AI is highly compatible with our "support for the entire office" approach. It can even provide us with new realizations and suggestions. The additional time created from improved operational efficiency can be used to increase time spent on business negotiations and to enhance productivity. We have also begun pilot operation of a technology that automatically summarizes audio from business negotiations and registers it in our **SPR**⑧ system. Our plan is to gradually roll the technology out across the company while keeping an eye on the results. At the **tayoreru Contact Center**⑨, which is a key customer touchpoint, AI is being used to improve response quality and worker skills, in turn enhancing our ability to stay close to our customers. We are also moving forward with the development of the relevant framework and **personnel to enable us**⑩ to keep pace with the ongoing emergence of new AI solutions.

President's Message

Topic 3 The significance of OTSUKA CORPORATION

Sharing in-house experience to support customers in the adoption of DX and AI

Since its founding, OTSUKA CORPORATION has focused on **community-based operations**¹⁷ and has developed a unique customer base mainly comprising SMEs. It is well-known, however, that SMEs in Japan are falling behind in the adoption of DX and AI. That said, it is important to note that no matter how outstanding AI may be, results will not appear immediately after its introduction. Most important is the quality and quantity of the data that the AI will learn from, and this must not be neglected. The coordination, accumulation, and organization of master data is the first step to DX promotion and AI usage. This may sound obvious, but there are still many companies who have not been thorough enough with their master data.

Until the early 1990s, OTSUKA CORPORATION was by no means a highly productive company. Growth in sales was proportionate to the growth in number of employees, and so the expansion of sales required an increase in personnel. However, this method was no longer viable after the collapse of the economic bubble, and we entered a period of hardship.

In 1992, ordinary profit was just ¥500 million relative to net sales of ¥200.0 billion. We also had around ¥90.0 billion in interest-bearing debt (all non-consolidated). In response, realizing the urgency of management structure

reforms, in 1993 we began the **Otsuka Strategy**¹⁸. The two main pillars of the strategy are the centralization of operational tasks and the automated sales recording. This has simultaneously improved productivity and checks-and-balances functions, and also enabled us to successfully obtain clean data through the creation of an integrated system. It is a bit embarrassing to admit, but prior to the Otsuka Strategy, we had different master data depending on the office, even if the clients were the same. As a result, we couldn't even identify our top client without first collating the data. In 2001 we introduced the SPR system, allowing us to begin integrating data from core systems and information systems. To date we have accumulated data on around 58 million business negotiations. These initiatives—that is, the Otsuka Strategy we began around 30 years ago and the SPR system—are the same as the DX initiatives that many companies are engaging in today. It is our past activities in these areas that have facilitated our current use of AI and the **Otsuka Strategy II**¹⁹. We believe that it is our mission to provide customers with this extensive experience and expertise of ours alongside the wide-ranging solutions, and to contribute to their DX and AI initiatives.

Materiality issues to tackle customer challenges

In February 2025, we conducted a **revision of our materiality issues**²⁰. Specifically, we identified nine materiality issues after **recognizing changes in our external environment**²¹ from three viewpoints—customers, human resources (employees), and ESG—all of which are closely related to our efforts to address customers'

challenges. While there are no significant changes to our previous materiality issues, we have expanded the scope of coverage with a focus on ESG, which is central to social activity. We have also reset the associated KPIs. Reviewing risks and opportunities was an important discussion as we aim to take new steps as a one-trillion-yen company.

Revised materiality issues

Customers	Human Resources (Employees)	ESG
Value Creation Through Business Activities	Support for Employee Growth and Self-Fulfillment	Revised Implementation of Responsible Corporate Activities
Maintenance and expansion of the customer base	Improvement of Employee Engagement	Contribution to Global Environmental Conservation
Coexistence and Co-Prosperity with Partners	Promotion of DE&I	Realizing a Safe, Secure, and Comfortable Society
Coexistence with the Community	Human Resource Development	Strengthening Corporate Governance

¹⁷ Coexistence with the community ▶ P.45 ¹⁸ Otsuka Strategy ▶ P.05 ¹⁹ Otsuka Strategy II ▶ P.34 ²⁰ Materiality ▶ P.29

²¹ Recognition of external environment for solving customer issues ▶ P.27 ²² Business model ▶ P.19 ²³ Mission Statement ▶ P.09

²⁴ List of Directors and Audit & Supervisory Board Members (Skill Matrix) ▶ P.63 ²⁵ Fostering management and next-generation leaders ▶ P.54

Topic 4 To our stakeholders

Ongoing advancement of "support for the entire office" approach

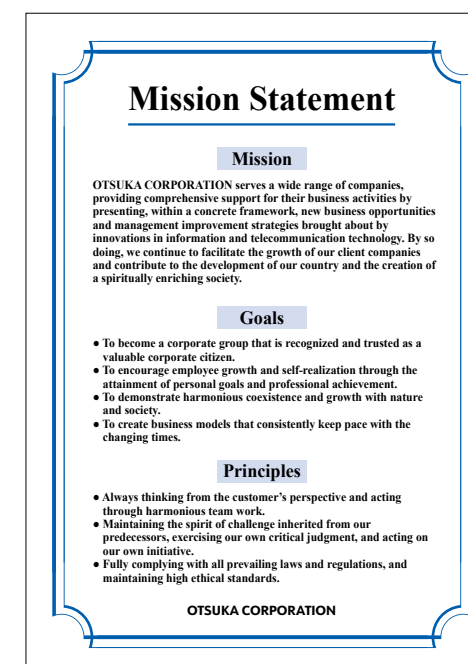
Having reached the one-trillion-yen mark, we are often asked by analysts what our next target will be. However, we do not currently have any specific numerical targets to announce. OTSUKA CORPORATION began as a copier sales company. In line with the shift to paperless environments and impacts from the pandemic, however, there have been significant changes in the market for multifunctional devices. Although generative AI is at the forefront today, there is no doubt that we will continue to see new themes come and go in the future. The IT environment is constantly changing, but at OTSUKA

CORPORATION we have continued to create **business models**²² in line with times, expanding our range of products to cater to customers' ever-evolving needs. In an industry with such future uncertainty, rather than promising the achievement of numerical targets for the next few years, we believe it is better to continue adapting to external changes and aim to maintain "support for the entire office" approach in a simple and honest manner. We believe that doing so will lead to the further development of both OTSUKA CORPORATION and wider society.

Fulfilling our Mission Statement to become a 100-year company

We are only halfway toward fulfilling our **Mission Statement**²³ and still require more time. While it might be difficult to complete every task while I am still president, in March 2025 we welcomed **three new members to the Board of Directors**²⁴. We are also seeing a gradual increase in the number of executive officers from **the OTSUKA Leader's College**²⁵, some of whom will hopefully go on to become directors. Moreover, while keeping the Board of Directors at the center of our operations, it will also be important to constantly bring in new internal and

external viewpoints and continue to evolve our management methods. However, regardless of any shifts in the management team, our Mission Statement will remain unchanged. We will work to increase the number of customers who allow us to support their entire office, and by growing alongside them, we will continue with efforts to become a 100-year company. In the process, we have full belief that we will be able to fulfill our Mission Statement. To all our stakeholders, I ask for your continued support and understanding of our activities going forward.



Fulfilling our Mission Statement to become a 100-year company



Capital (Strengths that OTSUKA CORPORATION has built up)

Since its founding, OTSUKA CORPORATION has built up a strong foundation of valuable capital through collaboration with a wide range of stakeholders—capital that now forms the source of its strengths.

By leveraging the organic combination of these forms of capital, we contribute to the creation of new value and sustainable growth that enhances corporate value over the medium to long term.

To further advance this strategic use in the future, we outline here our vision for each of the six forms of capital, the areas where capital is insufficient, and the initiatives and direction we are taking to enhance them.

Human Capital

Social Capital

Business Capital

Intellectual Capital

Financial Capital

Natural Capital

Human Capital

Reason for emphasis (Our Vision)

- To solve issues that vary from customer to customer, it is essential to have personnel who can consistently think from the customer's perspective and take proactive action.
- Realizing the "support for the entire office" approach requires combining individual expertise and diversity to fully harness the power of our human resources

Number of regular employees
(Consolidated):
9,680
(+2.7% compared to fiscal 2023)

Number of employees with
qualifications (Non-consolidated)
14,663
(Cumulative total)

Average annual salary
(Non-consolidated)
¥9.92 million
(+5.9% compared to fiscal 2023)

Related materiality issues

Improvement of employee engagement ▶ P.49
Promotion of DE&I ▶ P.51
Human resource development ▶ P.53

Awareness of insufficient capital

- (1) Further improvement of employee engagement
- (2) Diversity in management positions
- (3) Recruitment and development of highly specialized human resources, such as AI engineers and data scientists
- (4) Development of management professionals

Initiatives and directions for advancement

- (1) Promoting the use of external survey tools and AI Happiness (advancement of analysis and measures)
- (2) Manager promotion system & development of female managers
- (3) Job-based recruitment & reskilling
- (4) OTSUKA Leader's College

Business Capital

Reason for emphasis (Our Vision)

- To swiftly solve customers' problems, it is essential to establish and enhance various support systems and create a comfortable working environment.
- In the mail order business tanomail, it is crucial to achieve both early delivery (improving customer convenience) and efficient logistics (reducing costs) through the expansion of the logistics network.



Related materiality issues

Coexistence with the community ▶ P.45
Realizing a safe, secure, and comfortable society ▶ P.60

Awareness of insufficient capital

- (1) Establishment of systems and mechanisms to handle increasingly complex inquiries
- (2) Creation of an environment that easily adapts to changes in business communication and work styles
- (3) Optimization of logistics and inventory management by promoting collaboration with 3PL partners and enhanced demand forecasting

Initiatives and directions for advancement

- (1) Further improvement of call abandonment rates and early response rates by promoting the use of AI and other technologies
- (2) Accommodating flexible work styles through measures such as office layout redesign
- (3) Optimizing the placement of logistics sites and utilizing in-house big data

Social Capital

Reason for emphasis (Our Vision)

- Our mission is to widely share the know-how gained from transactions with customers across various industries, ranging from SMEs to large corporations, with society at large
- By combining excellent products, services, and technologies from each field, we deliver unique, optimal solutions tailored to our customers

Number of customer
companies per year
(Non-consolidated)
295,000 companies
(-0.2% compared to fiscal 2023)

Net sales per company
(Non-consolidated)
¥3.33 million
(+13.6% compared to fiscal 2023)

Number of partners
Approx. 2,400 companies

Related materiality issues

Maintenance and expansion of the customer base ▶ P.33
Coexistence and co-prosperity with partners ▶ P.39

Awareness of insufficient capital

- (1) Acquisition of new customer companies
- (2) Evolution of the business model to enable tailored integrated proposals for each customer
- (3) Proposal enhancement and integration by fully leveraging the power of the business ecosystem. Deepened customer engagement as a result of the above

Initiatives and directions for advancement

- (1), (2) Promoting forging new relationships with customers through Otsuka Strategy II (strengthening the coordination of in-person, online, and center interactions)
- (3) Coexistence and co-prosperity with partners. Strengthening proposal capabilities through analysis of in-house big data (utilization of intellectual capital)

Intellectual Capital

Reason for emphasis (Our Vision)

- To enable more advanced data-driven management, We accumulate information from a wide variety of customer contact points. This enables more advanced data-driven management through big data analysis and utilization.
- We leverage AI and other technologies to replace routine tasks, leading to further improvements in productivity.

Accumulation and utilization
of business negotiation data
Annual:
3.56 million cases
Cumulative total: 58 million cases

Capital and business alliances
with AI startups
Three companies
(2022-2023)

AI-related qualification holders
(Consolidated):
1,366
E-Certificate: 53
G-Certificate: 1,313

Related materiality issues

Maintenance and expansion of the customer base ▶ P.33
Human resource development ▶ P.53

Awareness of insufficient capital

- (1) Acquisition and accumulation of know-how on cutting-edge technologies such as generative AI
- (2) Enhancement of solution offerings through promotion of above (1)
- (3) Further utilization of in-house big data

Initiatives and directions for advancement

- (1) Strengthening cooperation with partners possessing AI know-how (utilizing social capital)
- (2) Sharing skills held by AI engineers and data scientists (utilizing human capital)
- (3) Continuing the proactive utilization of AI within the company

Financial Capital

Reason for emphasis (Our Vision)

Maintaining a sound financial base is essential to ensure continued agility in times of emergency.

Equity (Consolidated)
¥370.7 billion
(+8.1% compared to fiscal 2023)

Net sales of the accumulated
business (Non-consolidated)
¥360.1 billion
(+8.4% compared to fiscal 2023)

Awareness of insufficient capital
Promotion of management with an awareness of enhancing operating profit margin and of capital costs

Initiatives and directions for advancement
OTSUKA CORPORATION's financial strategy
Message from the CFO ▶ P.21

Related materiality issues

Strengthening corporate governance ▶ P.63

Natural Capital

Reason for emphasis (Our Vision)

Contribution to global environmental conservation is essential for a sustainable society

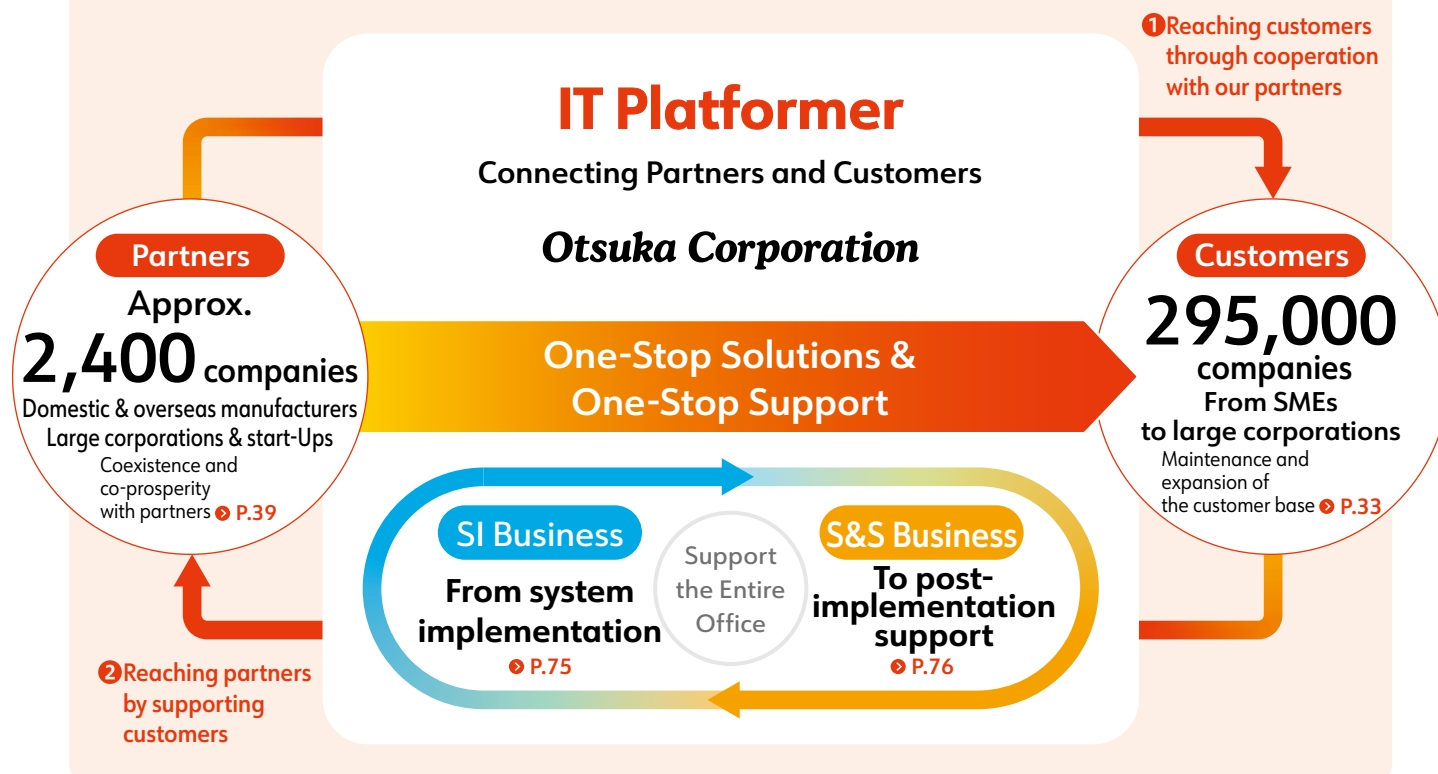
Related materiality issues

Contribution to global environmental conservation ▶ P.56

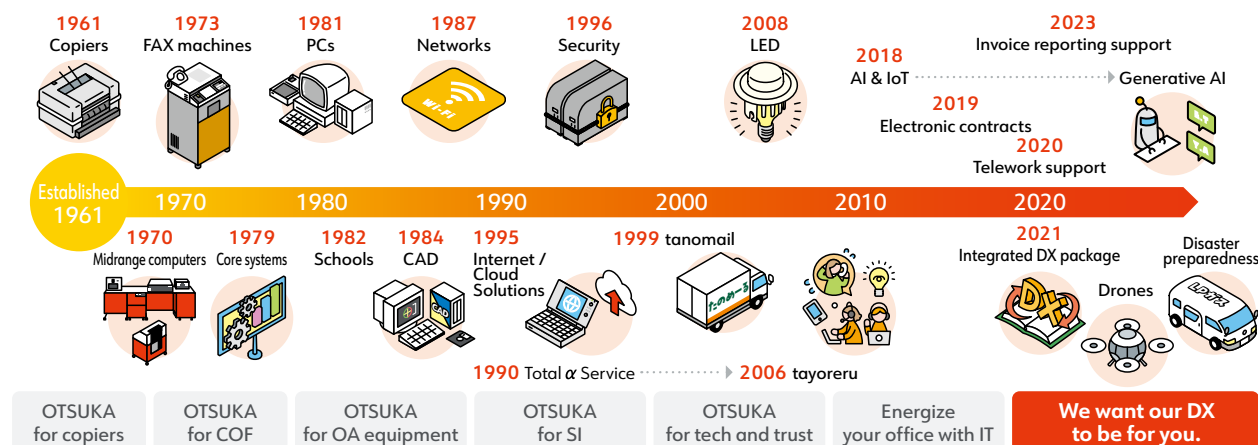


Business Model

Providing a wide range of products and services in a one-stop solution to solve our customers' problems



Our journey of expanding business domains in response to customer needs and the evolving office environment



① The value we deliver to customers through cooperation with our partners

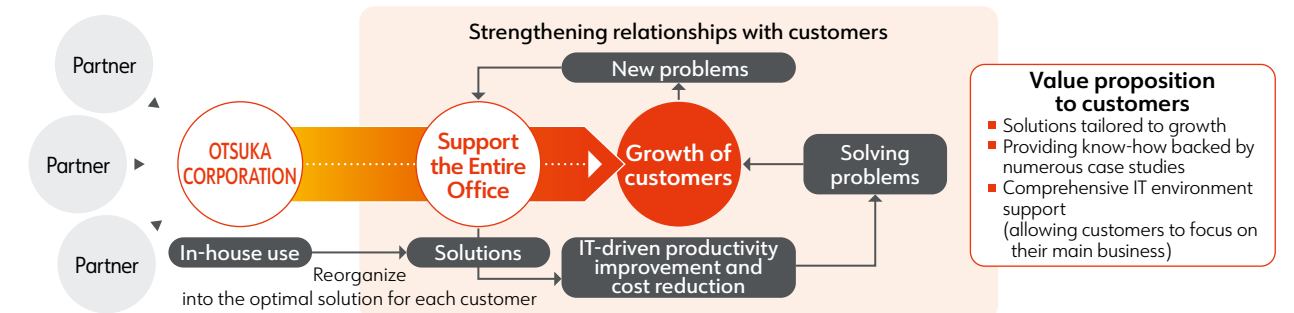
As office operations become increasingly sophisticated with the advancement of IT, it is becoming difficult to solve our customers' problems with a single product or service. By promoting a multi-vendor approach free from

reliance on specific manufacturers and a multi-field approach offering everything from office supplies to IT equipment and general IT services, we continue to expand our business domains and support our customers. We source top-quality products, services, and technologies of various fields from numerous partners

and put them into practice ourselves. Based on that experience, we create the optimal combination of solutions tailored to solving each customer's unique

problems, delivering "support for the entire office" approach that only OTSUKA CORPORATION can offer.

The Core of OTSUKA CORPORATION (CORE 1 & 2) ● P.03



② The value we deliver to partners by supporting customers

In 2024, OTSUKA CORPORATION conducted business with 295,000 companies. For our partners, starting a business relationship with OTSUKA CORPORATION represents a valuable opportunity to tap into our customer base. It is a more efficient approach than independently building up marketing, sales, and support functions, and it makes effective use of social capital.

By sharing insights into customers' latent needs gathered through our sales activities, we can also

support partners in their product development efforts, leading to the creation of new value that contributes to solving our customers' challenges.

Furthermore, by combining the strengths of multiple partners in their respective areas of expertise, we are able to deliver more integrated and high-quality solutions. This not only enhances our competitive edge compared to offering each solution in isolation, but also contributes to greater customer satisfaction.

The Core of OTSUKA CORPORATION (CORE 2 & 3) ● P.03-04
Partner roundtable ● P.41 Practical Solutions Fair ● P.40

○ Responsiveness and support capabilities that stay close to customers

Since our founding, we have put emphasis on customer support that is rooted in the community. From system implementation to post-implementation support, OTSUKA CORPORATION solves customers' problems every step of the way.

To stay close to our customers, we continuously utilize AI (● P.35) and strengthen our human capital (● P.47), striving to enhance our responsiveness and support capabilities.

No matter how advanced technology becomes with the arrival of the digital society, OTSUKA CORPORATION's style of staying rooted in local communities and growing alongside them will remain unchanged.

Coexistence with the community ● P.45

Value proposition to customers

- Speedy response through community-based operations
- One-stop solutions to our customers' problems
- Delivering what customers need when they need it



Message from the CFO



Managing Director &
Executive Operating
Officer
Hironobu Saito

Respond to Trust by Promoting the Realization of Our Mission Statement

- P.21 Medium- to Long-Term Management Policy
- P.23 Review of 2024 business results
- P.24 Capital allocation
- P.25 Realizing management that is conscious of capital costs and share price

Medium- to Long-Term Management Policy

Basic approach

Grow together with customers through the realization of our Mission Statement. The Medium- to Long-term Management Policy announced in 2023 reorganizes the direction OTSUKA CORPORATION should take, based on this fundamental approach.

Medium- to Long-Term Management Policy

- Continue stable and sustainable growth while responding to changes in the environment
— Achieve both operating and ordinary profit margins of a steady 7% or more
- Slightly expand workforce plans, while keeping productivity improvements in mind
- Explore demand with the use of data
- Improve productivity through the efficient use of people, goods, money, and information

We have intentionally chosen not to disclose specific numerical targets for the next several years. IT environment is ever changing and it is incredibly difficult to forecast how the economic and foreign policies implemented by the new administration in the U.S. will impact global economies. Setting future targets in this uncertain environment is likely to result in all pain and no gain. Even if we implement measures that go against long-term corporate value improvement in pursuit of immediate goal achievement, it would be misplacing our priorities. More importantly, it is crucial to develop the ability to respond to changes in the market faster and more accurately than anyone else, anticipating that those changes will happen. Our Medium- to Long-term Management Policy simply indicates the overall direction, and we prioritize responding quickly and flexibly to specific measures and initiatives as needed.

KPIs and 2024 results

We have set KPIs and their targets in order to monitor the progress of medium- to long-term operational conditions. A table on the right shows the comparison with the 2024 results.

Although we should not waver between hope and despair seeing the results of each single year, we will make continuous efforts for the items that exceeded our target, and for those we did not achieve the target, we will work to analyze factors and take necessary actions. The reasons for setting each KPI and current status are as follows.

- Relationships with customers
President's message **P.11**
Strengthening relationships with customers **P.33**
- ROE **P.25**

KPIs	Targets	2024 results	Difference from the target
Relationships with customers			
Number of customer companies per year	+2.0%	-0.2%	-2.2 points
Net sales per company	+3.0%	+13.6%	+10.6points
Operating profit and ordinary profit			
Average annual growth rate*	+6.0%	+18.1%	+12.1points
Profit margin*	7.0% or higher	6.7%	-0.3points
ROE	13% or higher	15.0%	+2.0points
Dividend payout ratio	50% or higher	56.7%	+6.7points

*Growth rate and profit margin stated above are those of operating profit.

Operating profit and ordinary profit

We have set two KPIs and their targets: increasing operating profit and ordinary profit by 6.0% each and realizing a steady 7.0% or more for profit margin.

In 2024, although operating profit significantly exceeded our target, increasing 18.1% year on year, operating profit margin fell slightly short of our target at 6.7%.

If we curb procurement costs and personnel costs, it will be possible to achieve them in the short term. However, what OTSUKA CORPORATION is aiming to achieve is long-term, sustainable growth alongside all our stakeholders, including our employees and partners.

Shareholder returns (dividend payout ratio)

OTSUKA CORPORATION has set the distribution of profits to shareholders as our most important management issue, and our basic policy is to pay stable dividends in line with our business results, while considering such factors as the strengthening of our management foundations and the soundness of our financial position (target of dividends payout ratio: 50% or more).

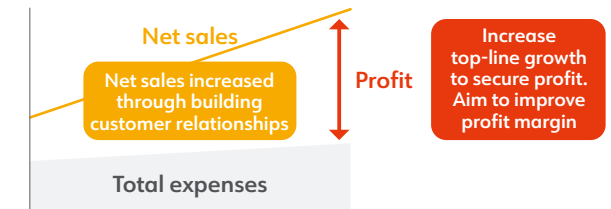
For the fiscal year 2024, we paid a dividend per share of common stock of ¥80 (dividend payout ratio of

	2023 results*	2024 results	2025 plan
Dividend payout ratio	53.9%	56.7%	58.6%
Dividend per share of common stock	¥67.5	¥80.0	¥85.0
Regular dividend	¥67.5	¥75.0	¥85.0
Commemorative dividend	—	¥5.0	—

*The Company executed a two-for-one stock split, effective April 1, 2024. The stock split has been applied retroactively, including for the graph on the right.

To realize this, we will aim to increase top-line growth by exceeding our KPIs related to customer relations and strive to improve both profit and profit margin.

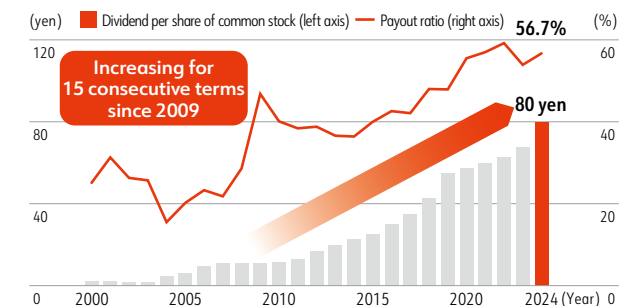
Explanation of consolidated statements of income **P.83**



56.7%, a year-on-year increase of ¥12.5*), which exceeded the initial plan (¥70). The dividend for the fiscal year 2024 also included a commemorative dividend of ¥5 to celebrate our achievement of one trillion yen in net sales, allowing us to return profits to supporting shareholders.

For the fiscal year 2025, we plan to pay dividends of ¥85 per share of common stock (an increase of ¥10 excluding the commemorative dividends), an increase for the 16 consecutive terms.

Dividend per share of common stock and payout ratio



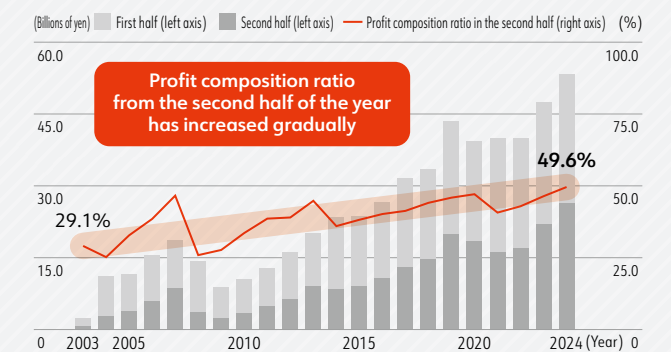
TOPICS Interim Dividend Payments to Commence in the Fiscal Year 2025

Until now, we have paid dividends once a year, at the end of the fiscal year. However, compared to 20 years ago, immediately after our IPO, we have not only expanded profits through our accumulated business, but have also made progress in improving the balance between the first and second halves of the fiscal year. Our financial base has also been strengthened sufficiently.

Considering both profitability and financial security, we plan to implement an interim dividend starting in fiscal year 2025. We will strive to further enhance shareholder returns by increasing opportunities for shareholders to reinvest.

In terms of dividend breakdown, in line with our performance targets for the fiscal year 2025, we plan to pay an interim dividend of ¥45 and a year-end dividend of ¥40.

Profitability: Trends in consolidated profit



Stability: Strengthening of financial base

2003	Equity ratio	27.1%	Retained earnings	¥29.4 billion
2024	Equity ratio	55.0%	Retained earnings	¥339.4 billion

Message from the CFO

Review of 2024 Business Results

Marked a new record high for two consecutive years

In the fiscal year 2024, we achieved double-digit year-on-year growth for net sales and each profit segment, hitting record-high figures for the second consecutive year. We also achieved the targets that were revised upward in August, making it a commemorative year as we reached one trillion yen in net sales.

In terms of quarters, revenue and profit increased for the eleventh consecutive quarter, showing that we are maintaining our excellent performance in a stable manner.

More active sales activities

Vigorous sales activities have been one driving factor behind this positive performance. We increased the number of business negotiations per year to 3.56 million (up 6.0%), and by maintaining the high order rate from the previous year, we were able to increase the number of orders received.

Through the use of AI and other technologies (P.35), we have established an environment where our sales personnel can concentrate on business discussions with customers. We will aim for further performance improvements by simultaneously enhancing the efficiency of our sales activities and improving the quality of our proposals.

Preparation for Windows 10 EOS began in the second half of the year

In 2023, we successfully captured the demand relating to the new invoice system and the Act Concerning Preservation Methods for Books and Documents Related to National Tax Prepared by Means of Computers. In 2024, we were able to cover the reactionary decline from this one-off demand with security solutions and our accumulated business.

In the second half of the year, business negotiations related to the end of support increased, and sales far exceeded overall market performance. Results in the fourth quarter in particular benefited from the above, with operating and ordinary profits increasing by around 40%, marking our largest ever quarterly increase in profit.

Improving profitability while continuing to strengthen human capital

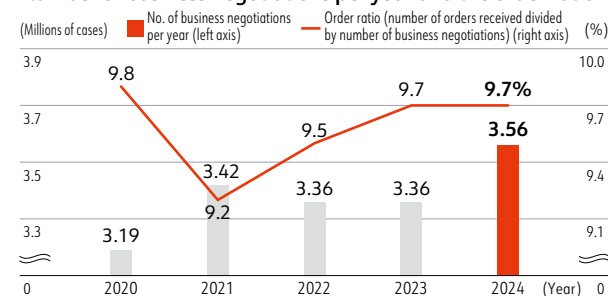
As a result of the above, we were able to significantly exceed our net sales target of one trillion yen. Although there was a marginal decrease in gross profit margin due to changes in our product mix, we have secured a solid gross profit amount thanks to top-line growth.

2024 results

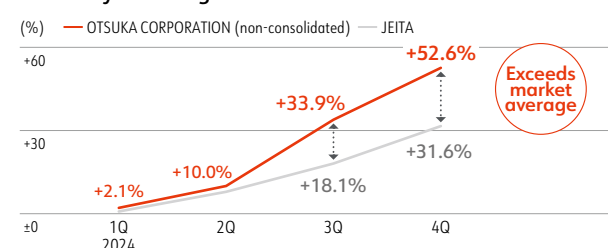
	Amount	Compared to revised plan	Year-on-year change
Net sales	1,107.6	105.0%	+ 13.3%
Operating profit	74.3	107.0%	+ 18.1%
Ordinary profit	75.9	107.7%	+ 17.7%
Profit*	53.4	109.8%	+ 12.7%

*Profit attributable to owners of parent

Number of business negotiations per year and the order ratio

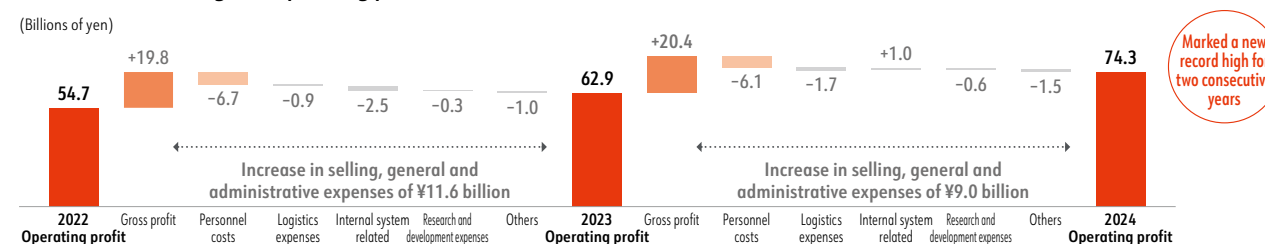


Year-on-year change in PC sales volume



*JEITA: Japan Electronics and Information Technology Industries Association
Calculated based on the results of domestic shipment of PCs

Factors behind changes in operating profit



bonus to mark our achievement of one trillion yen in consolidated net sales. The increase in selling, general, and administrative expenses, mainly through the above personnel expenses, was offset by the increase in gross profit, and as a result, operating profit reached a

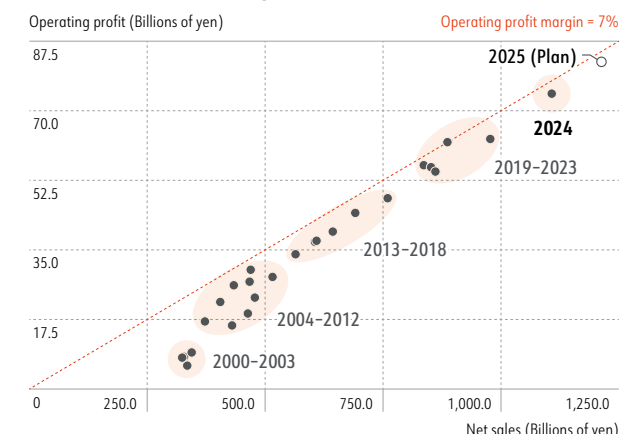
Aiming for further growth in 2025

In 2025, we plan to achieve net sales of ¥1,213.0 billion (+9.5% year on year), operating profit of ¥82.3 billion (+10.7%), and profit attributable to owners of parent of ¥55.0 billion (+2.8%).

This will be the third consecutive year in which we are aiming to increase net sales by ¥100.0 billion. While progressing with preparations for a full-scale response to EOS and other initiatives, we will work to strengthen our "support for the entire office" solutions and accumulated business to continue growing after this one-off demand.

record high for the second consecutive year. It is particularly noteworthy that we were able to significantly increase top-line growth and improve our operating profit margin (6.7%, up 0.3 points year on year) at the same time.

Net sales and operating profit (2000-2025)



*Figures for 2000-2024 are actual results, while those for 2025 are based on plans

Capital Allocation

Capital allocation by decade

In 2005, cash and cash equivalents surpassed interest-bearing debt, and since then we have continued with debt-free management in real terms. When looking at trends by decade since our listing in 2000, 2000s was a decade when we prioritized the reduction of interest-bearing debt using the free cash flows generated through business model reforms as part of the Otsuka Strategy (P.05). In the 2010s, our financial base got stronger and our equity ratio was stabilized at 50% or more, and we began reinforcing shareholder returns. We have now increased dividends for 15 consecutive fiscal years.

Now, in the 2020s, we are focusing on strengthening our human capital. Even as uncertainty stemming from the pandemic persists, strengthening and developing

human resources who can empathize with our customers and increasing productivity will be essential to OTSUKA CORPORATION's future survival.

Compared to 2020, in 2024 the average annual salary per employee increased by around ¥1.5 million. With 8,000 employees (non-consolidated), this equates to around ¥12.0 billion each year. If we consider the fixed nature of salaries, this is the same financial impact as a ¥120.0 billion investment across 10 years. We believe that these investments in human capital, which will appear as costs on financial statements, are key investments for future growth. (Explanation of consolidated statements of income P.83; Primary uses of funds (non-consolidated) P.82)

Consolidated	2000s (2000-2009)	2010s (2010-2019)
Free cash flows	¥85.3 billion	< ¥231.6 billion
Dividends paid	¥19.0 billion	< ¥85.7 billion
Free cash flow ratio	22.4%	< 37.0%
Loan repayments	¥58.7 billion	> ¥1.8 billion
Free cash flow ratio	68.9%	> 0.8%

Non-consolidated: Per regular employee indicators (Ten thousands of yen)

	2020	2021	2022	2023	2024
Average annual salary	843	822	856	937	992
Training costs	7.1	7.8	10.7	12.7	15.5

Approach to M&As and acquisition of treasury shares

We often receive suggestions that we should examine the use of cash in hand for M&As and other investments, but as of now we have no specific plans. Of course, we would not deny the possibility, and M&A may become an option in circumstances in which we need to diversify and strengthen our business swiftly. Having said that, I believe that continuously improving our mechanisms for strengthening human capital and raising productivity contributes more to enhancing corporate value, rather than taking the risks of spoiling the unique business model and corporate culture that we have built up over many years.

While current shareholder returns are mainly dividends, in the future we may look at the acquisition of treasury shares. However, our current focus is on ensuring stable dividends in line with our performance, and our dividend payout ratio is higher than other companies in the industry. We also regularly monitor the market and our stock price (Management that is conscious of cost of capital and stock price P.25).

Message from the CFO

Realizing Management That is Conscious of Capital Costs and Share Price

Cost of shareholders' equity and ROE

We estimate the cost of shareholders' equity and weighted average cost of capital (WACC) using the capital asset pricing model (CAPM). Our interest-bearing debt is minimal, and we are continuing with debt-free management in real terms. As cost of shareholders' equity and WACC are similar, we believe it is better to use ROE than ROIC as an indicator to discuss capital efficiency with investors. As such, at the Board of Directors, we engage in discussions mainly on comparisons between estimated cost of shareholders' equity and ROE.

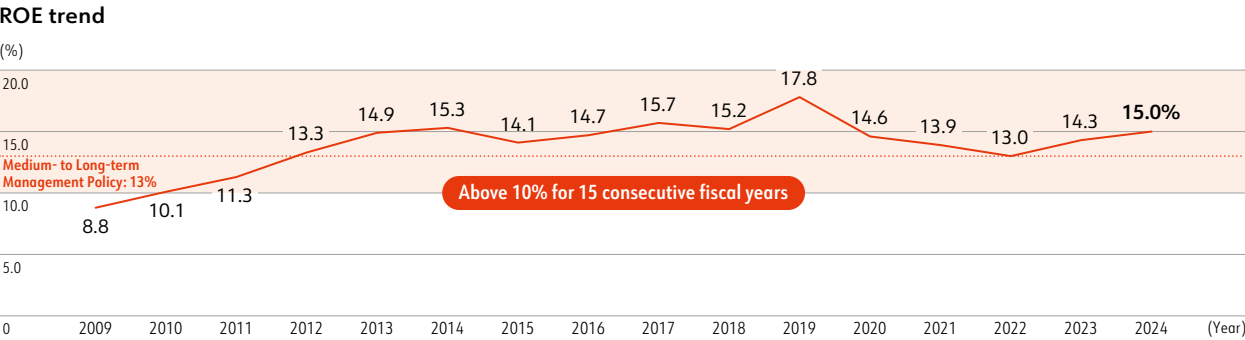
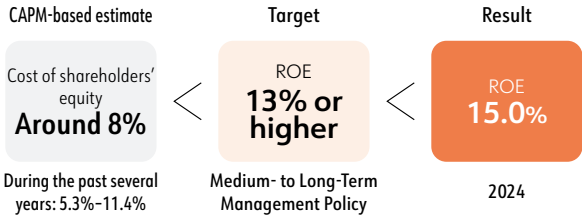
Although gauging the actual cost of shareholders' equity is difficult, we estimated the cost to be around 5.3% at the end of December 2024. However, there are differences in our estimated values each year due to impacts from beta

fluctuations and other factors caused by market conditions. It is therefore important to take a more long-term approach. When looking at the average across the past few years, the figure has been around 8%. However, in our Medium- to Long-term Management Policy, we are aiming to exceed this with our target of ROE of 13% or more.

In 2024, ROE exceeded this target at 15.0% for the 15 consecutive fiscal years in which we have achieved an ROE of over 10%. Among the elements that comprise ROE, we place particular emphasis on profit to net sales ratio. We will aim for further ROE improvements by increasing operating and ordinary profit margins as per our Medium- to Long-term Management Policy.

Consolidated: Components of ROE

	Unit	2020	2021	2022	2023	2024
Financial leverage	times	1.74	1.66	1.63	1.64	1.73
Profit to net sales ratio	%	4.7	4.7	4.6	4.9	4.8
Total asset turnover	times	1.79	1.78	1.70	1.80	1.79
ROE	%	14.6	13.9	13.0	14.3	15.0



Status of dialogue with shareholders

The President & Chief Executive Officer, myself (Managing Director & Executive Operating Officer, General Manager of Business Administration Headquarters), and staff in charge of investor relations engage in dialogue with investors and analysts both in Japan and overseas. In 2024, we held 285 individual meetings, 49 of which were led directly by the President & Chief Executive Officer.

No. of individual meetings in 2024

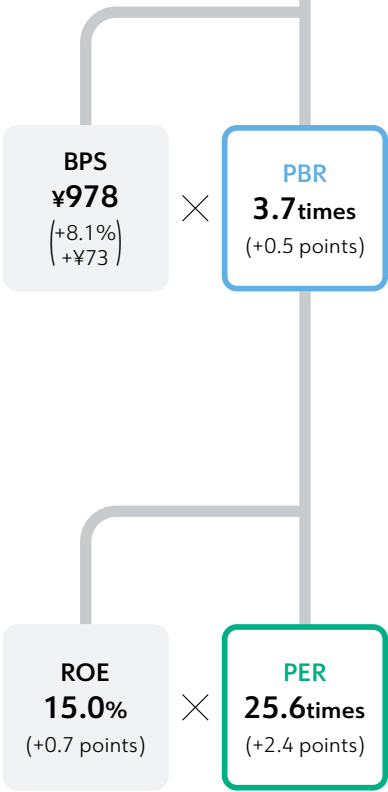
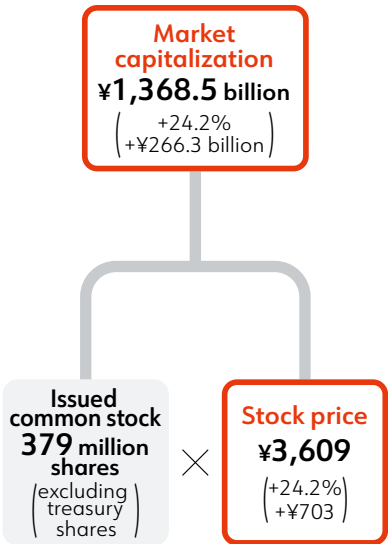
	Number of meetings	Composition ratio
Domestic investors	197	69.1%
Overseas investors	88	30.9%
Total	285	100.0%

Through discussions on management policies, business strategies, market trends, performance, and KPIs at these meetings, we are aiming to reflect feedback from capital markets into management. The main topics from this dialogue that we have reflected into management in recent years are as below. Going forward, we will continue to identify the investment policies for each investor, and engage in constructive dialogue to achieve sustainable growth into the future.

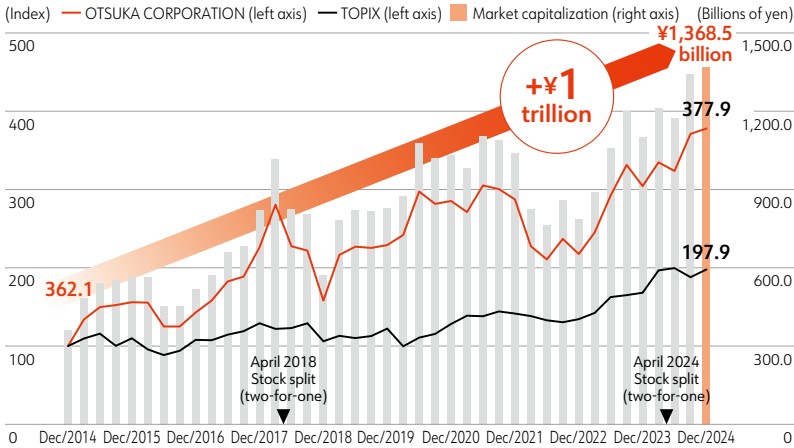
Main topics reflected into management through dialogue

- Formulation of the Medium- to Long-term Management Policy.
- Enhanced shareholder returns
- Strengthening human capital
- Board of Directors composition
- Disclosure of amount of retirement benefits for individual officers
- Promotion of diversity
- Development of next-generation management

Approach to stock price *Figures are as of December 31, 2024. The figures in parentheses indicate change from the end of the previous fiscal year.



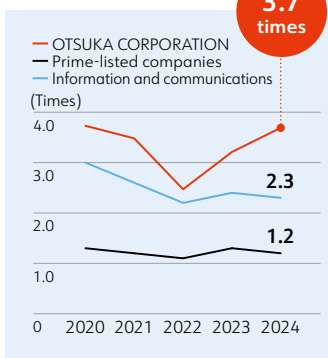
Changes in the stock price index and market capitalization with the stock price as of December 31, 2014, set as the base (100)



Market capitalization / stock price

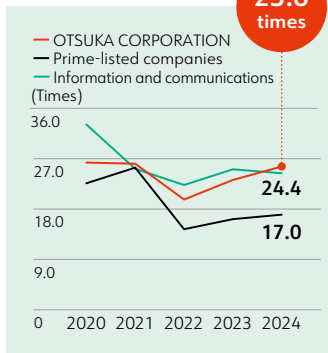
Market capitalization as of the end of 2024 was ¥1,368.5 billion. This was a significant increase of 24.2% year on year, and we stayed above one trillion yen in a stable manner throughout the year. Assuming the stock price is set at 100 as of December 31, 2014, the stock index shows that OTSUKA CORPORATION increased to 377.9 compared to 197.9 for TOPIX. This is almost double that of TOPIX, and we have been able to add around one trillion yen to our market capitalization in the past 10 years.

PBR



Price book-value ratio (PBR), a key stock price component, was 3.7 as of the end of 2024. Average PBR over the past five years has been above 3.0, which is significantly higher than other Prime-listed companies and other companies in the information and communications sector. We believe this valuation reflects recognition of OTSUKA CORPORATION's intangible assets, such as our human capital and customer base, which are not always noticeable in our financial statements, as well as the future excess earnings power derived from leveraging these assets and the business model that enables long-term, sustainable growth. We will continue to strengthen these areas going forward.

PER



* Reference: Japan Exchange Group – PBR and PER for Prime-listed companies and companies in the information and communications. Figures until 2021 are for Tokyo Stock Exchange First Section companies, and from 2022 are for Prime-listed companies

Recognition of External Environment for Solving Customer Issues

We have organized the external environment surrounding OTSUKA CORPORATION from three perspectives: customers, human resources, and ESG.

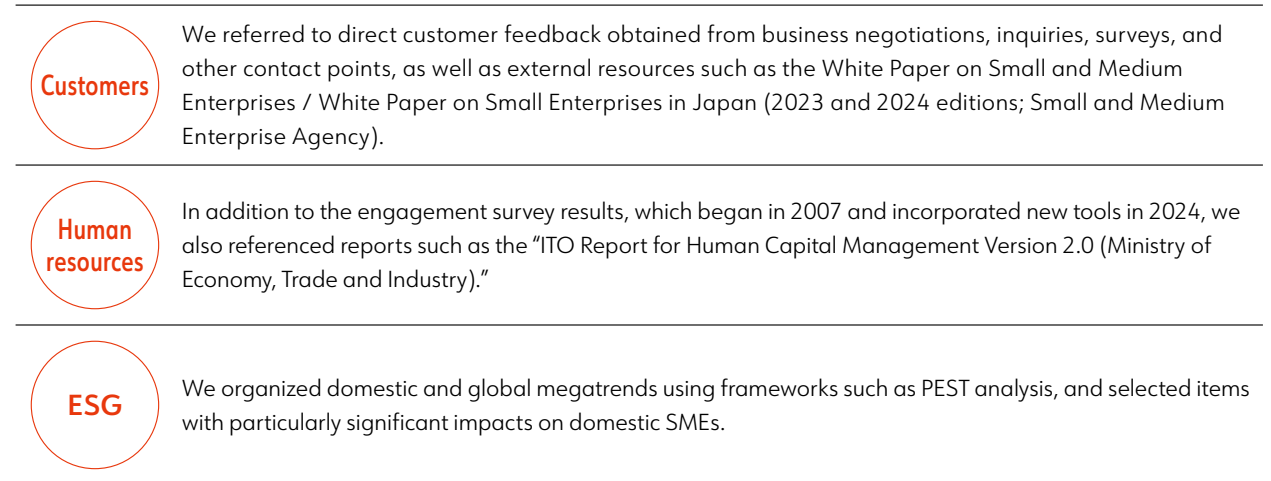
From a wide range of external environments, we selected items closely related to solving customer challenges, which led to the identification of nine material issues.

Reasons for selecting the three perspectives



	Changes in the External Environment	Expected timeframe	Interest of stakeholders and importance to the Group
Customers	1 Continued severe labor shortages	Long	<p>Items considered to be of high interest and importance</p>
	2 Rising domestic prices and personnel costs	Short	
	3 Expansion of cloud business and diversification of IT services	Medium	
	4 Widening regional disparities	Medium	
	5 Relative decline in labor productivity compared to other countries	Medium	
	6 Diversification of work styles such as telework	Short	
	7 Growing social interest in human rights and the environment	Medium	
	8 Industrial structure shifts due to technological innovation	Short	
	9 Increasing concerns over division and conflict driven by changes in global political systems	Short	
Human resources (Employees)	10 Reexamination of Japanese-style employment practices (e.g., lifetime employment)	Medium	
	11 Expansion of inclusive work environments regardless of age, gender, disability, nationality, etc.	Long	
	12 Growing interest in engagement	Medium	
	13 Promotion of labor substitution through AI, robots, etc.	Long	
	14 Changes in work styles and lifestyles	Medium	
	15 Momentum for wage increases	Medium	
	16 Entry of Generation Z into the workforce	Medium	
	17 Rising demand for global talent	Short	
ESG	18 Acceleration of climate change and increasing frequency of extreme weather	Long	
	19 Promotion of a circular society and the crisis of biodiversity	Long	
	20 Growing interest in environmental solutions	Medium	
	21 Effective utilization of water resources	Medium	
	22 Demands for supply chain management with respect to human rights and the environment	Medium	
S	23 Rising expectations for companies to solve social issues	Medium	
	24 Growing needs for information security due to increasing cyberattacks, etc.	Medium	
	25 Initiatives for health and safety and improvement of the working environment	Short	
G	26 Demands for stronger corporate governance	Medium	
	27 Expanding ESG-conscious investment	Medium	

Process for Considering the Three Perspectives



	Risks for OTSUKA CORPORATION	Opportunities for OTSUKA CORPORATION	Identified materiality issues
Value creation through business activities	1~6 Weakening of our customer base due to customers' inability to adapt to environmental changes	1 2 5 Expansion of business opportunities through support for DX promotion and labor-saving investments	1 Maintenance and Expansion of the Customer Base
	3 Promotion of direct transactions between partners and customers	3 • Creation of a new business model; enhancement of added value through "support the entire office" approach • Expansion of the ecosystem through strengthened cooperation with partners	2 Coexistence and Co-Prosperity with Partners
	1 2 4 Decline in customers' capacity for IT investment	4 Gaining competitive advantage and supporting regional revitalization by strengthening community-based support	3 Coexistence with the Community
	6 Reduction in customer contact points	5 Growing together with customers by providing proprietary know-how (Otsuka Strategy, etc.)	
		6 Forging new relationships with customers	
Support for employee growth and self-fulfillment	10 11 12 Loss of human resources and recruitment difficulties due to inadequate response	10 11 14 Transformation to a management style that values individuality	4 Improvement of Employee Engagement
	14 15 Acquisition of highly specialized human resources through job-based recruitment	10 11 Creation of new solutions and services that leverage diversity	
	11 Increased risk of harassment, friction, and conflicts due to lack of mutual understanding	11 Promotion of "support for the entire office" approach driven by increased motivation to take action	5 Promotion of DE&I
	12 Negative impact on customer satisfaction due to insufficient internal communication	12 Promotion of well-being through the expansion of monetary and non-monetary rewards	
		12 15 • Reinforcement of human capital through reskilling support, etc., expanding human resources for "support for the entire office" approach	6 Human Resource Development
	13 Expansion of the internal digital divide	13 • Further productivity improvement through the promotion of labor saving and automation	
Implementation of responsible corporate activities	18 Rising response costs due to intensifying extreme weather, etc.	18 19 Strengthening initiatives for environmental activities	7 Contribution to Global Environmental Conservation
	19 20 Loss of trust from society due to inability to respond	20 Provision of environmental solutions and products (new partners, new business)	
		22 Enhancement of human rights awareness across the entire supply chain	8 Realizing a Safe, Secure, and Comfortable Society
	22 23 24 Loss of trust from society due to inability to respond	23 Creating virtuous cycles of mutual development with local communities	
		24 Provision of security solutions based on our own experience	
	26 Damage to corporate value caused by unsound corporate governance	26 Strengthening the management foundation through sound corporate governance	9 Strengthening Corporate Governance
	27 Decline in shareholders and withdrawal of investors	27 Strengthening trust-based relationships with stakeholders	

Materiality

OTSUKA CORPORATION regards sustainability as the foundation of its management.

In response to changes in the external environment, including growing global concern for environmental and human rights issues, we reviewed our materiality issues in 2025 and re-identified nine priority issues.

For each of these nine materiality issues, we aim to clarify and maximize their business value, social value, and value for stakeholders. Through this, we will accelerate our “support for the entire office” management strategy and work toward realizing our Mission Statement.

01 Recognize the external environment

Divided into customers, human resources, and ESG, with reference to sources such as the White Paper on Small and Medium Enterprises in Japan and ITO Report for Human Capital Management to understand changes in the external environment.

02 Organize the expected timeframe and impacts

Organize the expected timeframe and the impact on stakeholders and OTSUKA CORPORATION regarding the recognized changes in the external environment.

03 Assess risks and opportunities

From the items identified in Step 2, examine those considered particularly important in terms of risks and opportunities for OTSUKA CORPORATION.

04 Review materiality issues

Re-identify the nine priority materiality issues to be addressed after discussions at the Board of Directors.

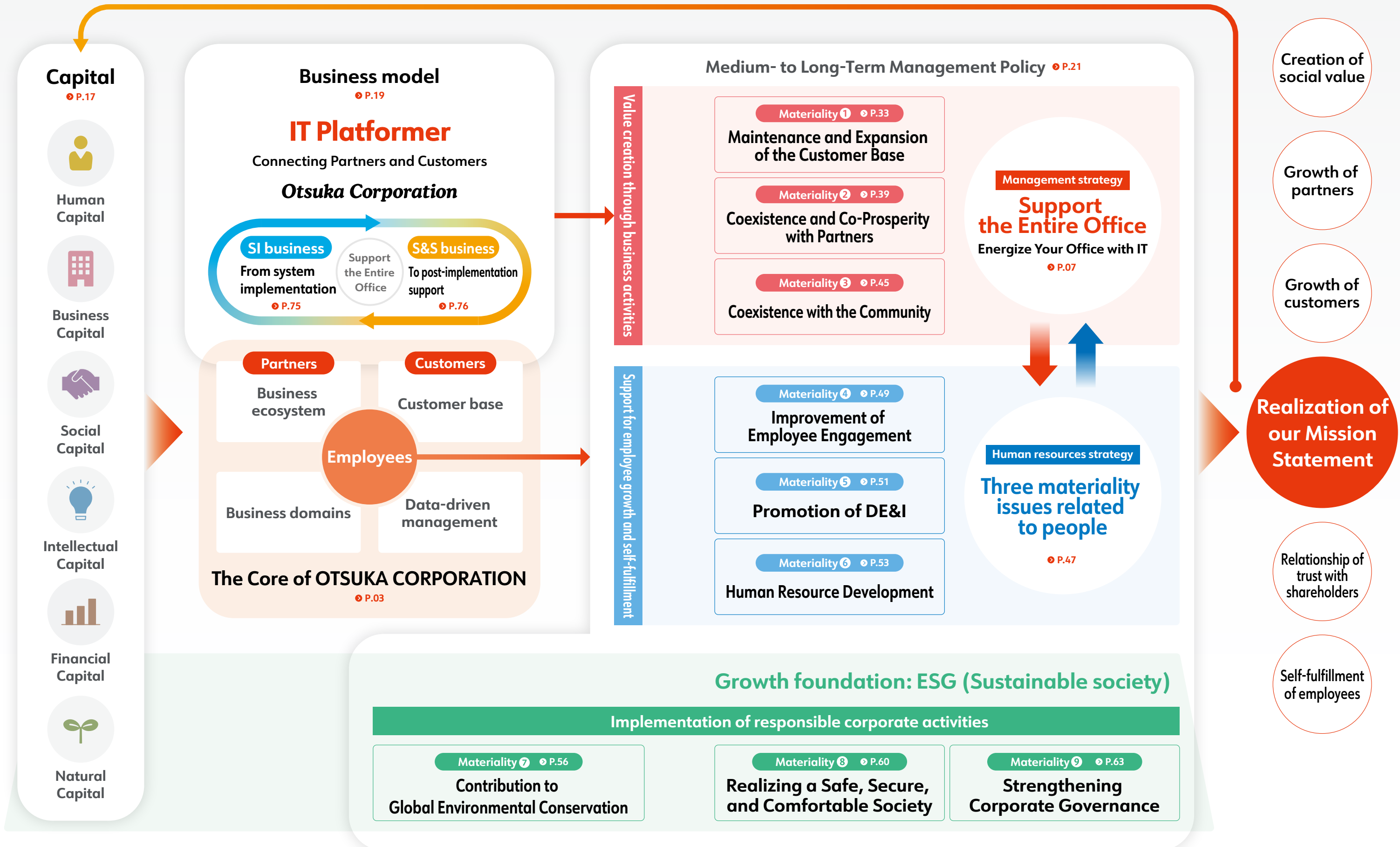
Please refer to [P.27](#) for details.

	Materiality	Corresponding Page	Value Creation Through Promotion of “Support the Entire Office” Approach		
			Creation of business value (Contribution to the growth of OTSUKA CORPORATION)	Creation of social value (Solving social issues)	Value creation for stakeholders (Relationship with stakeholders)
Value creation through business activities	1 Maintenance and Expansion of the Customer Base	P.33	The accumulation of expertise and data gained through transactions with a wide range of customers serves as the source of added value for our solutions	Play a central role in addressing the labor and personnel shortage by supporting the IT adoption and DX promotion of many customers	Customers: Can benefit from know-how backed by numerous case studies
	2 Coexistence and Co-Prosperity with Partners	P.39	Propose the optimal solution for each customer by selecting excellent products, services, and technologies in various fields	Ensure stable supply even in the event of an emergency through cooperation with a wide range of partners, contributing to the business continuity of many companies	Partners: Can realize efficient marketing by sharing customers' needs
	3 Coexistence with the Community	P.45	Gain a deep understanding of our customers by identifying regional market characteristics while pursuing efficient community-based business activities	Contribute to alleviating regional economic disparity	Customers: Can focus on their main business (balancing productivity improvements and cost reductions) through swift community-based support
Support for Employee Growth and Self-Fulfillment	4 Improvement of Employee Engagement	P.49	Improving engagement drives the “support for the entire office” management strategy, enabling support for customer growth	Curb diseconomies in the labor market through proper securing and retention of workforce	Employees: Working at OTSUKA CORPORATION leads to self-fulfillment and job satisfaction, providing a feeling of fulfillment and accomplishment
	5 Promotion of DE&I	P.51	Respond precisely to increasingly complex customer needs by enhancing ingenuity and flexibility through the securing and retention of a diverse workforce	Contribute to the creation of new innovations through social participation of diverse personnel	Employees: Psychological safety improves, and broadened perspectives and mindset shifts resulting from diverse interpersonal connections leads to new growth opportunities
	6 Human Resource Development	P.53	Contributes to the enhancement of corporate value by maximizing performance through appropriate assignment of highly skilled personnel in the right positions	Become a dependable presence for mid-ranking companies and SMEs struggling with labor and personnel shortages	Employees: Can gain career development and opportunities for self-fulfillment through continuous learning of specialized knowledge and the latest technologies
Implementation of responsible corporate activities	7 Contribution to Global Environmental Conservation	P.56	Respond to emerging customer needs and expand business domains by offering solutions and products that address climate change risks and the environmental concerns	Contribute to the preservation and improvement of the global environment through initiatives to reduce environmental impact, such as the introduction of renewable energy	All stakeholders: Can pass on a sustainable environment and society to future generations
	8 Realizing a Safe, Secure, and Comfortable Society	P.60	Build a system that allows customers to safely conduct business, thereby enhancing social responsibility across the entire ecosystem	Realize a safe, secure, and comfortable society by addressing environmental concerns, human rights, labor challenges, and other global issues across the entire ecosystem	All stakeholders: Can contribute to the sustainable development of society by establishing a value chain that respects the environment, human rights, and other considerations
	9 Strengthening Corporate Governance	P.63	Sound governance enables agile responses to changes in the management environment, leading to strengthened competitiveness	Realize coexistence and co-prosperity with society by complying with the Corporate Governance Code across all corporate activities	Investors: Can expand opportunities for dialogue that help identify ethical or structural risks necessary to prevent misconduct and decline in competitiveness

Realization of our Mission Statement	Desired outcomes and OTSUKA CORPORATION's Missions	Main Initiatives	Indicators (Non-consolidated)			
			Indicators and main initiatives	Results (±X% = Year-on-Year change Rate; X% = composition ratio)		
				2022	2023	2024
By energizing your office with IT, support the growth of many customers and contribute to Japan's further advancement	Build a business ecosystem that can respond to diverse customer needs and make effective use of social capital	<ul style="list-style-type: none"> Otsuka Strategy II Promotion of AI utilization 	Number of customer companies per year	+1.9%	+1.1%	-0.2%
			Net sales per company	-1.6%	+12.0%	+13.6%
			Number of partners	2,395 companies	2,402 companies	2,328 companies
Achieve coexistence and co-prosperity between OTSUKA CORPORATION and the community through the continuation of business activities rooted in the community, thereby creating a virtuous cycle of mutual development.	Establish a cycle to sustainably increase employee satisfaction and enhance corporate value, allowing employees to feel happy about working at OTSUKA CORPORATION	<ul style="list-style-type: none"> Collaboration with partners (procurement, fairs, seminars, etc.) IT proposals for solving regional issues 	Awards and certifications received from partners (latest information available online)	—	—	Online
			Net sales of regional sales departments and broad-regional branches	+4.3%	+10.4%	+11.5%
			Number of government agencies and local public bodies supported (counted based on our internal classification method)	1,294	1,294	1,287
A world that embraces the full potential of every individual will create a spiritually enriched society	Create new solutions by nurturing a large number of highly-skilled and multi-talented human resources, thereby contributing to a sustainable society	<ul style="list-style-type: none"> Engagement survey Review of salary levels Manager promotion system AI Happiness 	Engagement survey response rate	75%	84%	89%
			Management reform	Review of evaluations, etc.	Start of sales manager promotion system	Start of corporate manager promotion system
			Average annual salary	¥8.56 million	¥9.37 million	¥9.92 million
Become a progressive corporate group that demonstrates harmonious coexistence and growth with nature by simultaneously realizing the enhancement of corporate value and reduction of environmental impact	Continuously contribute to the development of our country and the creation of a spiritually enriched society by maintaining harmony between the Earth and society	<ul style="list-style-type: none"> Promotion project OWL's Health management 	Percentage of female managers	8.7%	9.1%	10.6%
			Rate of childcare leave used (Men)	39.3%	46.3%	52.3%
			Training costs per regular employee	¥107,000	¥127,000	¥155,000
Comply with laws and practice conduct that is in line with societal rules to firmly embed our corporate excellence, thereby becoming a trusted and supported corporate group in society	Become a progressive corporate group that demonstrates harmonious coexistence and growth with nature by simultaneously realizing the enhancement of corporate value and reduction of environmental impact	<ul style="list-style-type: none"> OTSUKA Eco-Action Plan TCFD disclosures Provision of various environmental solutions and products 	Scope 1 and 2 [Target: 42% reduction from 2021 levels by 2030]	+4.0%	-19.6%	+0.9%
			Scope 3 Category 1+11 [Target: 25% reduction from 2021 levels by 2030]	-20.7%	+5.5%	Currently calculating (to be disclosed online)
			Supplier survey: Response rate (composition ratio of purchase value)	34%	62%	71%
		<ul style="list-style-type: none"> Human rights policies Supplier surveys Social contribution activities 	Donations (disaster recovery funds, regional revitalization funds, etc.)	¥100 million	¥610 million	¥710 million
			Confidentiality management inspections and SP Committee (information security-related)	Each held 12 times	Each held 12 times	Each held 12 times
			Number of meetings of Nomination & Remuneration Committee	3	6	5
		<ul style="list-style-type: none"> Evaluation of effectiveness of the Board of Directors Compliance education 	Number of individual meetings with investors and analysts	—	—	285

Value Creation Model

By promoting our "support for the entire office" approach, we will embody our Mission Statement and continue contributing to the sustainable growth of society.



Materiality ①

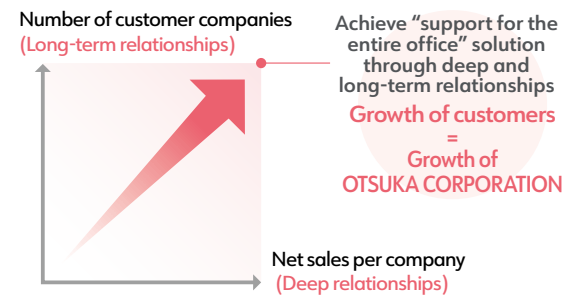
Maintenance and Expansion of the Customer Base

Responding to the diversifying needs of customers leads to the expansion of business domains, and the accumulation of such know-how is the source of the enhancement of added value that drives the growth of OTSUKA CORPORATION. We will continue to grow together with our customers by increasing our customer base, engaging deeply with each of them, and supporting their growth.

Strengthening Relationships with Customers

We have established two KPIs related to relationships with customers (number of customer companies per year and net sales per company) to drive the strengthening of our relationships with customers. Each KPI does not stand alone, but rather interacts with the other. Enhancing both together leads to more advanced customer support through our "support for the entire office" approach, enabling sustainable growth for both our customers and OTSUKA CORPORATION.

KPI = Medium- to Long-term Management Policy P.21



Realizing management based on strong trust and satisfaction from customers

Increase in the number of customers (Customer Companies per Year)

KPI① Number of customer companies per year (Target: +2% per year)

In addition to acquiring new customers mainly through tanomail (P.76), we strive to exceed this KPI by building stable and continuous relationships with existing customers.

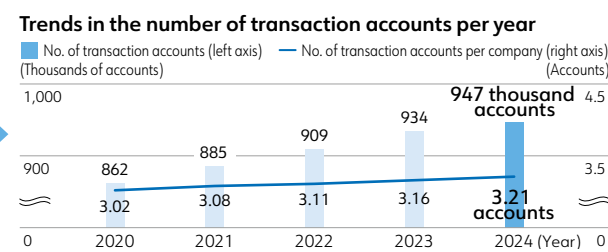
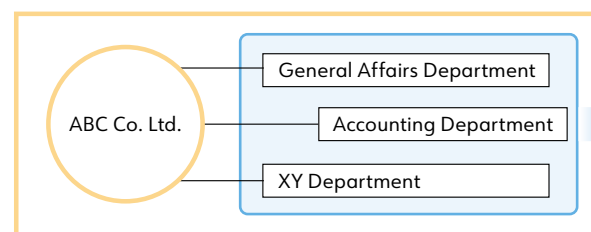
As an indicator of long-term continuous relationships, we monitor the composition ratio of companies with continued transactions for five years or more. Customers with continuous transactions tend to have higher net sales per company compared to other customers, which also contributes to the increase in net sales per company.

Increase in net sales per company

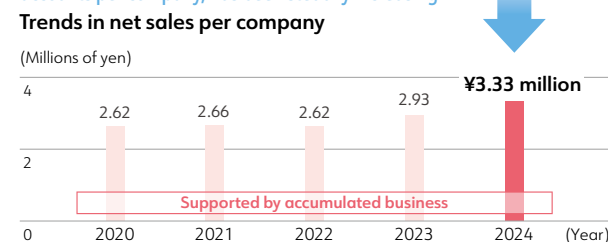
KPI② Net sales per company (Target: +3% per year)

The key drivers of this growth are our accumulated business (P.76) and the number of transaction accounts per year. The accumulated business, characterized by recurring transactions, forms a stable revenue base and supports steady expansion in the number of customer companies per year.

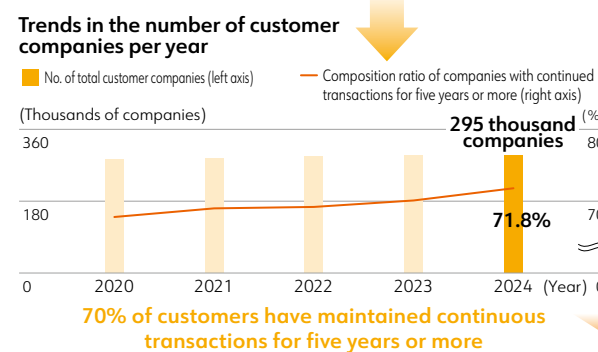
Solving various problems arising in different departments (transaction accounts) within each customer company helps build deeper trust. Many SMEs do not have dedicated IT personnel. By taking on that role, OTSUKA CORPORATION enables customers to focus on their core businesses.



Number of transaction accounts, as well as of transaction accounts per company, has been steadily increasing



Double-digit growth for two consecutive years and a new record-toward "support for the entire office" approach



70% of customers have maintained continuous transactions for five years or more

OTSUKA CORPORATION's Growth Drivers

OTSUKA CORPORATION will grow together with customers by increasing the number of new customers, engaging deeply with each one, and supporting their growth

Otsuka Strategy II

Get close to our customers through coordination among three customer interfaces

Otsuka Strategy II is an initiative aimed at forging new relationships with customers to maintain and expand the customer base. In addition to OTSUKA CORPORATION's strength in face-to-face approaches Real (on-site sales staff and engineers), we are promoting the development and sophistication of three channels: real, web, and center.

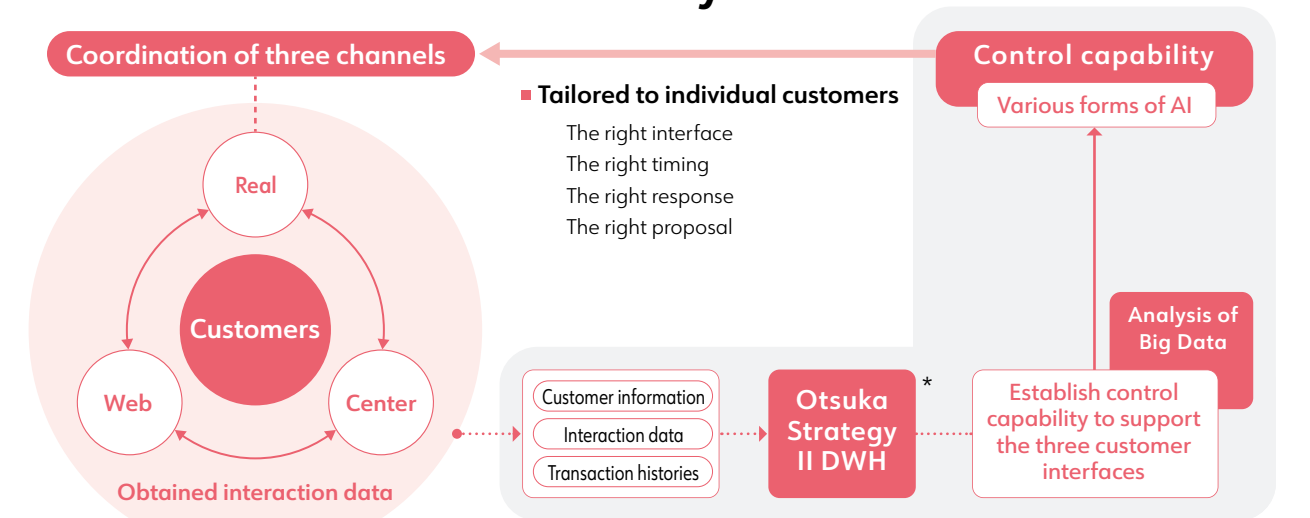
Development and sophistication of three channels

Real	Based in the community. Able to respond flexibly, being closest to the customer
Web	Available 24 hours a day, 365 days a year. Allow customers to easily solve issues on their own
Center	Staffed with many employees with specialized knowledge. Provide fast and high-quality support

It is not enough for each channel to simply divide roles in order to respond to the unique circumstances of each customer. Trust from customers can only be earned when the three channels work in coordination and as one united frontline, staying close to our customers.

We aim to become a presence that takes pride in knowing our customers better than anyone else, no matter when or where they contact us. We strive to forge relationships where customers feel comfortable consulting us even about their small problems. By leveraging the wide range of solutions that only OTSUKA CORPORATION can offer through our "support for the entire office" approach, we aim to support our customers and build even deeper and longer-lasting relationships than ever before.

Three channels working in coordination, as one unified frontline To become a presence that takes pride in knowing our customers better than anyone else



Plenty of room to grow

If we are able to build long and continuous relationships with customers, we will be able to provide greater value to society and the customers than ever before. However, among the 295,000 companies we did business with in 2024, only a third have adopted multiple products from us, and this ratio has not changed for a long time.

Considering our abundant solutions that can support the entire office of our customers, it is obvious that there is still a lack of proposals that precisely meet customer needs. However, this also means that there is still a lot of room for growth.

To solve the issue, we strive to build long and sustainable relationships with our customers by continuing to address materiality issues.

By engaging in "support for the entire office" transaction and supporting our customers' growth, OTSUKA CORPORATION will grow together with them. We believe that this will lead to the realization of our Mission Statement.

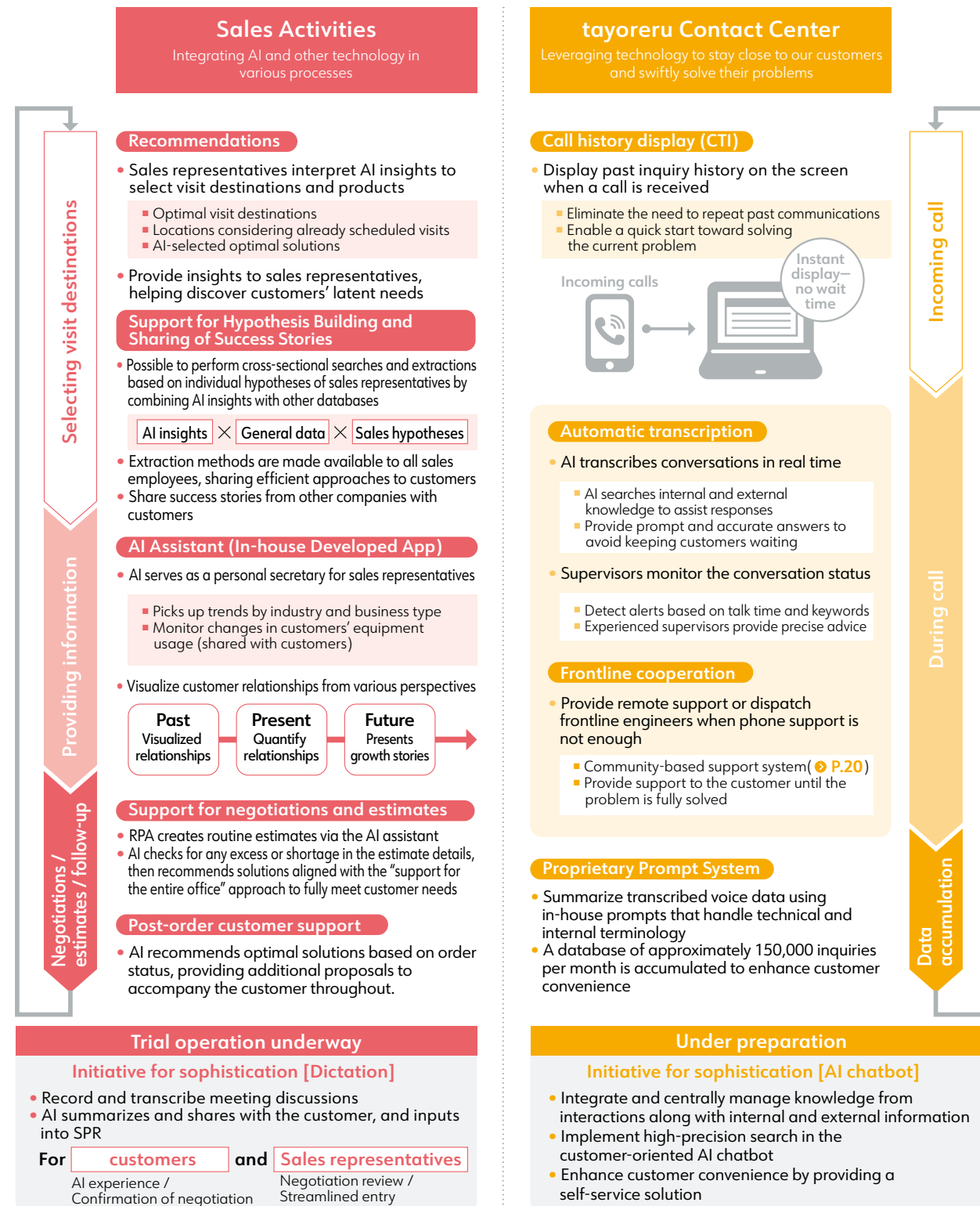
Materiality ①

Maintenance and Expansion of the Customer Base

Strengthening Customer Relationships Through Technology Utilization

To solve customers' problems, we are promoting the use of technologies such as AI across various scenarios. We aim to discover optimal solutions, avoid keeping

customers waiting, and share our AI know-how with them. By continuously advancing these efforts, we will enhance our relationships with customers.



Strengthening Customer Relationships Through Collaboration with External Experts

Management support services (Solving business challenges that IT alone cannot solve)

Through collaboration with external experts, primarily Small and Medium Enterprise Management Consultants, we provide a platform to support our customers' business management. While OTSUKA CORPORATION excels in IT, the business challenges companies face span a wide range of areas including organizational structure, HR, finance, and marketing. Especially for SMEs, which often operate under resource constraints, opportunities to receive support in these areas are limited. In response, OTSUKA CORPORATION launched its "Management Support Services in 2013, and has continued to expand its lineup of support offerings targeted at the management of our core customer base—SMEs.



CORPORATION. To date, this service has been provided to nearly 200 companies.

For participating SME Management Consultants, the program provides an opportunity to apply their skills, gain diagnostic know-how, and fulfill the practical experience requirements needed to maintain their certification. Approximately 1,400 external experts have registered in support of our management support services, including the business diagnosis service (as of May 2025). By combining this external expertise with our nearly 10,000-strong internal workforce on a consolidated basis, we are able to address complex business challenges that IT alone cannot solve.

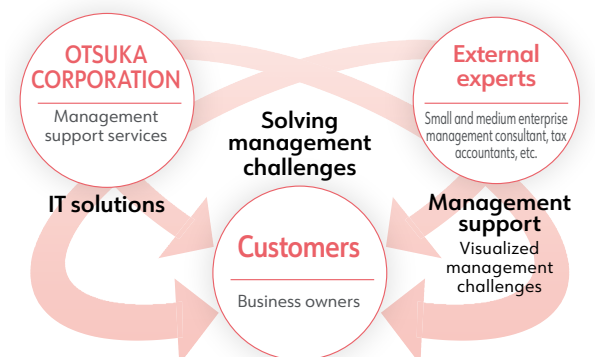
By listening to the concerns of business owners of SMEs and staying close to them, we build strong relationships of trust that also contribute to the maintenance and expansion of our customer base.

Support offerings (as of May 2025)

Event-based support	Individualized support
<ul style="list-style-type: none"> Practical Management Quality MIRAI Dojo Keiei Manabiba Next-Generation Leaders' Hub 	<ul style="list-style-type: none"> Business diagnosis service Individual support Others (e.g., Utilization of AI, subsidies etc.) Individual support via management support platforms

One such offering, the business diagnosis service, brings together teams of SME Management Consultants to provide free proposals aimed at solving customers' business challenges. With professional, multifaceted support, the service helps visualize business challenges and promotes synergies with IT solutions offered by OTSUKA

Platform for solving customer challenges



Good Partner Program: Sharing Customers' IT Success Stories and Know-How

The Good Partner Program was established in January 2006 with the aim of fostering long-term collaboration and mutual growth and development with customers who proactively embrace IT implementation. With the cooperation of approximately 335 model users who have agreed to share their cases (as of March 31, 2025), we provide true-to-life stories, including those about the background, benefits, challenges, and current operational status of their IT implementation, to customers considering similar initiatives. In addition to publishing various interview articles and videos, providing opportunities for customers to connect with each other is an important factor in the decision-making process for prospective customers.

Especially when introducing core business systems, customer representatives' anxiety tend to increase due to

tasks including master data preparation, data migration, internal training, and post-introduction operations. By sharing the experiences and know-how of customers who have already introduced our systems with those who are still considering them, we help alleviate such anxieties and support opportunities for interaction among customers.

We aim to provide significant value by expanding the circles of trust with our customers. We will continue to strive to forge warm relationships with customers.

Web About the Good Partner Program OTSUKA CORPORATION's ERP Navi



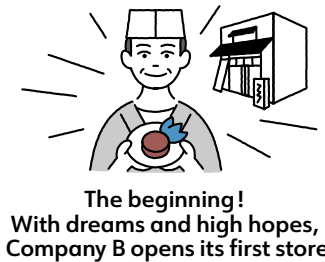
Good Partner

Company B's Story

The collaborative history of Company B and OTSUKA CORPORATION

Company B, headquartered in Saitama Prefecture, is a long-established business founded in 1974 that manufactures and sells traditional Japanese sweets. The company has preserved its traditional flavors while expanding to seven stores mainly in the Kanto region. Company B's *mizuyokan* is a well-known delicacy among aficionados, and supported by inbound demand from foreign tourists, 2024 saw record-high sales and profits. However, few people know that behind this success lies the vital contribution of OTSUKA CORPORATION...

1974



The beginning!
With dreams and high hopes,
Company B opens its first store

Milestones
for
Company B

Their signature *mizuyokan* was perfected!
Orders flooded in!!
Even customers from outside the prefecture...

Relationship
with OTSUKA CORPORATION

As part of the store opening, Company B installed a copier.
On the recommendation of a neighboring real estate agency, they began business with OTSUKA CORPORATION.

Business begins
with OTSUKA CORPORATION



We are truly grateful that many of our business relationships begin through referrals from our customers.

1985



Expanding success,
onward to Tokyo!
Opens its second store

Milestones
for
Company B

With a surge in orders, FAX machines frequently failed to receive messages. Concerns grew over the risk of losing potential business.

Relationship
with OTSUKA CORPORATION

Company B standardized its FAX systems through OTSUKA CORPORATION. With a single point of contact, responses became faster and smoother.

Reliable
support system



Since its founding, OTSUKA CORPORATION has emphasized community-based operations ❶. With offices in major cities, the company provides swift on-site support. Today, it also operates one of Japan's largest contact centers ❷, offering extensive support by phone and online.

1999



Sales continue to grow,
but...

Milestones
for
Company B

As the company expanded, new challenges emerged. Accounts receivable and inventory management became increasingly complex and burdensome.

Relationship
with OTSUKA CORPORATION

Introduced a core business system! Provided thorough usage explanations using examples from other companies. The training was easy to understand and reassuring.

Boosting
productivity
and cutting costs
through IT



Drawing on its in-house experience and successful customer cases, OTSUKA CORPORATION continues to help solve new challenges for its customers ❸④.

2010



Second-generation president
Shift toward business expansion!
Annual sales of ¥100 million

Milestones
for
Company B

Opened 3rd and 4th stores!
Thinking of launching a website, too!

Relationship
with OTSUKA CORPORATION

Left all the troublesome, complex procedures to OTSUKA CORPORATION. Easy operation and smooth management.

UP!



Brand strategy
paid off—
boosted brand
recognition!

From pre-implementation consulting to equipment procurement and maintenance, and post-launch operational support, OTSUKA CORPORATION walks alongside customers at every stage ❹⑥.

Character introduction



Tasuke
— Founding president
of Company B

Entered the world of traditional Japanese sweets at 18 and was captivated by their vibrant allure. Gentle at heart, but strict when it comes to work.



Yoichi
— Second president
of Company B

Tasuke's eldest son. Worked in sales at a trading company before taking over the family business. As the second-generation leader, he focused on expanding the company.



Mio
— Third president
of Company B

Yoichi's only daughter. During her time studying abroad, she rediscovered the beauty of traditional Japanese culture. She is now considering expanding the business overseas.

2017



Global cyber threats
on the rise

Milestones
for
Company B

We've been getting more and more suspicious emails lately. But cybersecurity is expensive—where do we even start?

Relationship
with OTSUKA CORPORATION

Worked with OTSUKA CORPORATION to create a future-ready plan. The first step: implement an affordable server to safeguard data.

The security
reinforcement
roadmap is
done!



As a multi-vendor provider not tied to any specific manufacturer, OTSUKA CORPORATION can offer flexible combinations of products and proposals tailored to each customer's needs ❷.

2019



Drive further expansion!
Annual sales of ¥500 million

Milestones
for
Company B

Opened 5th, 6th, and 7th stores! But with rapid growth came new challenges—keeping track of the details became harder.

Relationship
with OTSUKA CORPORATION

Received a proposal to enhance IT. How did they know exactly what we needed without us even asking?



By sharing real-time visibility of IT assets and network conditions with customers, OTSUKA CORPORATION can proactively suggest preventive measures and productivity enhancements tailored to each situation.

2020



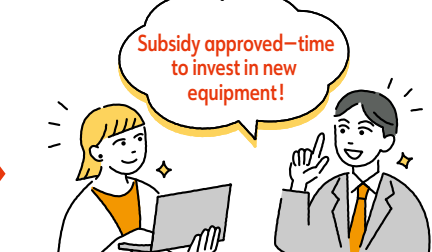
Turning crisis into opportunity!
Taking on the challenge
of new product development

Milestones
for
Company B

Sales plummeted due to the COVID-19 pandemic! We want to develop new products and sell them online. But we lack the know-how, and the equipment is expensive...

Relationship
with OTSUKA CORPORATION

Consulted OTSUKA CORPORATION on future business strategy, who supported new business development and subsidy application.



OTSUKA CORPORATION also supports the resolution of management challenges that IT alone can't solve ❸.

2025



Third-generation president
Taking on challenges
with a positive approach

Milestones
for
Company B

Employee aging, passing down technical skills, labor shortages, diversifying customer needs—challenges continue to mount...

Relationship
with OTSUKA CORPORATION

Learned about OTSUKA CORPORATION's AI use cases. Labor-saving and demand forecasting seem promising for us.



Starting early with data organization paved the way for OTSUKA CORPORATION's current AI utilization ❹. Sharing this expertise, OTSUKA CORPORATION supports SMEs in each stage of their DX and AI adoption—a major strength.

Company B must continue addressing a variety of social and economic challenges.

With OTSUKA CORPORATION always by their side, they can confidently and positively take on these challenges!

The third-generation leader renewed her determination as the company's President.



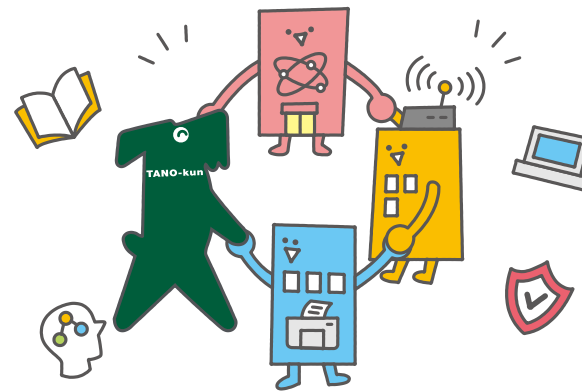
- ❶ Coexistence with the community P.45
- ❷ taylorer Contact Center P.35
- ❸ CORE 3 Customer Base P.04
- ❹ Good Partner Program P.36
- ❺ CORE 1 Business Domains P.03
- ❻ Support the Entire Office P.07
- ❼ CORE 2 Business Ecosystem P.03
- ❽ Management support services P.36
- ❾ CORE 4 Data-Driven Management P.05

Materiality 2

Coexistence and Co-Prosperity with Partners

The external environment surrounding our customers is constantly evolving, marked by serious labor shortages and diversifying work styles. As a result, customers' concerns are becoming more varied and complex, making cooperation with partners essential to delivering solutions. By building relationships of trust with numerous partners, OTSUKA CORPORATION has established a unique business ecosystem that allows it to provide solutions tailored to customer needs.

Today, we receive excellent products, services, and technologies across a wide range of fields from approximately 2,400 partner companies. OTSUKA CORPORATION will continue to contribute to solving our customers' problems through coexistence and co-prosperity with our partners.



○ Sustainable Procurement Policies and guidelines

At OTSUKA CORPORATION, guided by our Mission Statement, we strive to continue contributing to the further development of Japan and the creation of a spiritually enriching society.

Our business activities are supported by cooperation with our ecosystem of partners (suppliers). To achieve our mission and goals, it is essential to promote initiatives across the entire supply chain.

In 2022, we formulated our Sustainable Procurement Policies and Guidelines to strengthen initiatives with our partners in the supply chain and fulfill greater social responsibility.

We remain committed to contributing to the realization of a sustainable society across the entire supply chain.

Sustainable Procurement Policies

Respect for human rights	Improvement of working environments	Consideration for the environment
Ensuring the quality and safety of products and services	Fair and appropriate transactions	Information management and appropriate disclosure

Sustainable Procurement Policy and Guidelines [Web](#)
Supply chain management [P.61](#)

○ Awards and Certifications from Partners [Web](#)

Our sales performance and support system have been highly praised, earning us numerous certifications and awards both at home and abroad.

Major awards received since January 2024

Partner	Awards
Intel PICK UP	2024 Intel Partner Award
Veeam Software	Veeam Rising Star-VCSP Award 2025
MOTEX	LANSOPE PARTNER AWARD 2024 (4 categories)
Cybozu	CYBOZU AWARD 2025 (3 categories)
Saison Technology	Best Sales Partner
Dassault Systems	SOLIDWORKS No.1 Domestic Sales (29 consecutive years)
TREND MICRO	TREND MICRO Partner Award 2023 (21 consecutive years for the Best Partner category)
NetApp Japan	NetApp Japan Partner Awards 2024 (5 consecutive years)
Fortinet Japan PICK UP	Japan Partner of the Year 2024
Microsoft	Microsoft Japan Partner of the Year 2024 (26 consecutive years)

PICK UP

Winner of the Intel 2024 Intel Partner Award

Received the Outstanding Growth award for the Asia Pacific, Japan, and India region. Out of 5,000 or more partners in the region, our company received the award in recognition of its exceptionally strong year-on-year sales performance and contribution to business expansion led to this prestigious recognition.



Fortinet Japan Japan Partner of the Year 2024

This award recognizes our significant contributions within Japan, including enhanced security through the promotion of FortiGate-90G and support for customers' DX by accelerating communication speeds with 10Gbps internet connections.



○ Jissen (Practical) Solutions Fair 2025 Expanding through AI! Entire DX

OTSUKA CORPORATION holds the Jissen (Practical) Solutions Fair every February as a showcase of our vision to Energize Your Office with IT. Marking its 48th event in 2025, the fair is our largest customer-oriented exhibition event. This year, it welcomed approximately 16,600 visitors from about 11,500 companies across Tokyo, Osaka, and online platforms, in collaboration with 97 sponsor partners. With a focus on showcasing the value of AI and DX through real-world applications, including OTSUKA CORPORATION's own use cases, we implemented a variety of hands-on features.

This year's fair also featured an integrated exhibition space with our sponsor partners, offering customers a clearer view of our "support for the entire office" approach in practice.



Main Stage

Introducing OTSUKA CORPORATION's "support for the entire office" approach through demonstrations on the themes of DX and AI



Building on 30 years of experience, we presented our know-how in the three key stages of data utilization: create, store, and leverage data.



Latest AI showcase Adobe Acrobat AI assistant

E.g. Feed it a PDF of an integrated report and it instantly summarizes the company's performance and key features, complete with source citations!



Key Highlights of the Practical Solutions Fair

Partner collaboration exhibits

E.g. Internet infrastructure setup



By combining solutions from multiple partners, we proposed answers to our customers' problems. All within a single booth.

Comparison exhibits

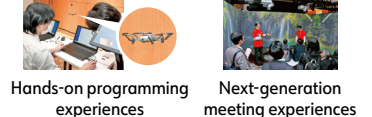
E.g. Entire PC world



In collaboration with our partners, we showcased side-by-side comparisons of solutions tailored to customer size, budget, and usage scenarios.

Demonstrations

E.g. Innovation lab



Through direct interaction with the latest DX and AI solutions, we delivered in-depth explanations aligned with what customers truly want to explore.

VOICE Sponsor Partners



ICT Sales Department, Sky Co., Ltd.
Mr. Sadao Katsumata

My team conducts around 100 joint sales visits with OTSUKA CORPORATION every month. By leveraging their promotional and marketing infrastructure, we've been able to deepen our relationships with customers.

What stands out most about the Practical Solutions Fair is the constant stream of visitors. Each customer's schedule and needs are shared in advance, allowing us to assign the most suitable staff for targeted conversations. With all necessary office solutions in one place, customers can discover and experience exactly what they need on the spot. This fair offers invaluable one-on-one time with customers, which is why we participate every year. Personally, I consider it Japan's top IT fair.



Adobe KK
Digital Media Business Headquarters
OTSUKA CORPORATION Sales Department
Ms. Emi Yamaguchi

As a member of Adobe's OTSUKA CORPORATION Sales Department, I engage regularly through joint sales visits and study sessions. The Practical Solutions Fair is a rare and valuable opportunity for both customers and OTSUKA CORPORATION employees to deepen their understanding of our products.

At this year's main stage, we delivered a special demo of the Japanese version of Adobe Acrobat AI Assistant ahead of its official release. Thanks to special approval from our U.S. headquarters, OTSUKA CORPORATION debuted the feature a full week before our own company events. This was made possible by OTSUKA CORPORATION's status as Adobe's No.1 domestic sales partner and the strong trust between us. We look forward to building an even stronger partnership going forward.

Partner Roundtable



Representative Director & CEO,
HQ Inc.

Shoji Sakamoto

Otsuka Corporation

OTSUKA CORPORATION
General Manager, Industry SI
Promotion Department

Muni Fujimoto

BIZREACH

Executive Officer, BizReach, Inc.
General Manager, HRMOS Division

Takeshi Koide

We support customers' human resource DX with our business ecosystem, and bring smiles to SMEs

"Support for the entire office" approach is not something OTSUKA CORPORATION can achieve alone. How we can work with our partners to help SMEs—we shed light on OTSUKA CORPORATION's goal of coexistence and co-prosperity with its partners through a roundtable discussion on the theme of people.

(This dialogue took place in March 2025)

OTSUKA Fujimoto Let's begin with introductions. OTSUKA CORPORATION started out as a copier sales company. From there, it branched into phones, PCs, packaged software, AI, to name a few. Today, we have become an IT

platform connecting approximately 2,400 partners and 295,000 customers. OTSUKA CORPORATION itself uses a variety of systems. We then turn those that have yielded results into products and offer them to our customers.

BizReach

Direct recruiting offering DX support for all areas of human resources

BIZ Koide BizReach was founded in 2009, so it has been 16 years. Before that, it was common for agents to act as intermediaries between companies and individuals in the job market. But some companies and individuals preferred more direct communication, and some matches are difficult to achieve in a closed environment. To meet such needs, we launched BizReach as a platform enabling direct communication between companies and job seekers, and began pioneering direct recruiting as a new type of recruiting activity.

OTSUKA Fujimoto Direct recruiting is widespread now, but wasn't it challenging to develop a new market back then?

BIZ Koide It took some time for people to accept this new concept. Even when I joined the company in 2016, the concept had begun to spread among foreign and venture firms, but there weren't necessarily many inquiries from major Japanese companies. Since then, business has gradually become faster and more dynamic, and mid-career hiring has come to be recognized as an important element of management. Even leading Japanese

companies have begun to see a shift where mid-career hiring is surpassing new graduate recruitment. We are now said to be in an era of career changes, a shift from the traditional lifetime employment system. Although there were initial challenges, we have been able to accumulate job market data unique to BizReach thanks to our efforts to stay ahead of the times. Building on this, we are now developing services to support all areas of human resources with the HRMOS series of human capital utilization platforms, in addition to the BizReach job search site.



HQ

Turning employee benefits from a cost to an investment Improving the employee experience to support personalized lifestyles

HQ Sakamoto From the perspective of the challenges in creating a new market, our company HQ was founded in 2021 as a startup with the mission of building social infrastructure that supports personalized ways of living through technology, in an aim to transform the employee benefits industry, which has remained unchanged for decades.

OTSUKA Fujimoto When we hear the words employee benefits, we often think of perks like discounted movie tickets...

HQ Sakamoto As you say, there are some entertainment-focused benefits, like discounted movie tickets. But the truth is that many companies still view benefits as a cost, which are enjoyed only by some employees. On the other hand, in today's world of diversifying lifestyles, the nature of truly necessary employee benefits is changing to include support for childcare, nursing care, and personal skill development. If companies can provide support for individual concerns and needs through employee benefits, then they can regard those employee benefits as investments, not costs. Through the development and delivery of products that enhance employee experience (EX), including our comprehensive AI-based employee benefits platform Cafeteria HQ, we aim to transform

employee benefits from a cost to an investment. When someone uses BizReach to look for a job, salary is not the only criteria. They also consider factors such as the growth environment, working styles, and organizational culture. If a company can make improvements on these fronts, then people will want to work and continue to work for the company.

OTSUKA Fujimoto The origin of the company name OTSUKA CORPORATION is simple, but what is the meaning behind HQ?

HQ Sakamoto It has two meanings, the first is that it is the abbreviation for headquarters. We want to provide services that make each individual feel that they are their own headquarters. The other meaning is Humanity Quotient. While you may not have heard of it, it refers to the "intelligence that reflects human qualities." AI is much smarter than humans, capable of solving complex problems with ease. That is why we want to create services that encourage the blossoming of the unique human intellect. So that is the message behind the name HQ.

BIZ Koide **OTSUKA Fujimoto** That really is a good name!

HQ Sakamoto Thank you. Also, with visibility in mind, I wanted to make sure the name is short and easy to remember.

An era where people choose companies. Communicating their unique qualities is especially important for SMEs

OTSUKA Fujimoto OTSUKA CORPORATION does business with companies ranging from large enterprises to SMEs, but 80% are SMEs with annual sales less than ¥1 billion. As I come into contact with our customers, I strongly feel that the core issue facing Japanese companies is people. Few people would disagree that people are the key issue. How

do BizReach and HQ view this?

BIZ Koide First, it is essential to recognize that traditional employment practices are changing. Recently, the number of people who wish to change jobs is said to have reached an all-time high of over 10 million, and the idea of staying at one company until retirement has faded,

Partner Roundtable

and job switching is now commonplace. While this increased mobility of human resources has presented an opportunity to hire talented human resources, it also poses a risk that it makes it easier for valued employees to leave. We have entered an era where people choose companies instead of companies choosing people, and the ability to adapt to this change is a challenge which SMEs must face.

HQ Sakamoto What I have come to deeply realize since founding the company is that Japan has a wide variety of regions and industries, each with its own set of challenges. For example, the shortage of essential workers in rural areas is an extremely urgent issue, while in Tokyo, the emphasis is on individual competence, and companies often compete to secure excellent leadership candidates.

OTSUKA Fujimoto The phrase labor shortage is too abstract and doesn't capture the real essence of the issue.

HQ Sakamoto Each company has a completely different set of challenges depending on region, industry and company size. That is why the value of delivering one-stop, personalized solutions for each customer, as OTSUKA CORPORATION does, is likely to continue rising.

OTSUKA Fujimoto In the case of a customer we recently visited, they were facing a localized shortage specifically of design engineers. In fact, when speaking with presidents of SMEs, they sometimes say, "We don't need systems, we just need people."

HQ Sakamoto What are some of the challenges that SMEs face when they decide to utilize BizReach?

BIZ Koide A surprisingly large number of companies don't know how to write their own job postings. They struggle to create a single page that explains what skills are needed for the job or what kind of person they want to hire based on the values of their company. A posting saying "seeking cheerful and energetic individuals" isn't bad, but how does that come across to the reader? On the other hand, some postings are just long lists of required skills that makes you think "surely no such person exists." This makes it difficult to recruit people.

HQ Sakamoto I believe SMEs are the ones that need to emphasize their unique qualities. As with this integrated report, it has become important for each company to express its own unique value. For example, a company engaged in primary industry in a rural area can actually have strong recruitment appeal if it presents itself as a company doing cutting-edge agriculture in XX prefecture. Stating that a factory where you can work happily with great food in the cafeteria would also be a great value proposition.

BIZ Koide There are indeed SME presidents who say things like, "Our company doesn't really have any standout features. There is nothing attractive about it." However, from a third-party perspective, the company is doing business and there are employees who are doing well. It's important for the president themselves to recognize such qualities as a strength, articulate them, and communicate them clearly.

Human resource strategies are entering a second phase Strengthening collaboration to bring smiles to SMEs

OTSUKA Fujimoto Just recently, we held a workshop to help companies articulate their own appeal with the support of BizReach. At first, all we heard from the SMEs were complaints. There seem to be quite a few cases where companies themselves are unaware of their own strengths. We wondered if our three companies could join forces to provide support to SMEs facing such challenges. That is the core purpose behind today's dialogue.

BIZ Koide While BizReach is actively engaged in marketing, including commercials, marketing activities alone have their limitations. Especially with SMEs, it is important that we provide information based on an understanding of the president's visions for their company.

In this respect, OTSUKA CORPORATION has people to reach out to. If you could share with us or HQ information such as "this company's president has this kind of vision, but is struggling with this area," it would be extremely helpful.

HQ Sakamoto HQ is also receiving orders much faster than expected as a result of working with OTSUKA CORPORATION. With introductions from OTSUKA CORPORATION, things move very quickly. We can tell that OTSUKA CORPORATION's sales staff make introductions after gaining a full understanding of the characteristics and challenges of the customer. I think that approach, where OTSUKA CORPORATION truly engages with customers, is a strong match for our services. We wouldn't

have gotten the same result had we partnered with just any employee benefit-related IT-savvy company.

OTSUKA Fujimoto Of course, we do have a business interest in receiving referral fees, but there are additional benefits as well. We have long recognized the issue of labor shortages in SMEs, but back then, our thinking was limited to using IT to streamline back-office operations and reallocate excess staff. However, if you have a good understanding of the flow of people, you can also grasp the business background such as needing a specific number of people to launch a new business or opening a new factory.

HQ Sakamoto I believe that HR strategies are now transitioning to the next phase. The first phase was all about efficiency in terms of installing systems and optimizing processes. However, unless strategies are rooted in an understanding of the company's culture and business category, they tend to fall short in truly transforming organizations from an HR perspective. That is why we must first understand the full picture of the customer's company before proposing any kind of support. In this sense, having a presence like OTSUKA CORPORATION at the center of the platform makes it easier to grasp the big picture and envision SMEs revitalizing themselves.

OTSUKA Fujimoto Those are very kind words... I feel a renewed sense of responsibility. During the recent workshop I mentioned earlier, a customer said they were looking for marketing personnel and approached BIZREACH for help. But since the company didn't even have a marketing organization, they came to me for advice and I introduced them to a marketing consulting firm. That experience reaffirmed for me the potential of OTSUKA CORPORATION to serve as a hub to help solve the challenges faced by SMEs. If our three companies can provide more forums for this kind of exchange, we may be able to create a really interesting world.

BIZ Koide As I mentioned earlier, making contact with the presidents of SMEs is a real challenge. That's why it would be great if OTSUKA CORPORATION could invite presidents of SMEs struggling with IT, hiring, or HR, and host joint lectures and seminars, or something like that...

HQ Sakamoto That would be great!

BIZ Koide SME business owners may have problems, but they often don't know where to start. I have been involved in helping SMEs with recruitment for a long time, and even when they say they are struggling, they often don't really know where they should even begin. OTSUKA CORPORATION's strength is its ability to bring together various partners and sort out priorities to move forward one step at a time.

HQ Sakamoto In today's world, AI and IT solutions are proliferating. Therefore, there is a huge difference between

a vendor with just one or two solutions and OTSUKA CORPORATION, supported by around 2,400 partners, in terms of the range of solutions they can propose. If we partner with a vendor that only has limited options, it comes across as if we are just trying to sell HQ's products. However, with so many partners, OTSUKA CORPORATION doesn't need to push HQ, so they can focus on offering what is truly best for the customer. OTSUKA CORPORATION should be proposing whatever solutions their customers truly need, and it's my duty to make HQ the best product so that it becomes one of those chosen solutions.

BIZ Koide To encourage customers to take that first step based on our recommendation, I believe earning their trust is absolutely essential.

OTSUKA Fujimoto OTSUKA CORPORATION is still facing plenty of challenges. Right now, the department I belong to is putting a lot of effort into sales education, including consulting training, and we are training salespeople who can approach customers starting from their challenges. We can then share those identified challenges with our partners in order to support our customers. Collaboration with our partners will become more important.

BIZ Koide SMEs are likely to face even greater difficulties going forward. People choosing companies has always been the case for the limited few in the new graduate hiring market, but this is increasingly becoming the norm in mid-career hiring as well as new graduate hiring. If nothing is done, the gap will only widen further. Taking various steps now will surely lead to smiles among SMEs.

HQ Sakamoto Both BIZREACH's and HQ's solutions are highly attractive on their own. But if they are combined, they have the potential to make one plus one equal three or even four.

OTSUKA Fujimoto Let's use today as an opportunity to further strengthen our collaboration in supporting SMEs. This will also contribute to supporting Japan as a whole. Thank you so much for talking to us today.

Materiality ③

Coexistence with the Community

Since its founding, OTSUKA CORPORATION has emphasized customer support that is rooted in the community. The widening regional economic disparity is one of Japan's major challenges today. It is now more important than ever to stay closely connected to local communities, understand the regional market characteristics, and propose solutions to solve regional issues. We also continue to provide support to local governments and other public organizations that support each region. The continuation of business activities rooted in the community will result in coexistence with the community, creating a virtuous cycle of mutual development.

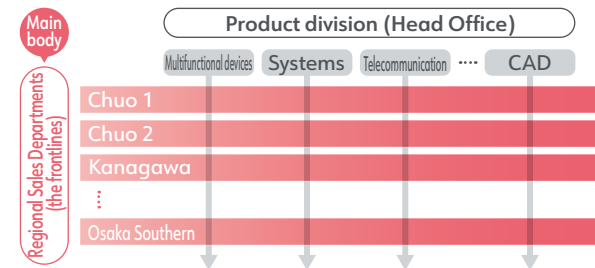
Community-based organizational structure

As our business domains and product offerings have expanded, our sales activities have increasingly centered around the product division (Head Office). In this context, we have come to recognize the importance of enhancing customer contacts in order to better solve customers' challenges.

In 2016, we announced, both internally and externally, our return to the starting point of community-based operations, led primarily by our regional sales departments and broad-regional branches (the frontlines), and we have continued to advance this approach ever since. No matter how advanced technology becomes with the arrival of the digital society, OTSUKA CORPORATION's style of staying rooted in local communities and growing alongside them will remain unchanged.

With a network of 280 support offices nationwide, our team of 6,000 sales and engineering professionals provides agile support, staying close to local communities.

The Regional Sales Manager is like a "president" in charge of the area. Meeting our customers' needs that vary from region to region



PICK UP

Chubu Office – Contributing as the No.1 Partner to Economic Growth and Enriched Living in the Chubu Region



Executive Officer,
Chubu Office Manager
Shinji Kamimura

Regional Characteristics

- Located in the center of Japan. Convenient access to both eastern and western regions
- A hub for manufacturing, including the automobile industry
- Aichi Prefecture ranks third in Japan's domestic GDP, following Tokyo and Osaka Prefecture
- Rich in natural landscapes such as beautiful mountains and lakes, and home to many historical sites

About the Chubu Office

We began operations in Nagoya, Aichi Prefecture in 1990, and now support customers across various industries and business types in the Chubu region (Aichi, Mie, and Gifu prefectures) with a team of around 300 members. Unlike other OTSUKA CORPORATION sales offices that often expanded their territories through customer relationships built around copiers, our founding business, the Chubu Office took a different path. At the time of launch, we focused on the manufacturing industry, especially the automobile industry, a characteristic of the region, and provided CAD and related solutions. Our growth has mirrored the development of customers in the Chubu region, including Aichi Prefecture, which boasts the third-highest GDP in Japan. In July 2024, we upgraded our organizational structure from a branch to an office, further reinforcing our commitment to community-based customer support.

Looking Ahead for the Chubu Office

In addition to nationwide issues like population decline and aging, customers in the Chubu region also face global competition in next-generation automobile development and other complex issues. To break free from overdependence on the automobile industry and spark new innovation, transformation of customers' business models is essential. We at the Chubu Office of OTSUKA CORPORATION aim to play a central role in supporting that transformation. While we've built long-standing relationships with manufacturers in the suburbs of Nagoya and in Gifu and Mie prefectures, we believe there's still significant potential for growth in the city center of Nagoya. With a rich lineup of solutions, we help resolve customer challenges with our "support for the entire office" approach. Through DX initiatives, we are committed to further advancing the Chubu region.

Challenges facing our customers

- Nationwide issues in Japan**
- Labor shortages due to population decline
 - Increasing demand for enhanced medical and welfare services due to an aging society

- Challenges specific to the Chubu Region**
- Structural transformation of the automobile industry, including next-generation automobile development
 - Declining international competitiveness due to technological advancements in other countries

The Mission of the Chubu Office

- Support in building and operating IT environments, including security measures (productivity improvement and cost reductions; IT operation outsourcing)
- Support for promoting DX using advanced technologies such as AI (support for business model reforms)
- Provision of a wealth of know-how, including successful case studies from other regions

Engagement with local public bodies supporting regional residents

CASE Tochigi Prefecture

Tochigi Prefecture, home to approximately 1.9 million residents,* has been actively utilizing OTSUKA CORPORATION's solutions.

In 2020, the prefecture launched the "Tochigi Digital Switch" initiative to improve administrative services and enhance staff work efficiency, aiming to become a fully digital government. The initiative enables residents to complete applications and make payments via smartphones and other devices without visiting government offices. An AI chatbot is also available to answer residents' questions anytime, promoting "resident-oriented DX" through IT-based public services.

The prefecture is also working on internal DX to improve

prefectural staff efficiency. In 2023, it began training 900 employees, about 20% of its workforce, as digital personnel. By advancing both resident-oriented DX and internal DX, Tochigi Prefecture aims to deliver even higher-quality public services.



Tochigi Prefecture: Long-standing commitment to operational efficiency and workstyle reform

Around 2020

① Promoting work style reform through creating telework environment

- Spurred by the COVID-19 pandemic, even employees without prior remote work experience began teleworking
- Enabled secure access to groupware and internal data from home or on the go (with due consideration of data security)
- This flexible work environment became a strong appeal point in employee recruitment efforts

Around 2023

② Pioneering initiatives using generative AI

- Quickly established an environment for generative AI use
- Greatly improved efficiency in tasks like document creation and idea generation, enhancing productivity
- Promoted effective use of generative AI via internal communications to encourage broader adoption and greater impact

Further improvement of government services

* As of March 1, 2025, Tochigi Prefecture official website

Initiatives addressing regional and societal challenges

CASE Jionkai Social Welfare Corporation (Kitakyushu City, Fukuoka Prefecture)

Full utilization of ICT. Breaking conventional norms to become a model case for the region and industry

Care House Fureai, operated by Jionkai Social Welfare Corporation, a supporter of the OTSUKA CORPORATION Good Partner Program (P.36), is a low-cost elderly care facility originally opened in April 1997. In 2023, following its relocation, the facility was renewed into a bright and hygienic environment. By introducing essential ICT solutions from OTSUKA CORPORATION, it has been transformed into a facility that defies the conventional norms of a traditionally low-digitized industry.

By fully utilizing ICT, including robots and advanced technologies, the facility has successfully reduced the workload of its staff without compromising the quality of services. This has

enabled more time to be spent engaging directly with residents, creating a healthy workplace culture where comfortable working environment and resident contentment reinforce one another in a virtuous cycle.

In Kitakyushu City, where the challenges of an aging population are becoming increasingly severe, the demand for medical and nursing care services continues to rise, driving strong calls for infrastructure improvements. The facility has drawn significant interest from other care providers seeking tours and is now recognized as a model case for both the region and the industry.

Customer's Voice

Facility Director, Jionkai Ms. Miyuki Iwao

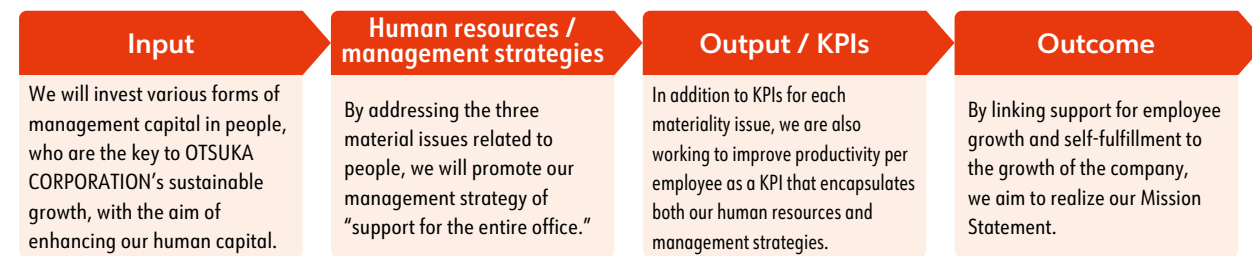
While digitalization has progressed in many areas, the nursing and welfare industry was significantly behind. To align with broader societal trends and gain a more objective perspective, we carried out a major renewal. Digital tools are just that—tools—but they offer the appeal of greater efficiency and time savings. By utilizing the ICT solutions introduced by OTSUKA CORPORATION, we've been able to free up approximately 45 minutes per day per staff member.



Overview of Human Resources Strategies

○ Addressing human capital for the realization of our Mission Statement

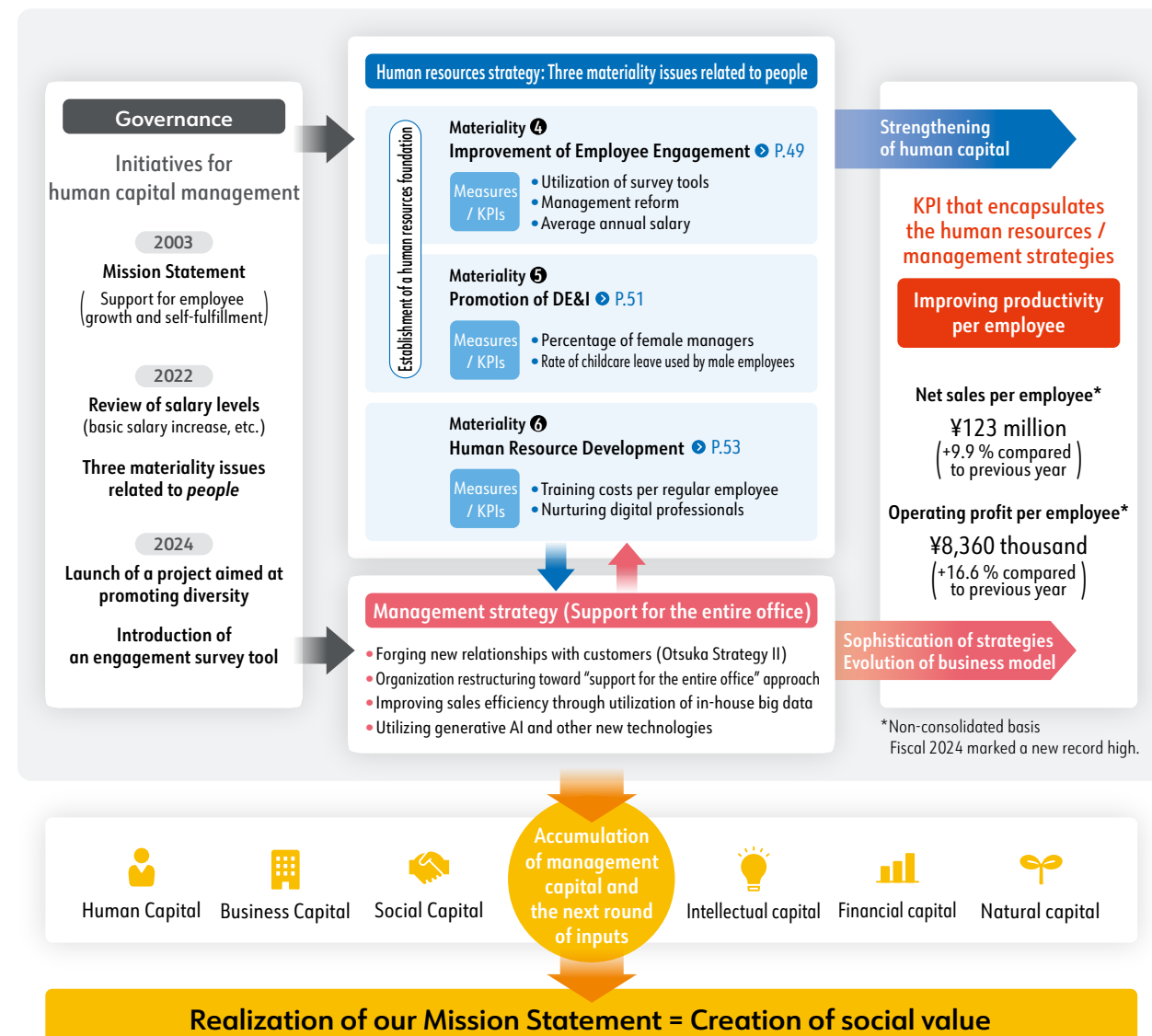
By strengthening human capital, we aim to achieve integration of our human resources and management strategies, thereby realizing our Mission Statement.



○ Capital accumulation and realization of the Mission Statement through the integration of governance with human resources and management strategies

Under the institutional decision-making framework centered on the Board of Directors, we formulate our integrated human resources strategy and management strategy. Through the implementation of these strategies, we aim to achieve one of the most important KPIs in

OTSUKA CORPORATION's business model, improve productivity per employee. We will also accumulate further management capital and create social value through the realization of our Mission Statement.



○ Three people-related materiality issues and "support for the entire office" approach

As constant change becomes the norm and it grows increasingly important for each employee to think independently and take initiative, strengthening human capital has become a key issue for OTSUKA CORPORATION. To realize our "support for the entire office" approach, we actively address the three materiality issues related to people.

Materiality ④ Employee Engagement Improvement and "Support for the Entire Office"

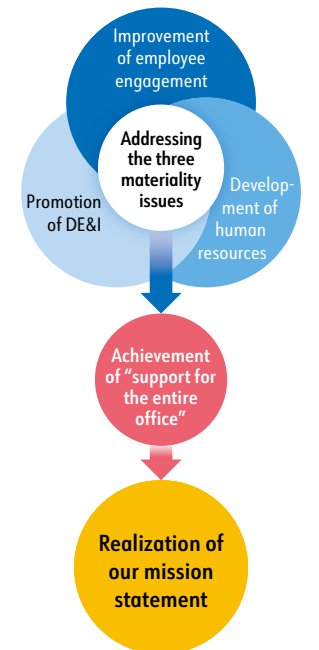
By improving employee engagement and building a mutually selective relationship between employees and the company, we can cultivate empathy for OTSUKA CORPORATION's Mission Statement, which serves as our management philosophy. This empathy leads to a deeper understanding of "support for the entire office" approach, our management strategy aimed at realizing the Mission Statement, thereby strengthening our strategic execution capabilities.

Materiality ⑤ DE&I Promotion and "Support for the Entire Office"

As both work styles and attitudes toward work itself change, realizing the "support for the entire office" approach, which is rare even on a global scale, requires harmonizing diverse ideas and values to continuously evolve our business model. By recognizing the diversity of each person, we enhance organizational diversity and remain flexible in responding to various changes.

Materiality ⑥ Human Resource Development and "Support for the Entire Office"

"Support for the entire office" approach cannot be achieved without the company cultivating multi-skilled employees. As AI and robots increasingly replace routine tasks, honing uniquely human skills and combining individual expertise and diversity will unlock greater collective strength and improve productivity per employee. OTSUKA CORPORATION places great importance on the philosophy that "employee growth = company growth = customer growth."

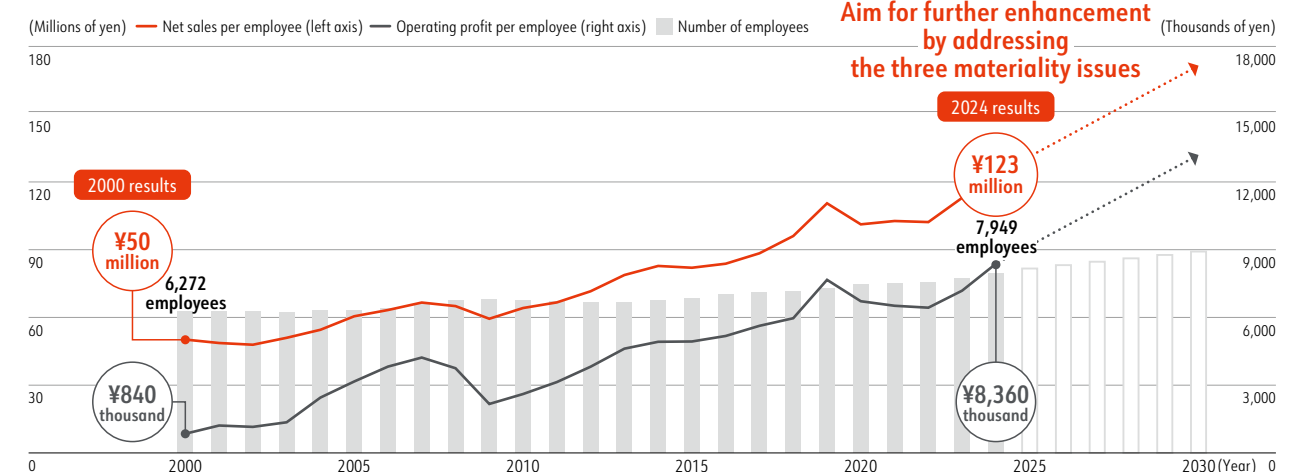


○ Productivity per employee (Non-consolidated)

Strengthening human capital has driven continuous increases in both net sales per employee and operating profit per employee. Improving productivity without relying on growth in employee numbers is a major strength of OTSUKA CORPORATION. However, we are still midway in delivering the full value of OTSUKA CORPORATION's "support for the entire office" approach to all customers (Plenty of room to grow P.34).

By addressing the three materiality issues related to people and strengthening the integration of our human resources and management strategies, we can better support our customers than ever before and achieve further productivity improvements. The challenge of realizing our "support for the entire office" approach fosters employee growth, which in turn drives company growth and customer growth, aiming to create substantial social value.

Productivity per employee and number of employees



*Figures from 2000 to 2024 represent actual results; figures from 2025 onward are projections

Materiality 4

Improvement of Employee Engagement

By improving employee engagement and building a mutually selective relationship between employees and the company, we can cultivate empathy for OTSUKA CORPORATION's Mission Statement, which serves as our management philosophy. As each employee deepens their understanding of the Mission Statement and finds purpose and satisfaction in contributing to its realization, we will work to foster a culture in which individuals take greater initiative in their work. To support this, we also utilize the results of engagement surveys to drive both individual and organizational growth.

Structure and system: Engagement Survey

Since 2007, we have conducted an annual employee awareness survey, and in 2024, we transitioned to a new engagement survey tool. This new system enables comparisons with industry averages and by company size, allowing us to enhance the sophistication of our measures more than ever before.

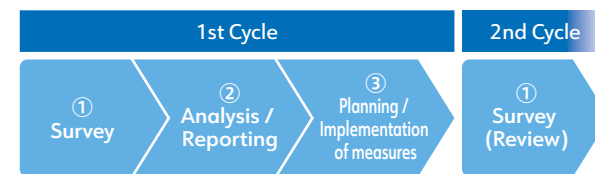
In addition to these surveys, issues identified through individual interviews and other means are reported at management meetings, feeding into the planning, implementation, and review of related measures.

The February 2024 survey showed that our engagement level was on par with the industry average, with particularly high scores in the area of compensation. However, in light of the relatively low score for a culture of taking on

challenges, we have been working to expand the use of AI Happiness since July 2024.

In the following survey conducted in February 2025, 24 out of 27 items showed improvement. We will continue to drive further improvements in the lacking areas by conducting analyses and implementing targeted measures.

Management cycle for improving employee engagement



Examples of implemented measures

	Identified issue	Background of issue	Measure implemented	Effect
2022	Decline in sense of purpose	Outdated management practices	Introduction of a manager promotion system, etc.	111 managers promoted (since introduction)
	Decreased satisfaction with compensation	Stagnation of labor distribution ratio, rising prices, etc.	Review of salary levels	Average annual salary increased 20.6% (2021 to 2024)
2023	Anxiety over childcare and nursing care	Insufficient welfare benefits system	Introduction of OWL's work-life support system	Increased total number of users (P.52)
2024	Lack of a culture of taking on challenges	Insufficient psychological capital and psychological safety	Company-wide rollout of AI Happiness	Accumulation and visualization of survey results

Manager promotion system

The role of managers is crucial in improving employee engagement. Managers interact with employees daily and communicate the company's management philosophy and strategies to their teams. If this communication does not come from trusted individuals, it is unlikely that employees will develop a strong sense of belonging to the company. Each employee has a unique personality and way of thinking. Supporting their growth and providing accurate feedback requires detailed management and communication skills.

To equip managers with these capabilities, we introduced a manager promotion system in 2022. The skills required for managers are divided into three categories, business skills, human skills, and attitude, with a total of 24 specific items. Candidates undergo training led by external instructors, written examinations, and interviews with General Managers. Those who pass are granted a management path.

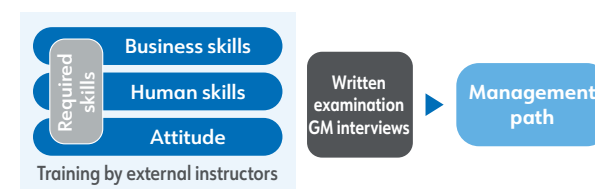
By evaluating not only past performance as individual "players" but also aptitude as managers, including

supporting subordinate growth, team building, and communication skills, we promote the evolution and reform of management.

Number of employees promoted to management positions through the promotion system

	2022	2023	2024
Sales	Pre-training*	33	46
Corporate	—	Pre-training*	32

*Training is conducted annually for eligible candidates each year

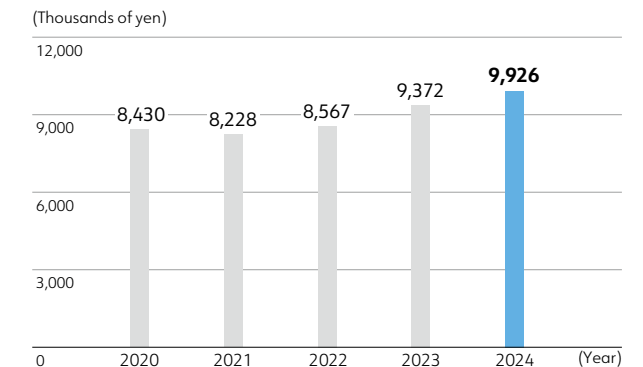


Review of salary levels

We have been reviewing our salary levels since 2022 to further strengthen our human capital and enhance job satisfaction. To protect employees from the impact of rising prices, we implemented our first major basic salary increase in July 2022. A similar increase followed in April 2024, along with a special bonus to commemorate achieving consolidated net sales of one trillion yen. As a result, the average annual salary (non-consolidated) has significantly exceeded the previous year's level for two consecutive years.

In addition to these monetary compensation, we continue to support self-fulfillment and provide growth opportunities to further improve employee engagement.

Average annual salary per employee (Non-consolidated)



OWL's

In April 2023, we launched Otsuka Work Life Support (OWL's), a support program designed to help balance work and family life. (P.52)

Three support categories provided by OWL's



AI Happiness

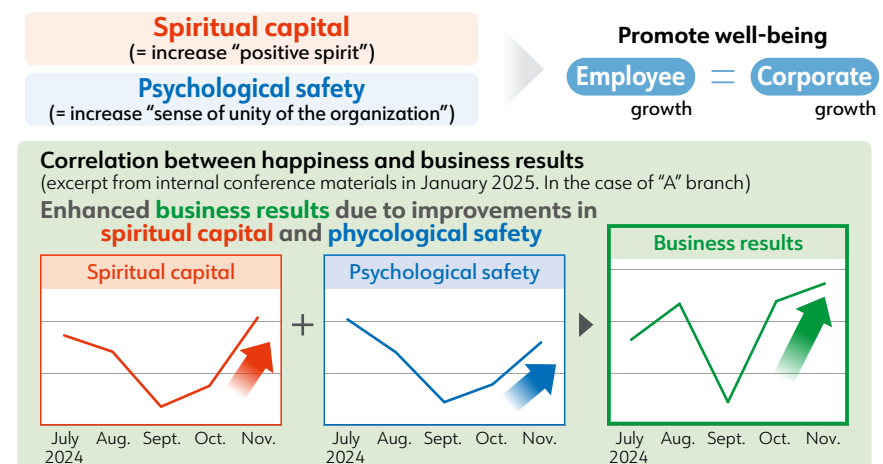
AI Happiness is an app designed to strengthen vertical, horizontal, and diagonal connections within the organization and foster a positive mindset. It encourages employees to share and communicate their daily small challenge declarations, called pledges, with other members. Users can boost their own motivation through pledges and also support and encourage other participants in a social media-like manner.

While the app had previously been piloted in select departments, starting with the 2024 new graduate hires, it was added to the pre-assignment training curriculum to help build stronger bonds among peers. This has served as a trigger for continued use after their assignments. Following the engagement survey results, company-wide deployment began in July, and we have continued to

promote awareness across the organization.

Alongside the use of AI Happiness, we conduct monthly employee surveys. By tracking changes in these reports, we leverage insights to foster organizational culture and improve management. For examples, improvements in psychological capital and psychological safety have gradually led to better business performance.

In March 2025, we implemented an AI agent that identifies particularly interesting pledges from the many submissions, enhancing the app's UI/UX. We want employees to feel even more motivated and experience personal growth in their work. Employee growth directly contributes to the company's growth. We will continue striving to be a company where employees feel proud and glad to work at OTSUKA CORPORATION.



Materiality 5

Promotion of Diversity, Equity, and Inclusion (DE&I)

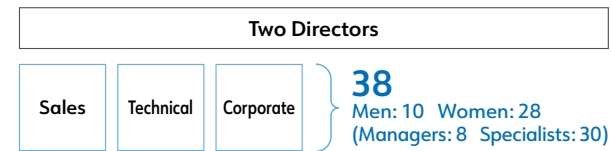
To remain a company that is needed over the long term, it is essential to anticipate global changes and continuously create business models that align with the times. OTSUKA CORPORATION is committed to enhancing organizational diversity by embracing the diversity of each employee. By ensuring that all employees are satisfied in their work and by fostering a comfortable working environment, we will gain a competitive edge and continue to aim to be a company that achieves sustainable value creation.

Initiatives aimed at balancing job satisfaction and a comfortable working environment

Promotion project

In 2024, we launched a project that aims to promote diversity by incorporating feedback from employees balancing work with childcare or nursing care responsibilities. The project includes 40 members, men and women from various job categories and levels, including two Directors. Through discussion, the outcomes are shared at management meetings, and we continue working to advance revisions to various systems based on these insights.

Project structure

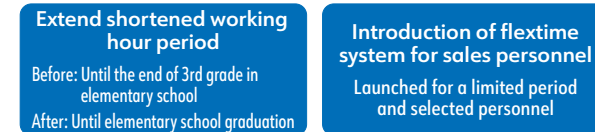


Percentage of Female Managers (Target Revised Upward)

Through initiatives such as encouraging participation in leadership development training and enhancing systemic support, we achieved our initial goal of a 10% ratio of female managers three years ahead of schedule, in 2024. We have now set a new target of reaching 12% by 2027. To further support career development, we have launched a new study group (CASE) specifically for female managers. We will continue striving to raise the percentage of female managers and achieve our new goal ahead of schedule.

Initiatives

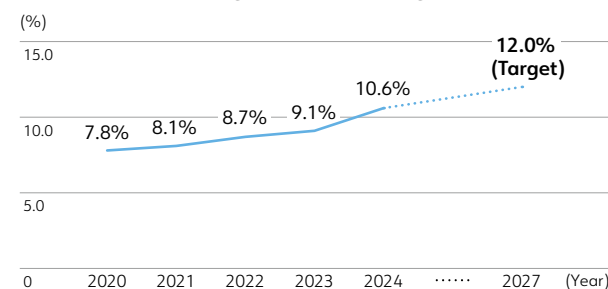
April 2024 onward: System changes



Under review (including revisions planned for July 2025 onward)

Work Style	<ul style="list-style-type: none"> For employees with childcare or nursing care responsibilities Revision of the evaluation system, expansion of return-to-work options after leave, etc. For managers Enhance awareness of work styles not bound by fixed hours Foster a corporate culture that supports employees on shortened working hours to pursue management positions
Others	<ul style="list-style-type: none"> Consideration of meeting and training schedules Review of salary and bonus standards for employees on shortened working hours, etc.

Trends in the percentage of female managers



Parental leave uptake rate

The rate of paternity leave uptake has been steadily increasing year by year. Going forward, we will continue to foster a positive corporate culture around parenting by promoting awareness through training and featuring voices of those who have taken leave in our internal communications, thereby supporting diverse work styles.

	2021	2022	2023	2024
Male employees	15.9%	39.3%	46.3%	52.3%

Initiatives for health management

OTSUKA CORPORATION places great importance on employee health and promotes health management aimed at sustainable growth. Since the introduction of health management systems in 2015, we have been making efforts to improve risk indicators, such as mitigating the risk of lifestyle-related diseases and reducing long working hours.

Since 2023, the main focus has shifted to supporting employees' awareness reform and behavioral changes to autonomously maintain their health. Along with improving productivity, the company implements a broad range of initiatives aimed at well-being management. A set of indicators called Well-being KPIs has been established to monitor progress.

Web Health management

In March 2025, we were recognized as one of the 2025 Outstanding Organizations of KENKO Investment for Health (Large Enterprise Category), which were jointly selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (for two consecutive years).



Initiatives for a society with diversity

Employment of persons with disabilities

Many employees with disabilities are actively contributing across various departments. After joining, they receive ongoing support aimed at creating a better working environment, including regular interviews and questionnaires conducted by employees certified as Vocational Life Consultants for Persons with Disabilities.

Results as of December 2024	Targets for July 2025
2.6%	2.7%

Barrier-free mindset

Barrier-free mindset refers to the effort of all individuals with diverse mental and physical characteristics and ways of thinking to deepen mutual understanding through communication and support each other.

With the cooperation of the Guide Dog & Service Dog & Hearing Dog Association of Japan, we appointed Luke-kun,

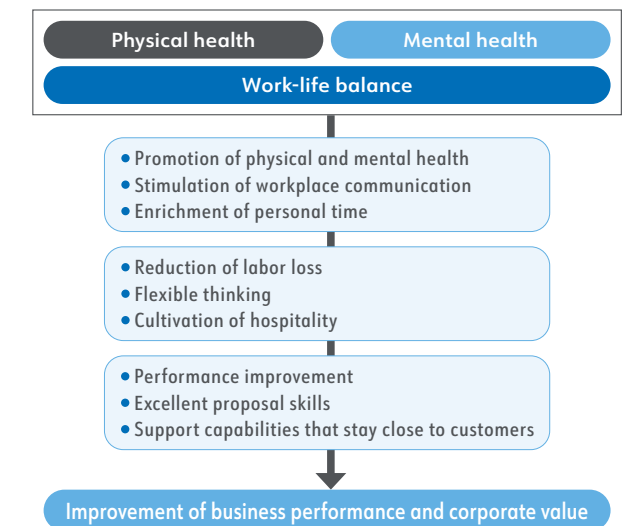
Otsuka Work Life Support (OWL's)

Since April 2023, we have launched OWL's, a support program to help balance work and family life. The program addresses three common challenges faced while continuing to work: fertility treatment, childcare, and nursing care. For each category, employees who use external services receive an allowance of 20,000 yen per month. Going forward, we will continue to listen to employee feedback and refine our support measures.

Usage results (Total cases / Number of users)

	2023 (April to Dec.)	2024
Number of cases	521	1,058
Number of users	137	203

Well-being management strategy



LGBTQ

We are committed to protecting the human rights and respecting the dignity of all employees, clearly stating in our Principles of Corporate Behavior that any form of discrimination is unacceptable, and we continue to uphold these principles. In addition to conducting internal training on LGBTQ issues, OTSUKA CORPORATION supports activities for LGBTQ children and youth through the OTSUKA CORPORATION Heartful Fund.

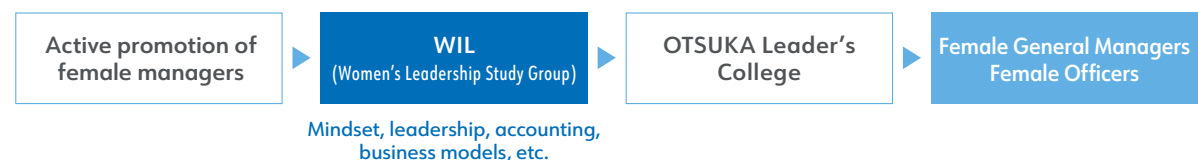
an assistance dog, as a special employee and Barrier-Free Mindset Ambassador, continuing our efforts to promote and raise awareness of this initiative.



Luke-kun, our second-generation special employee

CASE Women's Leadership Study Group: Women's Initiative for Leadership (WIL)

To further advance and strengthen the active participation of women, we launched the Women's Leadership Study Group in September 2024 (As of December 2024, 16 female managers are participating in the program). Upon completion of the one-year study group, participants will be encouraged to join the Leader College within the OTSUKA Leader's College (P.54), helping to foster the development of future female General Managers and Executives Officers.



Materiality 6

Human Resource Development

OTSUKA CORPORATION supports the growth and self-fulfillment of its employees. To contribute to the growth of our customers and ensure the company's sustainable growth, the growth of each employee is crucial. We provide various forms of support and opportunities for group and optional training, with the aim of helping employees to grow not only as businesspersons working at OTSUKA CORPORATION, but also as individuals.

Recognizing that development of next generation executives is an important management issue, we are strengthening initiatives in that regard.

Training systems

Under the theme of cultivating professionals with a strong management mindset and human skills, OTSUKA CORPORATION implements a comprehensive human resource training program.

This training consists of four systems: company-wide training aimed at the acquisition of essential knowledge and skills required by all employees; training by division, training by job category, and training by job level. Through this framework, we aim to enhance the skills, knowledge, and motivation of our employees.

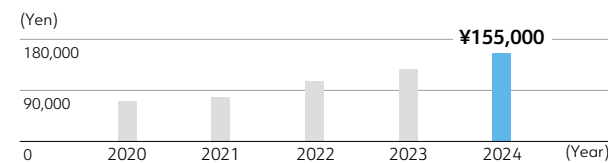
Training programs

Training by division	Division A	Division B	Division C
Training by job category	Sales	Technical	Corporate	
Training by job level	OTSUKA Leader's College and OTSUKA Management College		Officers, managers, mid-level employees, young employees, new hires, and prospective employees	
Company-wide training	Mandatory training		Optional training	

Training costs per regular employee

Training costs per regular employee in 2024 was ¥155,000 (+22.6% year-on-year), which is more than double the amount recorded in 2020 (¥71,000). In addition to acquiring knowledge tailored to individual circumstances, such as reskilling, we also offer specialized training (●CASE) in specific fields to help employees broaden and deepen their expertise.

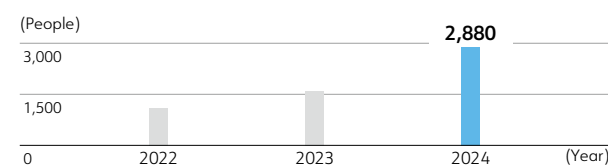
Training costs per regular employee



Reskilling

We provide reskilling opportunities through the use of online learning platform tools. By allowing users to specify their areas of interest, the platform recommends relevant courses, promoting efficient, personalized learning, which leads to improved practical skills.

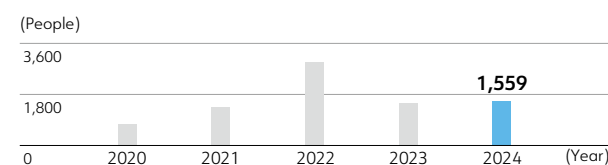
Trend in number of participants



Optional training

We provide opportunities to attend lectures by experts in various fields, with a focus on human skills. Participation is voluntary, allowing each employee to choose courses in alignment with their individual career plans.

Annual cumulative number of participants



Career development support

We implement various initiatives to encourage autonomous career development and provide opportunities for self-reflection.

Career development support	<ul style="list-style-type: none"> Self-reporting system (Transfer requests to the desired departments) Internal job posting (Measures to promote internal employee mobility) Sales grade system (Career formation)
Self-improvement support	Support for qualification acquisition and voluntary participation in optional training programs
360-degree feedback	Evaluation providing feedback from multiple people to deepen self-awareness (Conducted annually)
Action plan	Management by Objectives (MBO) targeting all corporate personnel (approx. 2,200) and some technical personnel. Employees set annual goals and regularly review progress with supervisors through interviews and feedback sessions to foster growth.

TOPICS Revision of the Career Path System for Staff Specialists

To respond to the increasingly diverse career aspirations and to foster a culture of challenge, the career path system for staff specialists is scheduled to be revised starting in 2025. The revision will clarify the linkage with the newly established manager promotion system and other evaluation systems, presenting a roadmap that supports individual career aspirations, including high-level careers as specialists. We are also considering and preparing mechanisms to provide opportunities for taking on new challenges.

Support for qualification acquisition

We have a support system in place for employees acquiring qualifications, including coverage of necessary expenses and provision of incentive payments upon acquisition. As of December 31, 2024, 14,663 qualifications have been obtained (cumulative total). Notably, 1,313 employees obtained the AI-related G-Certificate* (an increase of 409 from the previous year), and 53 employees obtained the E-Certificate* (an increase of 11 from the previous year) (consolidated group results).

In 2024, we organized an AI Ideathon, inviting voluntary internal teams to compete with AI business ideas (40 teams of 125 employees entered). Additionally, for all employees who obtained the G-Certification by

2023, we provide follow-up support as part of AI Knowledge Reskilling Support, including a pre-test and a relearning program aimed at keeping up with the latest technologies, helping certification holders effectively utilize their acquired knowledge.

Name of encouraged qualifications (Excerpt)

Systems Auditor	Information Technology Strategist	Fundamental Information Technology Engineer	Applied Information Technology Engineer
Information Security Management	Small and Medium Enterprise Management Consultant	G-Certificate and E-Certificate	Business Accounting Test and the Official Business Skill Test in Bookkeeping

* G-Certificate and E-Certificate: Certification test hosted by the Japan Deep Learning Association

Development of executives and next-generation leaders

The development of executives and next-generation leaders is an important management issue. In 2015, we launched a dedicated development program, and in 2022, we redefined the target job levels. We have continued to strengthen our initiatives, including the launch of a new program for female

leaders (WIL ●P.51) in 2024. In addition to acquiring management literacy, this program offers a curriculum designed to build practical competence by providing participants with various opportunities for output both inside and outside the company.

Fostering system for management and next-generation leaders

		Purpose	Students*	Theme
OTSUKA Leader's College	Senior Leader College	Development of next-generation officers	26	Integration of knowledge and experience
	Leader College	Development of next-generation General Managers	89	New practice opportunities
OTSUKA Management College	Next-Generation Leader College	Development of next-generation Managers	392	Acquisition of knowledge
	Leadership Development Program	Development of next-generation Managers	341	Fostering a foundation

*Cumulative total of current students and graduates (as of March 31, 2025)

CASE Consultative Sales Training

We continue to provide consultative sales training to approximately 270 sales representatives and managers handling advanced, specialized solutions such as ERP.

The program consists of six sessions totaling 24 hours, led by external instructors. In addition to the training, KPIs are set to ensure participants internalize what they learn. AI is used to quantitatively measure and provide feedback on how well the training is applied in practice. Through this approach, we aim to develop consultative sales capabilities that are more focused than ever on solving customer challenges, thereby promoting our "support for the entire office" approach.

Overview of the six training sessions (Training is conducted based on each negotiation phase)

1	Introduction (Overview of consultative sales)	4	Closing
2	Opening & probing	5	Solution building
3	Supporting	6	Solution presentation (Roleplay)

Sustainability Management

OTSUKA CORPORATION promotes sustainability management with the aim of realizing both sustainable society and enhancement of corporate value.

Our Mission Statement, which we announced in 2003, includes the goal, to demonstrate harmonious coexistence and growth with nature and society. We have continued to grow while undertaking ESG-conscious initiatives.

With the establishment of the Sustainability Committee in 2021, we have been working to enhance our systems to promote ESG initiatives and striving to strengthen activities to improve their effectiveness. We aim to embody our Mission Statement by contributing to solving social issues through our wide range of business activities, such as the "support for the entire office (P.07)" approach and become a 100-year-old Company by growing together with our customers.



Materiality 7

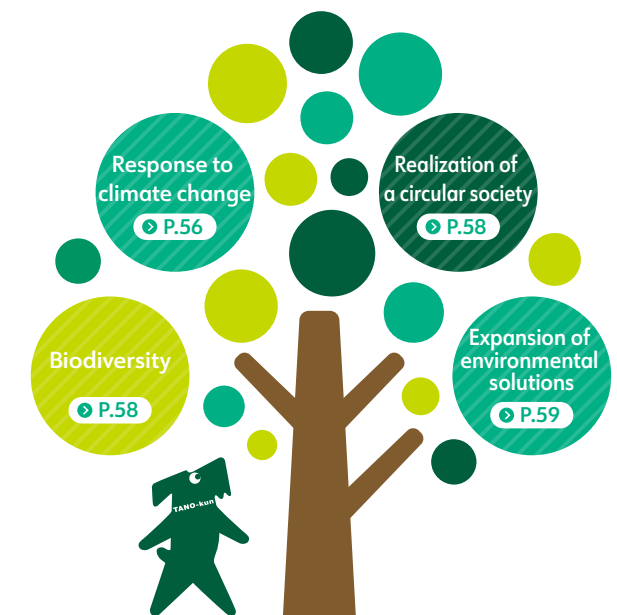
Contribution to Global Environmental Conservation

OTSUKA CORPORATION has positioned as one of its Mission Statement targets to demonstrate harmonious coexistence and growth with nature and society. For over 20 years, we have been continuously working to realize this vision.

In addition to our Environmental Policy (established in 2000 and revised in 2023), we have set forth the OTSUKA Eco-Action Plan (2021–2025) as a concrete action plan to promote our contribution to global environmental conservation.

Change in materiality issues

In February 2025, we revised one of our materiality issues from response to climate change to contribution to global environmental conservation. This change broadens our perspective on key challenges and aims to build an environmental ecosystem across the entire supply chain, including partners and other stakeholders.



Web OTSUKA Eco-Action Plan | A medium-term action plan to achieve environmental goals

Web Environmental Policy | Basic policy to embody the Mission Statement and contribute to a sustainable society

P.09 Mission Statement | To demonstrate harmonious coexistence and growth with nature and society

Structure and System
Web

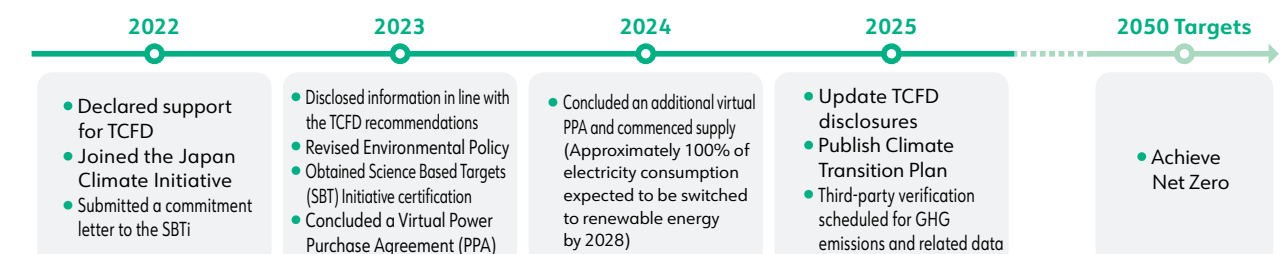
Response to Climate Change

Responding to global climate change is a major issue that should be tackled globally. OTSUKA CORPORATION is promoting initiatives to mitigate climate change through its business activities, including endorsing various frameworks such as the TCFD and adopting renewable energy.

Main Initiatives

In 2022, we declared our support for the TCFD recommendations. In 2023, we disclosed relevant information and revised our Environmental Policy. In addition to the greenhouse gas emission reduction targets, we have expressed our goal of achieving net zero by 2050.

To reassess specific reduction methods and future outlooks, we will conduct a scenario analysis for 2050 again in 2025, updating the financial impacts of risks and opportunities related to climate change.



TOPICS Revision of Materiality Issues

In response to changes in the external environment, including growing global concern for environmental and human rights issues, we reviewed our materiality issues in February 2025 and re-identified nine priority issues.

For SMEs to thrive, a sustainable society—the foundation to their success—is essential. By expanding the scope and

perspective of ESG-related content, we will further promote sustainability management.

Recognition of external environment for solving customer Issues P.27
Materiality P.29

	Before revision	After revision	Reason for revision
E	Response to Climate Change	Contribution to Global Environmental Conservation	The scope and perspective have been expanded to include themes beyond climate change and to reflect growing interest in promoting a circular economy, addressing the biodiversity crisis, and finding environmental solutions.
S	Information Security to Provide Safe and Secure Solutions	Realizing a Safe, Secure, and Comfortable Society	The scope and perspective have been expanded to reflect the increasing demands for supply chain management with regard to human rights and the environment, as well as the growing expectations for companies to solve social issues.

Materiality 7

Contribution to Global Environmental Conservation

TCFD information disclosure (post-2025 scenario re-analysis)

Governance

OTSUKA CORPORATION regards climate change as a critical management issue and has designated “Contributing to Global Environmental Conservation” as one of its materiality issues. The Board of Directors receives reports related to climate change from the Sustainability Committee and, based on the Board’s regulations, deliberates and resolves on significant risks and opportunities, providing instructions and monitoring progress on responses.

Strategies

Based on an analysis identifying risks and opportunities related to climate change throughout the entire supply chain, each business segment develops, plans, and implements specific high-priority strategies (measures). In 2023, we concluded a virtual PPA with a small-scale distributed solar power plant. Additional contracts in 2024 aim to switch approximately 100% of the Group’s electricity consumption to renewable energy by 2028.

Building on these efforts, a new scenario analysis through 2050 will be conducted in 2025 to promote medium- to long-term initiatives.

Scenario analysis and strategy on climate-related risks and opportunities [Web](#)

Risk Management

We evaluate risks and strengthen risk management by consistently aligning activities in the following (1) to (3):

(1) Sustainability Committee: Identifies and assesses climate-related risks that have significant financial or strategic impacts.

(2) Risk Management Committee: Promotes and oversees business risk management, and instructs relevant departments to establish risk management systems.

(3) Materiality issues: Following discussions at the Board of Directors, nine materiality issues, including Contribution to Global Environmental Conservation, have been re-identified. (Please refer to [P.30](#) for details on the identification process)

Metrics and Targets

We have set the following targets to reduce CO₂ emissions associated with our business activities by 2030, compared to 2021 levels:

Scope 1+2	42% reduction
Scope 3*	25% reduction

* Category 1: Purchased goods and services
Category 11: Use of sold products

These targets have been certified by the SBT Initiative as science-based reduction targets, aligned with the 1.5°C Pathway (WB2°C Pathway for Scope 3).

Sustainability data collection [Web](#)

Board of Directors

Board of Operating Officers
(Management Advisory Committee)

Sustainability Committee

▼ Oversight / Instruction

▲ Report

▲ Report

Note: Matters determined to be important by the Sustainability Committee are reported twice a year

CO₂ emissions — Scope 1 + 2* (Non-consolidated)

(Tons)

16,440

16,229

14,078

14,647

11,780

11,883

...

2030 (Year)

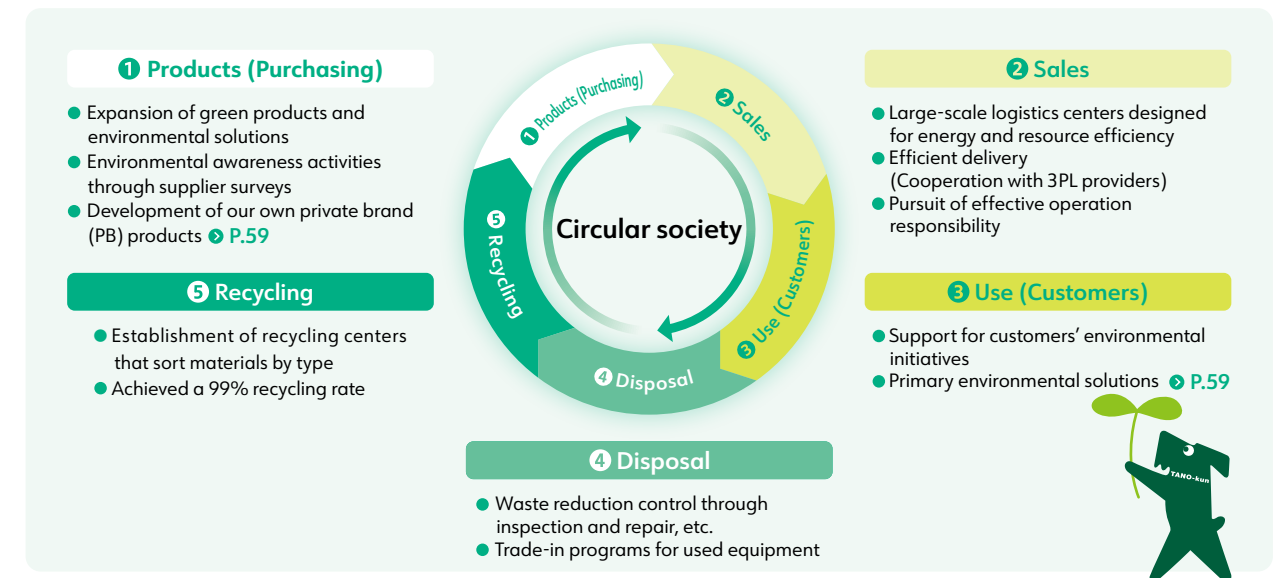
42% reduction vs. 2021

*Scope 2: CO₂ emissions are market-based emissions

Realization of a Circular Society

We are committed to the realization of a circular society by making effective use of limited resources. Since our founding, we have advocated the pursuit of effective operation responsibility, promoting efficient sales and extended product use through maintenance and repair to minimize waste. As part of our comprehensive “support for the entire office” approach, we offer data wiping and buyback services for customer equipment, as well as a disposal service of confidential documents. In 2008, to

promote effective resource utilization and ensure compliance, we established the OTSUKA CORPORATION Recycling Centers (in Tokyo and Osaka). These centers sort unwanted items from internal offices and trade-in equipment from customers. Used toner cartridges collected from customers free of charge are returned to the manufacturers. Materials are strictly sorted to maximize resale value whenever possible. Combined with industrial waste recycling initiatives, we have achieved a recycling rate of approximately 99%.



Biodiversity

Oyama Senmaida terraced rice fields conservation activities

We support the conservation of the Oyama Senmaida terraced rice fields located in Kamogawa City, Chiba Prefecture. Since launching the initiative in 2005, our employees and their families have taken part in rice planting, weeding, and harvesting. After weeding, we hold a nature experience session that offers participants the opportunity to learn about ecosystems and biodiversity. In 2023, we received a special letter of appreciation from the Ministry of Agriculture, Forestry and Fisheries as one of the organizations and universities making outstanding contributions to the development of terraced rice fields selected by the Ministry.



Amazon rainforest reforestation project

Launched in July 2022, the first phase (two years) of our Amazon Reforestation Project has now concluded. Despite challenges such as droughts and wildfires, we succeeded in planting 20,879 seedlings of 32 species across nine hectares of land. This initiative not only contributed to forest regeneration but also helped participating farmers generate income through fruit sales.

The second phase of the project, running for five years starting in July 2024, involves ongoing monitoring of the reforested land and evaluation of the forest’s impact on local communities.



©CI Brazil

Phase 1 (2 years)	July 2022 to June 2024	Reforestation with seedlings Income generation for participating farmers via fruit sales
Phase 2 (5 years)	July 2024 to June 2029	Assessing the impact of the reforested area on the local community

This project is expected to contribute to the conservation of biodiversity and the creation of resilient ecosystems.

Materiality 7

Contribution to Global Environmental Conservation

Expansion of Environmental Solutions

OTSUKA CORPORATION promotes adoption and expansion of products and services that contribute to global environment conservation, actively incorporating them into its own operations.

Primary environmental solutions

Web Provision of Environmental Solutions

1 LED lighting	Reduce power consumption with lighting that is long life and low in power consumption	5 Data centers	Reduce power consumption by utilizing data centers
2 BEMS (visualization and showing of electric power)	Optimize the operation of power consumption in offices and buildings by integrated monitoring	6 Replacement with latest power-saving laptops	Reduce power consumption by introducing laptops and tablets that consume less power
3 Smart electric outlets (Plugwise)	Realize visualization of electric power used in lighting equipment	7 Scanning (digitization)	Contribute to saving resources and making effective use of space by digitizing paper materials
4 Virtualization of servers	Reduce power consumption with virtualization technologies	8 Environmentally friendly merchandise CASE	Promote green procurement, that is friendly to the global environment

CASE Environmentally Friendly Products Available Through tanomail

Extensive lineup of environmentally friendly products

- Environmentally friendly products are clearly labeled with environmental marks, making it easy to select items that meet the purpose
- We support corporate environmental initiatives by offering purchasing data aggregation (for corporate customers only).
- By acquiring FSC® and PEFC™ CoC certification, we contribute to the sustainable use of forest resources. «FSC®-C195425» «PEFC/31-31-1637»



Environment ✓ Green procurement ✓ Affordable ✓ Environmentally friendly! Examples of "TANOSEE Ecology" initiatives



What is TANOSEE?

TANOSEE is the private brand of tanomail, created through product development that closely observes (=SEE) customer needs. The brand is divided into three categories: affordable, environmentally friendly, and high quality. The TANOSEE Ecology lineup supports customers' environmental efforts through initiatives such as revising materials and adopting simplified packaging.

Web [tanomail] About the TANOSEE Brand

Eco paper born from "Tanokun No Mori (TANO-kun Forest)"

As part of its environmental conservation activities, OTSUKA CORPORATION continues to engage in overseas afforestation activities. In 2012, eucalyptus trees, used as raw material for paper, were planted in Macapá, Amapá State, Brazil, and the area was named "Tanokun No Mori." Using this eucalyptus as a raw material, the company developed the α Eco Paper line. A portion of its sales is donated to organizations involved in social contribution activities.

Ocean-bound plastic file folders



Materiality 8

Realizing a Safe, Secure, and Comfortable Society

In 2024, OTSUKA CORPORATION Group's net sales exceeded ¥1 trillion. With this milestone, the roles society expects us to play and the missions we are expected to fulfill continue to grow. The social environment is also rapidly changing, with technological advancements and increasing awareness of human rights and labor issues. In response to this, we have expanded the scope of what we previously defined as a materiality issue, information security to provide safe and secure solutions, and have redefined it as realizing a safe, secure, and comfortable society. We aim to promote this initiative across our entire ecosystem, including supply chain management.

Initiatives to respect human rights

In April 2022, OTSUKA CORPORATION formulated the OTSUKA CORPORATION Group Human Rights Policy. The policy aligns with international standards and expresses our support for the principles stipulated in the International Bill of Human Rights issued by the United Nations and the ILO Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organization (ILO).

To promote dissemination of the Human Rights Policy, we provide ongoing training such as compliance and harassment prevention training through e-learning. We have also established various whistleblowing and consulting desks to prevent, detect at an early stage, and address issues, and have formulated the Whistleblower Protection Regulations in accordance with the Whistleblower Protection Act to ensure that all stakeholders can report concerns without fear of disadvantage.

Training implementation status in 2024 (for employees excluding those on leave, etc.)

Compliance training	100.0%
Human rights and harassment prevention training	100.0%

OTSUKA CORPORATION Group Human Rights Policy Web

- Our basic thinking toward human right
- Scope of application of the policy
- System to promote respect for human rights
- Commitment to human rights issues related to corporate activities
 - Elimination of discrimination
 - Appropriate workplace environments
- Human rights due diligence
- Remedies
- Education and training
- Information disclosure

Consultation help desk	Internal reporting system	For the purpose of prevention, early detection, and correction of violations of laws and regulations and the Principles of Corporate Behavior, we have established an internal reporting system.
	Internal consultation help desk	In partnership with an external specialized company, we accept consultations from all employees.
	External compliance help desk	We have an external compliance helpdesk on our website.

TOPICS Established Basic Policy on Customer Harassment

In March 2025, we established and publicly announced our Basic Policy on Customer Harassment. Based on this policy, we will further promote our commitment to addressing human rights issues related to corporate activities (ensuring appropriate workplace environments), as outlined in Article 4-2 of the OTSUKA CORPORATION Group Human Rights Policy.

In response to the growing recognition of harassment by customers as a social issue, Japan's Ministry of Health, Labour and Welfare has announced its intention to require all companies to take protective measures for employees. The Tokyo Customer Harassment Prevention Ordinance came into effect in April 2025. Ahead of this enforcement, in March, OTSUKA CORPORATION publicly shared its policy aimed at creating a safe and secure workplace for its employees.

OTSUKA CORPORATION Group is committed to providing customers with optimal information systems and services. Our

goal is to energize offices with IT and grow together with our customers. To build better relationships with customers, we follow the action guideline set forth in our Mission Statement: Always think from the customer's perspective and act through harmonious teamwork.

Basic Policy on Customer Harassment Web

- Definition of customer harassment
- Types of conduct considered to be customer harassment
- Response to customer harassment
- System development
- Requests to customers

Materiality 8

Realizing a Safe, Secure, and Comfortable Society

Supply chain management

1. Why it matters

OTSUKA CORPORATION receives a wide range of excellent products, services, and technologies across a wide range of fields from many partners (hereafter referred to as "suppliers"). To ensure stable supply, it is essential to secure a supply chain based on strong relationships of trust with these suppliers.

Recognizing global issues such as environmental, human rights, and labor issues, we established our Basic Policy on Sustainability and Sustainable Procurement Policy in 2022. As part of our efforts to harmonize with the Earth and society across our ecosystem, we are working toward realizing a safe, secure, and comfortable society.

2. Monitoring

To enhance the effectiveness of our supply chain management, we added a requirement for compliance with the Sustainable Procurement Guidelines to the contracts of all new suppliers (including subcontractors) from 2024 onward. For existing suppliers with whom we

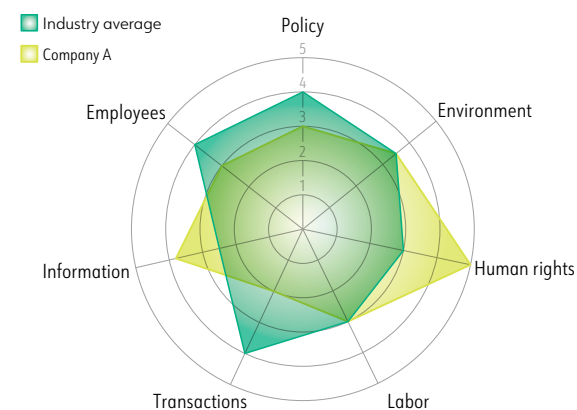
had transactions prior to 2023, we began conducting a supplier survey in 2022. As of 2024, we received responses from suppliers representing 71% of our purchasing value—a continued increase for two consecutive years (34% in 2022, 62% in 2023, and 71% in 2024).

3. Initiatives for advancement

We provide suppliers with feedback comparing their responses against industry averages to help encourage more sustainable activities. In 2025, we began offering support such as human rights policy templates and guidance on calculating GHG emissions.

Many of our suppliers are SMEs that lack dedicated ESG personnel. OTSUKA CORPORATION is committed to supporting these suppliers and strengthening supply chain management to enhance social responsibility and sustainability across the entire ecosystem.

Feedback (Concept)



Sophistication process



Collaboration for mutual support in times of disaster – Disaster preparedness DX through Corporate Hometown Tax Contributions

Japan, known as a disaster-prone nation, faces the urgent social challenge of improving disaster preparedness. As part of the Commemorative Project for Our 60th Anniversary in 2021, we donated equipment to local governments to prepare for disasters, showcasing our ongoing support for the cause.

During disasters, the ability to swiftly assess and share information is critical. OTSUKA CORPORATION provides support leveraging its expertise in providing products and services that contribute to solving social challenges (P.62), including IoT, integrated information management and sharing tools, as well as everyday consumables and water reuse systems that help secure water supplies. Our contributions played a role in restoring essential infrastructure during the 2024 Noto

Peninsula Earthquake. In 2024, as part of our disaster preparedness DX efforts, we donated over ¥600 million in cash and supplies.

We are also working to accelerate our 2023 disaster cooperation agreements by organizing initiatives such as the Disaster Preparedness DX Symposium, which aims to strengthen inter-municipality collaboration.

2021	Commemorative project for our 60th anniversary
2023	Cooperation agreements for mutual support in disasters (15 municipalities in 3 prefectures) Received the Minister's Award for FY2023 Corporate Hometown Tax Contributions
2024	Hosted Disaster Preparedness DX Symposium (100 participants from 30 municipalities)

Products and services that contribute to solving social issues

At OTSUKA CORPORATION, we strive to address social challenges through the products and services we provide.

As part of our initiatives to address disaster preparedness and labor shortages, we showcased disaster response solutions and a wide range of labor-saving robots at the Jissen (practical) Solutions Fair held in February 2025

(P.40), allowing visitors to experience these technologies firsthand.

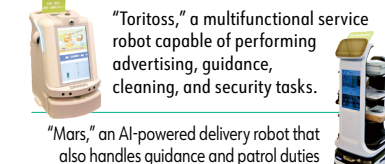
In addition, we are preparing to launch the Bi-Fuel LP Gas-Powered Vehicle, a mobility solution that serves not only as a mobile power generator during disasters but also offers versatile applications across various fields. This marks a first in the industry.

Solutions to solve social challenges (Examples)

Disaster preparedness



Labor shortage solutions



Industry first Bi-Fuel LP Gas-Powered Vehicle



This vehicle runs on both LP gas and gasoline while incorporating an LP gas-powered generator to deliver clean and stable electricity.

Social Contribution Activities

Item	Overview	Results	2022	2023	2024
Initiatives Toward Realizing a Safe, Secure, and Comfortable Society					
Donations to local communities, etc.	Donations made to support disaster recovery and regional revitalization, etc.	Total amount donated	¥100 million	¥610 million	¥710 million
Initiatives that Leverage the Characteristics of Our Business 🌐 Web					
Donation/support program of reused PCs	Refurbish computers that are no longer in use and donate them to NPOs	Number of PCs donated Sponsorship amount	107 ¥3.00 million	91 ¥3.00 million	497 ¥3.00 million
Happy Points donation program	A donation program that contributes to social organizations based on the purchase amount from tanomail	Number of supported organizations Support amount (Oct.–Sept.)	Four organizations Approx. ¥2.60 million	Four organizations Approx. ¥2.50 million	Four organizations Approx. ¥2.20 million
Gift from TANO-kun	Donation of tanomail products to NPOs and welfare facilities, etc.	Number of products donated Number of recipient organizations	5,306 35	4,884 36	2,329 33
Support for food banks (Food support)	Donating food and beverages handled by tanomail to food banks	Number of products donated	35,214	30,188	20,216
Support for the Chiyoda Ward Council of Social Welfare	Supporting activities by providing free internet access to the Chiyoda Ward Council of Social Welfare	Ongoing support is currently underway			
Initiatives Involving Employees 🌐 Web					
Heartful Fund	A matching gift program between employees and the company to support disaster recovery and public-interest organizations, etc.	Number of projects supported Support amount	25 ¥6.10 million	35 ¥8.30 million	19 ¥7.20 million
Blood donation	Regularly host in-house blood drives at the head office and regional sales departments, as a company supporting blood donations run by the Japanese Red Cross Society	Number of drive held Number of participants Amount of blood donated	6 171 67,200 ml	5 194 74,800 ml	5 189 72,200 ml
Volunteering activities to collect resources	Collect used stamps, misprinted postcards, bellmarks, empty contact lens cases, and old books, and donate them to NPOs, etc.	Empty contact lens cases Used stamps	54kg 14kg, etc.	64kg 9kg, etc.	45kg 5kg, etc.
Cleanup activities in the local communities	Conduct cleanup activities around the head office and various offices, including roads and parks in the vicinity	Number of events Number of participants	18 132	24 206	18 139
Accept company visits	Supporting career education by accepting company visits from junior high school students	Number of schools	3 schools (4 times)	3 schools (4 times)	4 schools (5 times)
		Number of students	15	14	17

Materiality 9

Strengthening Corporate Governance












List of Directors and Audit & Supervisory Board Members (Skill Matrix)

The composition of the Board of Directors and the Audit & Supervisory Board as well as the expertise of each officer are shown in the table below.

This does not list all the knowledge and experience of each of Directors and Audit & Supervisory Board Members, but describes their representative skills.





Audit & Supervisory Board Members (as of March 27, 2025)

Primary skills: ● Supplementary skills: ○

	Name / Title and position / (Main) Areas of responsibility	Years in office	Nomination & Remuneration Committee	Required experience and skills					Personnel & Labor Relations / Human Resource Development	Technical Research and Development	DX / ICT
				Corporate Management	Finance & Accounting	Legal / Risk Management	Sustainability / ESG				
	Yuji Otsuka President & Chief Executive Officer General Manager of MM Headquarters	33	●	◎	◎	◎	◎	◎	◎	◎	
	Kazuyuki Katakura Managing Director & Senior Executive Operating Officer General Manager of Sales Headquarters	28	—	◎	○	◎	○	○	◎	◎	
	Hironobu Tsurumi Managing Director & Executive Operating Officer Deputy General Manager of Sales Headquarters, Executive Department Head of CAD Department, General Manager of CAD Promotion Department	15	—	◎	○	○	○	○	○	◎	
	Hironobu Saito Managing Director & Executive Operating Officer General Manager of Business Administration Headquarters, In charge of Project Promotion Office, In charge of Office of Auditors, In charge of Multi-AI Research Center, In charge of Customer Personalized Pages Promotion Center	18	●	◎	◎	◎	◎	◎	○	◎	
	Minoru Sakurai Managing Director & Operating Officer General Manager of Technology Headquarters, Executive Department Head of AP Solution Department	14	—	○		◎		○	◎	◎	
	Koichiro Yamada Managing Director & Operating Officer Executive Department Head of Industry SI Department, General Manager of Headquarters SI Supervision Department, General Manager of Industry SI Promotion Department	Newly elected	—	○	○	○		○	○	◎	
	Kazuo Uneno Managing Director & Senior Managing Officer General Manager of Finance and Accounting Department	Newly elected	—	○	◎	○		○	○	○	
	Jiro Makino Outside Independent Director Corporate legal affairs	10	● Chairperson	○		◎					
	Tetsuo Saito Outside Independent Director Corporate management (governance)	9	●	◎	◎		○				
	Makiko Hamabe Outside Independent Director Sustainability, ESG, IR	4	●	◎	◎		◎				
	Fuminori Suzumura Outside Independent Director Corporate management, sales, marketing	Newly elected	—	◎	○	○	○	○	○	◎	

Audit & Supervisory Board Members (as of March 27, 2025)

Primary skills: ● Supplementary skills: ○

Name / Title and position / (Main) Areas of responsibility	Years in office	Nomination & Remuneration Committee	Required experience and skills						
			Corporate Management	Finance & Accounting	Legal / Risk Management	Sustainability / ESG	Personnel & Labor Relations / Human Resource Development	Technical Research and Development	DX / ICT
 Tatsumi Murata Standing Audit & Supervisory Board Member Business in general	4	—	○	○	○	○	○	○	○
 Kazuhiko Nakai Outside Independent Audit & Supervisory Board Member Finance, accounting	13	—	○	○	○	○	○	○	○
 Etsuo Hada Outside Independent Audit & Supervisory Board Member Finance, accounting, corporate legal affairs	9	—	○	○	○	○	○	○	○
 Katsumasa Minagawa Outside Independent Audit & Supervisory Board Member Corporate legal affairs	5	—	○	○	○	○	○	○	○

Required experience and skills

Skill item	Reason for election
Corporate Management	Work experience and professional expertise regarding corporate management that are required to appropriately evaluate risks and opportunities in broad business domains covering our businesses that “support for the entire office” approach and to achieve sustainable improvement of our corporate value
Finance & Accounting	Work experience and professional expertise regarding finance and accounting that are required to ensure accurate financial reporting as well as to build a robust financial base that supports sustainable improvement of our corporate value and to create value on the medium to long term through strategic capital allocation
Legal / Risk Management	Work experience and professional expertise regarding legal affairs and risk management that are required to comply with laws and to ensure that our corporate activities are sound and based on high ethical standards
Sustainability / ESG	Work experience and professional expertise regarding sustainability and ESG that are required to properly recognize social issues, such as environmental problems and human rights issues, and to fulfill our corporate social responsibility by creating social value and economic value
Personnel & Labor Relations / Human Resource Development	Work experience and professional expertise regarding personnel, labor relations and human resource development that are required to understand employees’ diverse skills, experience, and values and to develop a working environment and cultivate an organizational culture in which each of our employees can realize their full potential
Technical Research and Development	Work experience and professional expertise regarding technical research and development that are required to make management decisions for actively introducing new technologies and to supervise and provide advice on value creation through research and development
DX / ICT	Work experience and professional expertise regarding DX and ICT that are required to fully understand OTSUKA CORPORATION's business model and organizational culture and to innovate and gain competitive advantage by using and leveraging digital technology

Succession plan

In order to constantly increase the effectiveness of the Board of Directors, we have developed a succession plan for Directors. As a development program, we launched OTSUKA Leader's College in 2015 (●P.54) and started training programs for developing candidates for successors of the next generation and the generation after the next. We give a

curriculum that fosters knowledge, expertise, and experience that will contribute to achieving sustainable growth of the Company and medium- to long-term improvement of corporate value. In the curriculum, we also emphasize the importance of being an individual of good character, which is part of the policy on election of candidates for Directors.

Materiality 9

Strengthening Corporate Governance

Corporate Governance System

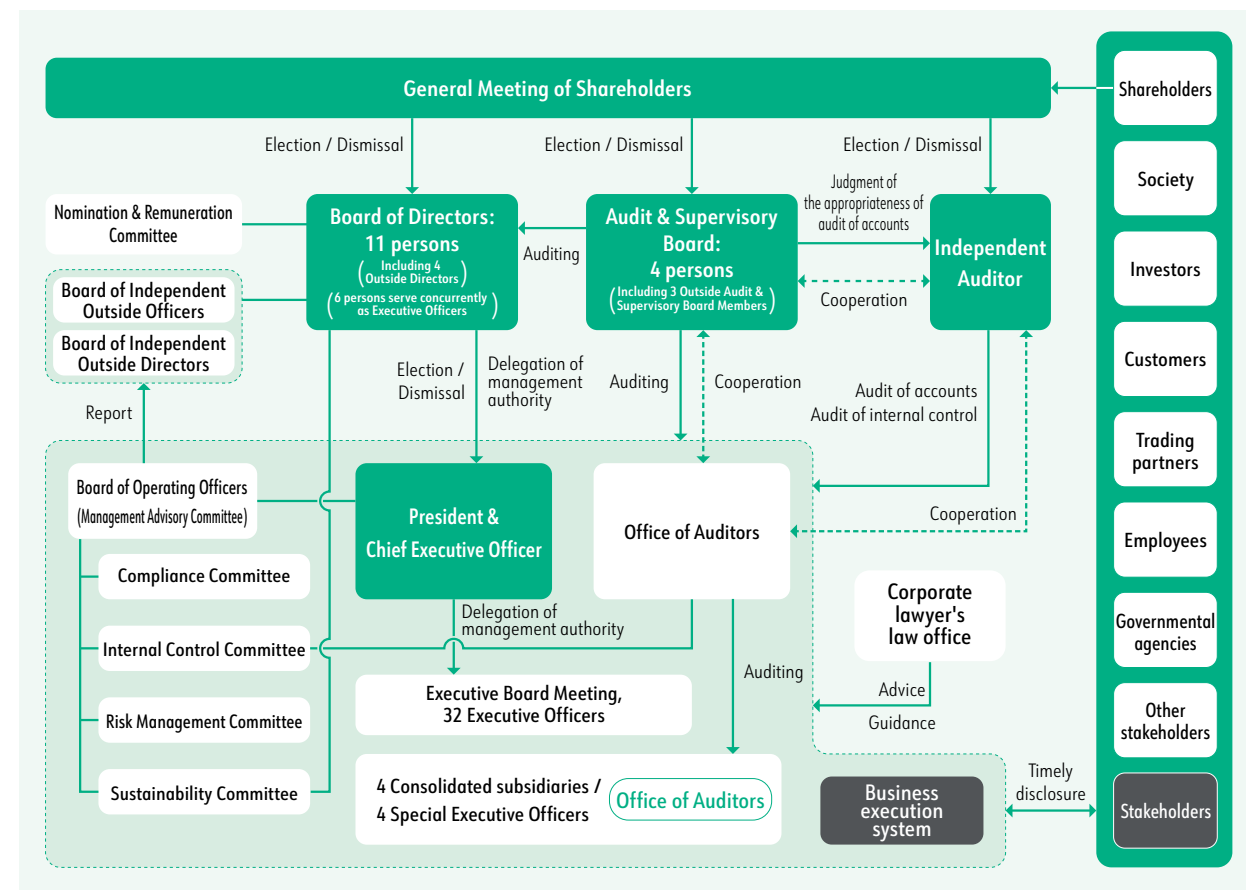
Based on corporate ethics and the spirit of compliance spelled out in its Mission Statement, the OTSUKA CORPORATION Group aims to adapt agilely to changes in the environment and augment its competitiveness by ensuring thorough compliance and raising both operational transparency and fairness.

OTSUKA CORPORATION consists of various statutory bodies such as the General Meeting of Shareholders, Directors and the Board of Directors, Audit & Supervisory Board Members and the Audit & Supervisory Board, and the Independent Auditor. An Audit & Supervisory Board Members System has therefore been adopted. Additionally, the Company appoints outside directors and outside auditors with the aim of strengthening the monitoring of the execution of duties. Moreover, the introduction of the Executive Officer System aims to separate the functions of business execution and supervision in order to realize more rapid decision-making on operational matters and strengthen the oversight of the

Board of Directors. To this end, Executive Officers elected by the Board of Directors are responsible for the execution of business operations while the Board of Directors and Audit & Supervisory Board Members handle the oversight of business execution.

Furthermore, Group Management Meetings are held four times a year to clarify operational conditions and progress in achieving profit targets at each Group company and to strengthen corporate governance. The Group Management Meeting is chaired by Hironobu Saito, Managing Director & Executive Operating Officer; General Manager of Business Administration Headquarters, and consists of 26 members, including six internal Directors, excluding the President & Chief Executive Officer, one Standing Audit & Supervisory Board Member, four top managers of Group companies (Special Executive Officers), six Executive Officers who are deeply involved in operations at Group companies, as well as the President's Office and the Finance and Accounting Department.

Corporate governance system chart (As of March 27, 2025)



Board of Directors

The Board of Directors is chaired by Yuji Otsuka, President & Chief Executive Officer, and consists of 11 persons, including four Outside Directors. The Board of Directors holds a regular meeting once a month, in

principle, to deliberate and decide on important matters that require its resolutions as stipulated by laws and regulations and the Articles of Incorporation and supervises the execution of duties by Directors.

Main resolutions and reports at the Board of Directors' meetings (Fiscal year ended December 31, 2024)

Management and business	<ul style="list-style-type: none"> Changes in organizations and personnel assignments Stock split Annual financial plan for 2024 Matters related to financial results (including the announcement plan and dividends) Report from the DX Promotion Committee
Governance	<ul style="list-style-type: none"> Report from the Nomination & Remuneration Committee Matters regarding the 63rd Annual General Meeting of Shareholders (agenda, officer assignments, matters to be resolved, etc.) Submission of the corporate governance report Sale of policy stocks Considering disclosure regarding management that is conscious of cost of capital and share price and dialogue with shareholders Report on the evaluation of effectiveness of the Board of Directors
Sustainability	<ul style="list-style-type: none"> Sustainability activity plan and the implementation status Company responses to opinions and requests at workplace improvement roundtable conferences Regulation revisions and establishment of new regulations (basic salary increase, review of regulations related to the promotion of the active participation of women, recruitment of high-level personnel, etc.)

Evaluation of Effectiveness of the Board of Directors

1 Outline of the effectiveness evaluation of the Board of Directors for the fiscal year ended December 31, 2023

Target	The 63rd term (the fiscal year ended December 31, 2023)
Period	From late May to early July, 2024
Method	Three Independent Outside Directors distributed and collected questionnaires to Directors and Audit & Supervisory Board Members (12 in total), and conducted individual interviews based on aggregated results

2 Identified issues

Composition	<ul style="list-style-type: none"> Increase in young internal Directors Increase in female Directors
Management	<ul style="list-style-type: none"> Early provision of materials Summarizing key points of proposals and other matters
Agenda	<ol style="list-style-type: none"> Strengthening discussions on management strategy and business plans Succession plan for the Representative Director Introduction of a remuneration plan that will be a medium- and long-term incentive
System	<ul style="list-style-type: none"> Appropriate, in general. Exploring ways to improve information provision to Outside Directors
Others	<p>Matters to be addressed in order to aim for sustainable growth</p> <ol style="list-style-type: none"> Investment in human capital Responding to rapid technological advancements, including AI

3 Progress in addressing the issues in 2024

Composition	<ul style="list-style-type: none"> Promoted the appointment of young Executive Officers who have potential as candidates for Director and prepared for candidate selection.
Management	<ul style="list-style-type: none"> Presented an annual schedule and delivered materials early in an effort to make more improvements.
Agenda	<ol style="list-style-type: none"> Monitored progress based on the Medium- to Long-term Management Policy. Continued to develop candidates to succeed Representative Directors by training them in OTSUKA Leader's College. The revision of officer remuneration is commendable to a degree. Review of the ratio between fixed and performance-linked compensation, as well as the company's share-based compensation program, is ongoing.
System	<ul style="list-style-type: none"> Established regular meetings to share awareness and exchange information among Outside Directors and Outside Audit & Supervisory Board Members.
Others	<ol style="list-style-type: none"> Enhanced human resource development. Worked to create an environment where everyone can work comfortably regardless of gender with the launch of the diversity promotion project. Continued recruiting highly specialized human resources in AI and data science.

Materiality 9

Strengthening Corporate Governance

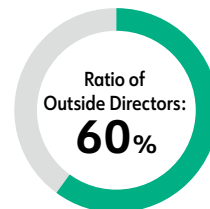
Activities of the Nomination & Remuneration Committee, the Board of Independent Outside Directors, and the Board of Independent Outside Officers

We are promoting the realization of our Mission Statement by further strengthening corporate governance through the establishment and operation of the following committees.

Nomination & Remuneration Committee Number of meetings held: 5 (January to December 2024)

The Nomination & Remuneration Committee consists of five directors, the majority of whom are Independent Outside Directors.

It aims to enhance corporate governance by strengthening the transparency, fairness, and objectivity of the procedures related to remuneration for Directors.



Member composition			Attendance	Main topics discussed
[Chairperson]	Jiro Makino	(Outside Director)	100%	<ul style="list-style-type: none"> Composition and level of officer remuneration Medium- to long-term incentives Determination of amount of bonuses Policy for determining remuneration, etc. for Directors for fiscal 2025 Nomination of Directors in fiscal 2025
[Members]	Tetsuo Saito	(Outside Director)	100%	
	Makiko Hamabe	(Outside Director)	100%	
	Yuji Otsuka	(President & Chief Executive Officer)	100%	
	Hironobu Saito	(Director)	100%	

The Board of Independent Outside Directors Number of meetings held: 8 (January to August 2024)

The Board of Independent Outside Directors consists of all the Independent Outside Directors, with Jiro Makino as the Lead Independent Outside Director.

The Board meets to share information and awareness necessary to actively contribute to discussions at the Board of Directors, and to report and offer opinions to the Board of Directors as necessary.



Member composition			Attendance	Main topics discussed
[Lead Independent Outside Director]	Jiro Makino	(Outside Director)	100%	<ul style="list-style-type: none"> Preliminary review agendas for meetings of the Board of Directors Matters concerning the effectiveness evaluation of the Board of Directors Report on engagement survey results, etc. Reports on outcome of response to whistleblowing reports (including disciplinary action)
[Members]	Tetsuo Saito	(Outside Director)	100%	
	Makiko Hamabe	(Outside Director)	100%	

Established in August 2024

The Board of Independent Outside Officers Number of meetings held: 5 (August to December 2024)

The Board of Independent Outside Officers consists of all Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, with Jiro Makino as the Lead Independent Outside Officer. The information obtained by each board member is shared and utilized in their respective duties, and reports and opinions are given to the Board of Directors and the President and Representative Director as necessary.



Member composition			Attendance	Main topics discussed
[Lead Independent Outside Officer]	Jiro Makino	(Outside Director)	100%	<ul style="list-style-type: none"> Preliminary review agendas for meetings of the Board of Directors Appointment of chair of the Board of Independent Outside Officers Establishment of Rules for Independent Outside Officers Updates to the corporate governance report Reports on outcome of response to whistleblowing reports (including disciplinary action) Matters related sustainability Long-term retained stock
[Members]	Tetsuo Saito	(Outside Director)	100%	
	Makiko Hamabe	(Outside Director)	100%	
	Kazuhiko Nakai	(Outside Audit & Supervisory Board Members)	100%	
	Etsuo Hada	(Outside Audit & Supervisory Board Members)	100%	
	Katsumasa Minagawa	(Outside Audit & Supervisory Board Members)	100%	

Directors' remuneration

The following monetary remuneration is paid or contributed within the range approved by resolution of the General Meeting of Shareholders.

Directors (excluding Outside Directors)

Remuneration comprises five components: basic remuneration, bonuses, earnings bonuses, retirement benefits for officers (saving-type remuneration at time of retirement) and corporate-type defined contribution pension plan (standing Directors under 60 years old). For Directors who concurrently serve as Executive Officers, their position and performance as an executive officer is also considered in determining their Director remuneration. Remuneration levels and the percentages of each type of remuneration are set according to job responsibilities and contributions, with reference to survey data from external specialist organizations.

Outside Directors

From the perspective of maintaining independence, Independent Outside Directors only receive fixed basic remuneration which is based on the remuneration levels of other companies and the Company's standing Directors.

Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)

Audit & Supervisory Board members receive basic remuneration, which is determined through discussions among Audit & Supervisory Board members.

Outside Audit & Supervisory Board Members

Outside Audit & Supervisory Board members only receive fixed basic remuneration, which is determined through discussions among Audit & Supervisory Board members.

Composition of remuneration for Directors (excluding Outside Directors)

Basic remuneration	Basic remuneration is paid monthly in an amount determined taking into consideration the balance with the salaries of other companies and employees, as well as the evaluation of the performance of the divisions in charge for past years.
Bonuses	The payment level of bonuses is predetermined based on the achievement rate of target operating profit, which is strongly correlated to stock price. The amount of bonuses to be paid annually in July and December shall be determined based on the performance of the entire company during the bonus payment period, the performance of the department in charge and the degree of contribution to performance of the individual officer, while ensuring the transparency in linking bonuses to business performance.
Earnings bonuses	Earnings bonuses are paid annually around February and August after amounts are decided in accordance with the achievement rate of the annual and semi-annual operating profit based on the annual and semi-annual plan for employees.
Retirement benefits for officers	In accordance with the provisions of the rules for retirement benefits for officers, the annual basic amount of retirement benefits for officers are accumulated for standing Directors based on their positions. The cumulative amount is calculated at the time of their retirement and paid in an amount determined based on a resolution of the General Meeting of Shareholders.
Corporate-type defined contribution pension plan	The corporate-type defined contribution pension plan provides monthly contributions to standing Directors under the age of 60 in an amount equal to the maximum amount paid to employees in accordance with the provisions of the defined contribution pension rules established by a resolution of the Board of Directors.

Total amount of remuneration for each officer class, total amount by type of remuneration and number of eligible officers (2024 results)

Officer class	Total remuneration (millions of yen)	Breakdown of remuneration (millions of yen)			Number of eligible officers (persons)
		Fixed remuneration	Performance-linked remuneration	Retirement benefits	
Directors (excluding Outside Directors)	373	176	170	26	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	25	25	—	—	1
Outside Directors	39	39	—	—	3
Outside Audit & Supervisory Board Members	25	25	—	—	3

- (Notes) 1. The amount of remuneration, etc. for Directors does not include the amount of employee salaries of Directors who concurrently serve as employees.
2. The amount of remuneration for Directors is set at ¥650 million or less per year (however, employee salary portions are not included) based on a resolution of the General Meeting of Shareholders held on March 13, 1990. The number of Directors at the conclusion of said General Meeting of Shareholders was 18.
3. The amount of remuneration for Audit & Supervisory Board Members is set at ¥80 million or less per year based on a resolution of the General Meeting of Shareholders held on March 27, 2024. The number of Audit & Supervisory Board Members at the conclusion of said General Meeting of Shareholders was four.
4. The above amount of retirement benefits includes an increase in provision for retirement benefits for officers for the fiscal year under review.
5. The actual results of performance indicators used to calculate the amount of performance-linked remuneration for the fiscal year under review are operating profit for the eligible bonus period of ¥60,591 million (target value ¥59,200 million, achievement rate 102.3%) with regard to bonuses, and annual operating profit of ¥66,497 million (target value ¥60,700 million, achievement rate 109.6%) with regard to earnings bonuses.
6. The Company resolved at the 61st Annual General Meeting of Shareholders held on March 29, 2022 to abolish the retirement benefits system for standing Audit & Supervisory Board Members upon the conclusion of the said general meeting. Retirement benefits will be paid at the time of retirement to one standing Audit & Supervisory Board Member who was to continue to serve after the conclusion of the meeting, in an amount corresponding to the period of service up to the abolishment of the system.

Materiality 9

Strengthening Corporate Governance

Roundtable Discussion among Outside Directors



Joined Tokyo Stock Exchange (currently Japan Exchange Group, Inc.) in 1977. Currently serves as Representative Director of Work Two Co., Ltd. (since 1997), Outside Director of OTSUKA CORPORATION (since March 2016), and Outside Director of DD GROUP Co., Ltd. (since 2023).

Joined Tokyo Office of Central Bank of Chile (Financial Department, Embassy of Chile) in 1988, and joined Yahoo Japan Corporation (now LY Corporation) in 2000. Currently serves as Outside Director of OTSUKA CORPORATION (since March 2021) and Outside Audit & Supervisory Board Member of McDonald's Holdings Company (Japan), Ltd.

Registered as an attorney at law in 1983 and established MAKINO legal professional corporation) in 1990 where he serves as Director. Became Outside Audit & Supervisory Board Member of OTSUKA CORPORATION in 2004 and currently serves as its Outside Director (since March 2015).

*Biographies highlight key career events.

Become a 100-year-old company by realizing our Mission Statement. Maximizing corporate value through further strengthening of corporate governance

Taking the first step toward a generational handover—more active discussions with Audit & Supervisory Board members at independent Outside Officer meetings

Makino We welcomed two young members to the Board of Directors in 2025. The average age of the Board had been creeping up, so I was happy with this development. The new members bring strong business acumen and share their experience in rational management, which will help the younger generation drive the company even further forward. I am excited to see the company taking the first step in handing over the reins.

Hamabe Yet at the same time, I am the only woman among its 11 directors. That puts the percentage of female directors at under 10%. I am also aware that the percentage of female managers within the company remains low, which presents a challenge from a diversity standpoint. In 2024, OTSUKA CORPORATION launched a project to promote diversity along with initiatives to foster both job satisfaction and a comfortable work environment. As a member of the project, I am committed to helping raise the percentage of women among both internal and external directors, executive officers, and managers to over 30%.

Saito The number of Outside Directors has increased to four. Given the direction of governance reforms, Japanese boards are expected to shift toward a monitoring model.

Hamabe Considering the broader trends in society, it is difficult to resist this shift, and we shouldn't even try to. The Company should also consider having a majority of Outside Directors on the Board and setting director terms to one year.

Saito It is difficult for external directors to know every aspect of a company. It is impossible to grasp every detail. That is why I believe internal directors should guide the execution of operations through executive officers, while external directors should take on a supervisory role. Increasing both the quality and number of external directors is essential.

Makino While we have had the Board of Independent Outside Directors for some time, in August 2024 we established the Board of Independent Outside Officers and hold monthly meetings. What I think is great about

these meetings is that we can engage in meaningful discussions with the Audit & Supervisory Board members, as well as sharing accurate information. I highly value systems that allow us, as Outside Directors, to act as catalysts, identifying issues, broadening discussions, and bringing them to the executive side. This is also effective in strengthening our supervisory function.

Saito The Nomination & Remuneration Committee, launched in response to the Corporate Governance Code, may have initially been somewhat reserved, but by consistently asserting our views, that situation has gradually changed.

Makino This was most clearly demonstrated when the proper exercise of certain personnel authority was brought under control following input from us Outside Directors. I feel the value of the Nomination & Remuneration Committee is now being taken seriously.

Hamabe On the other hand, discussions around non-financial KPIs and remuneration linked to shareholder returns, including TSR, have lagged behind. Aligning the



remuneration system with the perspectives of shareholders should help facilitate deeper dialogue with the capital markets. I intend to continue raising this issue.

Aiming for dialogue with capital markets based on purpose-specific funding and investment guidelines

Hamabe The Tokyo Stock Exchange requested the implementation of management conscious of cost of capital in March 2023, and OTSUKA CORPORATION disclosed details in March 2025. As a listed company, information investors seek should be disclosed as quickly as possible, so I find it a bit disappointing that it took two years.

Saito One of the OTSUKA CORPORATION's strengths, as well as its weakness, is that it takes time to implement change. Lately, I have come to see that as a positive. Once there is consensus, things can move forward very quickly. I now believe that one of the key roles of Outside Directors is to help shorten the time it takes to reach that consensus. Although methods for calculating the cost of capital are not yet standardized, I believe they will become more widely adopted going forward.

Makino To reassure investors, it is important not only to disclose numerical data, but also to present concrete plans for future improvement.

Hamabe Ideally, OTSUKA CORPORATION should go further and address mechanisms for enhancing corporate value, such as the structure of its business portfolio and use of retained earnings. Human capital and intellectual property are essential growth drivers for our company. To encourage long-term retention, it is important to support employees' self-fulfillment in addition to providing them with monetary remuneration. Although retained earnings have accumulated, I believe OTSUKA CORPORATION should proactively invest in growth, particularly in areas like human resource development and AI. Since measures such as commitment lines from banks are available in case of emergency, OTSUKA CORPORATION should avoid passively retaining funds without a clear purpose.

Makino As I mentioned at a Board meeting, my honest view is that OTSUKA CORPORATION should be building up more reserves. While growth investment is certainly important, in Japan we never know when a major natural disaster such as an earthquake, will occur. The ability to

protect employees during such times, can have a significant positive impact on their motivation. One approach could be to clearly define the company's position and establish a framework that enables it to act independently by continuing to build up reserves in a planned manner, rather than being content with the current reserves.

Saito A company aggressively pursued M&As during the COVID 19 pandemic and ended up depleting its surplus funds. It took considerable time to secure financing, and they are still repaying those loans.

OTSUKA CORPORATION may appear cash rich, but is it really? If the company is unable to mobilize funds right away when implementing a project, that would indicate a low level of financial responsiveness.

Makino It would be ideal to demonstrate the company's ability to protect its employees under any circumstance, and then go beyond that with dynamic initiatives such as shareholder returns or M&A.

Saito Although the external environment is changing rapidly and presenting challenges, it is important to set clear financial targets and plans for each purpose, such as operating funds, reserves for disaster preparedness, and investment reserves for future growth.

Hamabe Strategic capital allocation planning, based on determining an appropriate cash balance, is precisely what management conscious of cost of capital demands. The executive team should thoroughly examine these issues and present them for discussion by the Board. OTSUKA CORPORATION should aim for disclosure based on such process.

Makino There seems to be some hesitation within the company. On the one hand, questioning whether it should hold this much cash, while on the other hand recognizing that perhaps more may actually be needed. So it is important to establish a clear company policy and move forward based on that policy.

Materiality 9

Strengthening Corporate Governance Roundtable Discussion among Outside Directors

The Medium- to Long-Term Management Policy, grounded in actual performance, reflects OTSUKA CORPORATION'S unique character.
Now, while performance is strong, is the time to establish new revenue streams and innovative structures



Saito What I found interesting when comparing the medium- to long-term management plan with the results for the fiscal years 2023 and 2024, is that net sales per customer significantly exceeded expectations while the number of customer companies per year fell short of the target. The policy encourages improvement in areas where targets were not met—such as the operating profit margin, which was slightly below expectations. Looking at the actual results, I believe the policy has been well-crafted.

Makino In some respects, you could say that OTSUKA CORPORATION takes a conservative stance. It only communicates facts that can be confirmed based on actual results. It avoids making statements that might appeal to younger audiences. Even if there are promising initiatives, such as ones I personally would like to see publicized, it refrains from commenting on anything it cannot take responsibility for. Given this stance, formulating a medium- to long-term management policy must have been quite challenging. While there are calls for more detail and more specifics, I believe the current level of disclosure is basically acceptable.

Hamabe Setting exact figures for what will happen in a few years in medium-term management plans is a uniquely Japanese practice. It is a remnant of a system in which financial institutions assessed when and how much of their loans would be repaid. In my view, this is not particularly meaningful. Rather, I think it was good that we conveyed key metrics such as the target number of customers, revenue per customer, profit growth rate, profit margins, and an overall picture of ROE.

Saito Speaking of ROE, changes in the economic environment in the future may provide an opportunity to break down operations and take another serious look at each business segment. In doing so, OTSUKA

CORPORATION will need to consider how to define the denominator in measuring profitability by segment, an area where other companies are already applying creative approaches. Even if only for reference, it could calculate and incorporate these figures into our decision-making process. I think it would be worth exploring such initiatives.

Hamabe Personally, I believe OTSUKA CORPORATION should evaluate ROIC by business segment. To do that, it would need to prepare simplified balance sheets for each segment. Working out how to allocate the revenues and profits generated through the hard work of sales and support teams is challenging. But I believe it would be worthwhile to begin experimenting and refining our approach now.

Makino This is something that needs to be considered. However, OTSUKA CORPORATION's strength lies in its "support for the entire office" approach, that sees customers being supported by the entire company, rather than by individual business segments. That said, I feel this is a work in progress and still inadequate. If it reaches a point where half of its SME and large enterprise customers are adopting this "support for the entire office" model, then it will be time to change my view. However, I see that many customers still haven't fully adopted this approach, and the data confirms that. While segment-level analysis is certainly important, continuing to focus on how to support customers through a company-wide effort aligns well with the broader strategic direction.

Saito That would be Otsuka Strategy II. Indeed, of the approximately 3.6 million companies in Japan, OTSUKA CORPORATION does business with 295,000 annually. It is aiming to maintain strong relationships with existing customers while steadily expanding its client base. Expanding the "support for the entire office" model through Real and Web, and center is a smart approach.

Hamabe From a medium- to long-term standpoint, OTSUKA CORPORATION also needs to consider how to foster innovation. I would suggest establishing a project team that includes members in their 20s, in other words employees who will be leading the company 30 years from now, to explore the future direction of the company. The team may not come up with ideas right away, but if they keep at it, their efforts will bring change.

The current business model is not one that will last indefinitely.

All businesses inevitably go through periods of growth and decline. Now, while performance is strong, is the time to invest effort into developing new revenue streams and innovative structures.

development training program. This is a clear sign that the program is producing results.

Flexible approach to human resource development, including executives.
Fulfill our responsibilities as Outside Directors while supporting the company's vision of becoming a 100-year company

Saito For the first time, a Director has been appointed from the OTSUKA Leader's College, our leadership

Makino I believe the training approach should differ between top management, who are tasked with leading and coordinating the entire organization, and executives with deep expertise who support the president. The OTSUKA Leader's College is designed for the latter. Rather than being satisfied with the college's success, I would like to recommend splitting the program into two distinct tracks. For instance, an initiative to openly recruit candidates for the next president and have them undergo rigorous competition could help motivate younger talent.

Hamabe Japanese companies tend to resemble local inbound trains that stop at every station. They need to offer express trains to talented and driven employees and fast track them for promotion.

Makino We have previously discussed the importance of giving future executives a range of cross-functional experience.

Hamabe You mean transfers. Taking on a role in a new environment encourages growth. I believe that regular transfers are effective, to some extent.

Saito Frequent interdepartmental transfers can hinder productivity, but with nearly 10,000 employees, there is some leeway to support it. If OTSUKA CORPORATION wants to transfer employees, that is certainly possible. That said, trying new things often involves risk, and it is vital to leave room for failure. If OTSUKA CORPORATION focuses solely on productivity, it will lose the tolerance needed for growth. I hope a more flexible approach can be taken.

Hamabe A change in leadership may still be a way off, but OTSUKA CORPORATION should be thinking about who the candidates are. As it moves forward, the qualities required of its leaders will also evolve. What kind of training is needed? What outcomes are expected by assigning them stretch goals and positions? We, as Outside Directors, would like to be actively involved in the selection process.

Makino As OTSUKA CORPORATION moves toward becoming a one-trillion-yen company, it is aiming to realize its mission statement of becoming a 100-year company. Its social responsibilities will only continue to grow. I am looking forward to working closely with the newly appointed Outside Director, Mr. Suzumura, to fulfill our responsibilities.



Message from Newly Appointed Outside Director

Throughout my career, I have always believed that delivering value to customers takes top priority and I have approached business with this in mind. In the fiscal year 2024, OTSUKA CORPORATION achieved net sales of one trillion yen. I see this as evidence of the company's commitment to creating customer value by staying closely attuned to their needs. It is a great honor to join the Board of Directors of a company that continues to deliver value, and I take this responsibility seriously.

In the IT industry, technology evolves rapidly and customer expectations shift just as quickly. To sustainably enhance corporate value in such an environment, and to realize the vision of becoming a 100-year-old company, it is essential to continue to uphold and act based on the Mission Statement, to facilitate the growth of our client companies and grow together with them. This means mobilizing the full strength of the organization and executing this philosophy without wavering.

I intend to offer an independent perspective, always keeping the customer as my central focus, while working

in close partnership with fellow board members, management, and all other stakeholders. I hope to contribute to enhancing corporate value, driving sustainable growth, strengthening corporate governance, and fostering the development of the human capital that will support these efforts. It is my intention to walk alongside OTSUKA CORPORATION in its journey toward becoming a 100-year company, one that will continue to earn the smiles of its customers. I look forward to serving as an Outside Director.



Independent Outside Director
Fuminori Suzumura

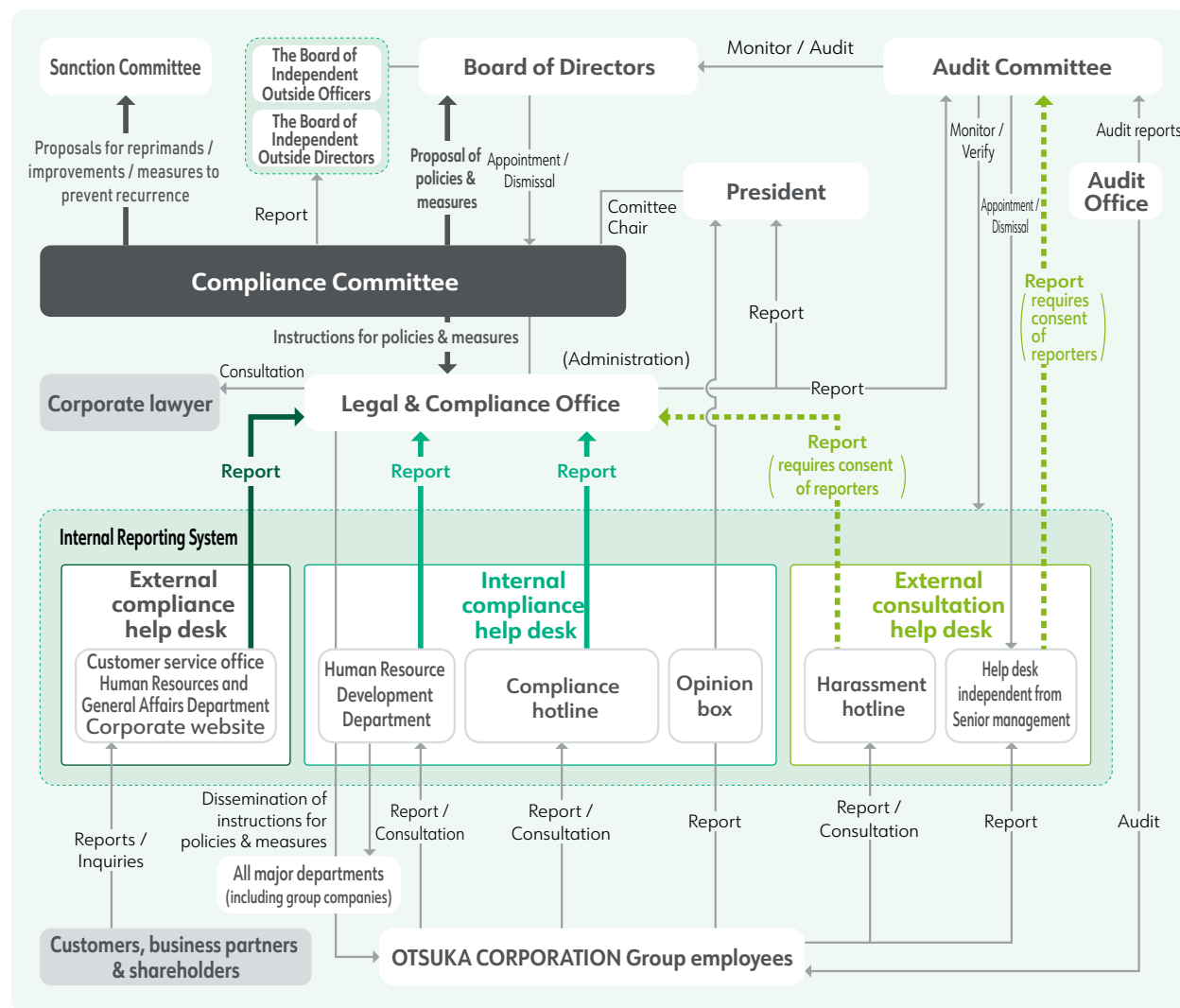
Materiality 9

Strengthening Corporate Governance

Compliance System [Web](#)

One of the principles in the Mission Statement of OTSUKA CORPORATION is fully complying with all prevailing laws and regulations, and maintaining high ethical standards. OTSUKA CORPORATION is working to establish and strengthen a compliance system accordingly.

Compliance Structure



1 Roles of the Compliance Committee

1. Establish a plan for compliance training
2. Identify potential risks associated with business activities and formulate preventive measures
3. Establish a plan to deal with any compliance violations that may occur
4. Plan measures to prevent recurrence
5. Make proposals to the Board of Directors and implement approved policies and measures

2 Initiatives to Ensure Compliance

We have established internal and external help desks for consulting and reporting compliance infringements, with the aim of ensuring that we promptly discover and address compliance issues and prevent their recurrence. In accordance with the Whistleblower Protection Act, we have formulated the Whistleblower Protection Regulations and established consultation desks, such as the Compliance Hotline to ensure proper processing of reporting.

3 Compliance Education

1. Compliance Manual

The Compliance Manual presents our basic attitude toward compliance. We aim to embed and enhance awareness of compliance through various training forums, including new employee training and new manager training.

2. e-Learning

All employees are required to take the following e-learning courses to reinforce their basic knowledge.

1. Mission Statement
2. Compliance
3. Information security management
4. Harassment prevention
5. PrivacyMark

3. CP (Compliance Program) License System

We operate a CP (Compliance Program) License System through e-learning in order to encourage the reinforcement of knowledge about personal information protection and information security.

Risk Management System

OTSUKA CORPORATION has established a Risk Management Committee as the body to promote and supervise business risk management. The committee identifies and assesses all risks related to the Company. The Risk Management Committee investigates respective measures for key risks. The Committee provides direction on the creation of a risk management system to ensure the ongoing and stable maintenance and management of risks in each division and department in its scope.

The most common risks* that could potentially impact the OTSUKA CORPORATION Group's operating results and financial condition include customer-related risks, supplier-related risks, information leakage risks, and risks related to the spread of infectious diseases.

*Most common risks for the OTSUKA CORPORATION Group

[Web Annual Securities Reports \(P.20\)](#)

Risk management system



Information Security Initiatives

The OTSUKA CORPORATION Group possesses a large amount of individual and corporate information pertaining to operations. The Group's operations could be significantly impacted in the unlikely event that such information is leaked outside the Group because the Group not only assumes liabilities for damage but also loses trust by society. OTSUKA CORPORATION has therefore obtained various certifications, including PrivacyMark, ISMS, and ISO27017, and handles information leakage risks carefully. In addition, OTSUKA CORPORATION has released an internal and external Personal Information Protection Policy as well as established regulations on personal information protection and confidentiality to raise awareness of information management. The Company implements even more stringent measures for its information systems. These include technical measures used at entrances, internally and at exits as well as third-party external diagnoses,

regular drills against targeted e-mail attacks, and security monitoring and response organizations equivalent to Computer Security Incident Response Team (CSIRT) such as cyber vigilantes.

Acquired certifications	<ul style="list-style-type: none"> PrivacyMark (Japan Institute for Promotion of Digital Economy and Community) Information Security Management System (ISMS) Conformity Assessment Scheme ISO27017 (cloud security)
Measures and initiatives	<ul style="list-style-type: none"> Release of a Personal Information Protection Policy and establishment of various regulations Proprietary educational system CP (Compliance Program) License System Technical measures used at entrances, internally, and at exits External diagnoses by third parties Regular drills against targeted e-mail attacks

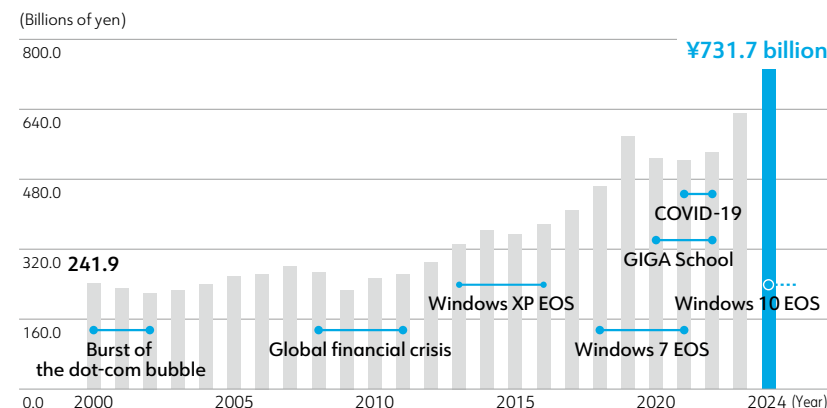
System Integration Business (SI Business)

We support the selection, proposal, and introduction of IT equipment and systems that are essential for our customers' corporate activities. We realize high value-added solutions by drawing on the wide range of products we carry, and selecting the optimal combination for customers from various products, services, and technologies without being tied to a specific manufacturer.

Net sales characteristics and strengths

We suffered temporary declines due to the burst of the dot-com bubble, the global financial crisis, etc. However, when there was renewal demand associated with the end of support (EOS) for Windows, we provided customers with PCs and related solutions, supported their effort to improve productivity and reduce cost, and significantly increased our net sales. When the government announced the GIGA School project, we drew on our procurement capabilities to contribute to the establishment of an educational ICT environment. We have also developed our businesses to solve social issues. In these ways, we are continuing to achieve steady, long-term growth.

Long-term change in net sales



*There were changes in accounting standards in 2022.

2024 performance highlights

- Net sales of SI business increased by double digits for two consecutive years (2023 +16.3% → 2024 +16.1%)
- PC business negotiations for Windows 10 EOS intensified from the second half of the year **TOPICS 1**
- Related products such as routers and security solutions also performed well
- SMILE, which performed well in 2023 due to invoice system compliance, exceeded the previous year's results in 2024 as well
- Copier unit sales declined slightly (-1.4%). Aim to promote customer support through a hybrid response of improvement in added-value and paperless solutions by supporting the entire office of customers (**P.07**)

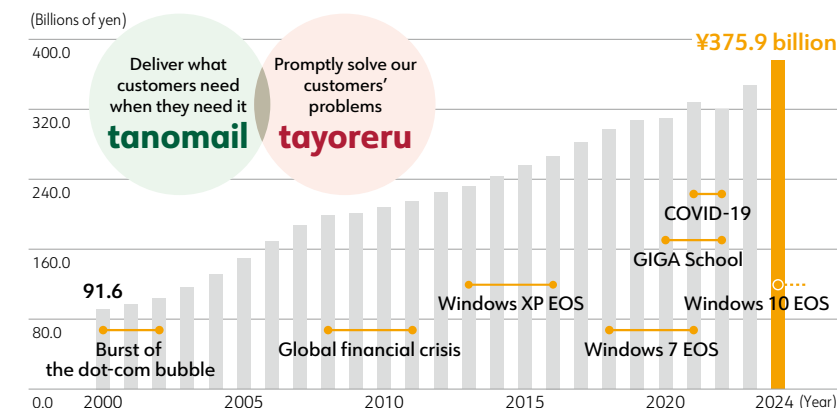
Service and Support Business (S&S Business)

We provide comprehensive support for our customers' corporate activities, centering on two brands: tanomail, a mail-order business for office supplies, etc., and tayoreru, an all-inclusive support program.

Net sales characteristics and strengths

The majority of the S&S business consists of an accumulated business, consisting primarily of the two brands mentioned above. Both brands are characterized by continuous business with customers on a regular and recurring basis or based on term contracts, and their steady growth supported company-wide net sales even during the global financial crisis, when the SI business struggled. Excluding the effect of changes in accounting standards (2022), the business has grown for 24 consecutive years.

Long-term change in net sales



note: There were changes in accounting standards in 2022

2024 performance highlights

- Net sales in the S&S business remained strong (2023 +8.7% → 2024 +8.3%)
- **tanomail**: Covered a wide range of customer needs through a variety of products. Created an opportunity to start doing business with OTSUKA CORPORATION **TOPICS 2**
- **tayoreru**: On-site maintenance and cloud-related services both grew strongly **TOPICS 3**
- Although both tanomail and tayoreru performed well, many customers are only doing business with one or the other. It is important to strengthen our approach and multi-product proposals to convey the value provided by supporting the entire office of customers (**P.07**)

TOPICS 1 PCs

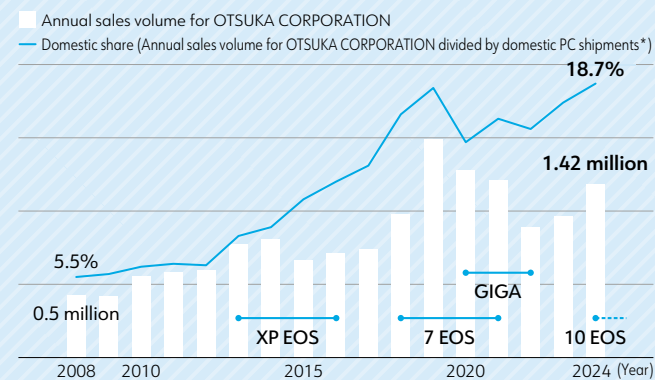
In 2024, one of the drivers of the SI business was PCs (Review of 2024 business results **P.23**). We have been able to achieve competitive pricing by increasing sales volume and strengthening procurement capabilities. In 2024, we were able to capture a record high domestic market share of 18.7%. (Graph ①)

PCs, which are essential to businesses, are a key product that serves as the starting point for "support for the entire office" concept. Business negotiations are expected to become even more active ahead of Windows 10 EOS in October 2025. By leveraging our experience from the previous EOS period, we will secure inventory and strengthen logistics to prevent lost opportunities, and make multi-product proposals with related products to increase sales and strengthen relationships with customers (**P.33**). (Graph ②)

At the Jissen (practical) Solutions Fair (**P.40**), we are working to raise awareness of improved productivity through IT by displaying and comparing many products, including the latest AI PCs and Copilot PCs.

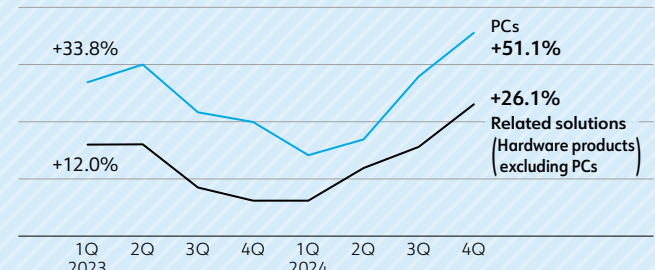
Furthermore, by effectively combining solutions from the S&S business, we aim to provide a wide range of customer support, from "PC problems" to "solving issues across entire business operations" (**P.78**).

Graph ① Annual PC sales volume and domestic market share



*Calculated based on domestic PC shipments: Domestic shipment results according to Japan Electronics and Information Technology Industries Association (JEITA)

Graph ② Quarterly change in sales for PCs and related solutions



TOPICS 2 Tanomail Opens up the door

The entry point for doing business with OTSUKA CORPORATION is tanomail. Approximately 80% of new customer companies begin their relationship with OTSUKA CORPORATION through tanomail.

By securing regular and frequent purchases of office supplies, we establish strong points of contact with customers. Winning their trust through these interactions will lead to the subsequent expansion of business through the "support for the entire office" approach.



TOPICS 3 Supporting Various Operations Through tayoreru

We have a full support system that includes experienced engineers, various centers staffed by specialists, and online portals such as Customer Personalized Pages.

We are also actively engaged in creating a proprietary menu of offerings by sharing the knowledge gained through support activities with our partners and leveraging them to develop solutions tailored to our customers' needs. OTSUKA CORPORATION handles overall IT operations on behalf of customers who find it difficult to assign a dedicated IT personnel, which allows them to focus on their core business.

Business model **P.20**

AI utilization at tayoreru Contact Center **P.35**

Examples of OTSUKA CORPORATION's original menu Raku-Raku series: Total outsourced support for office IT

Raku-Raku Wi-Fi	Raku-Raku Switch	Raku-Raku Firewall
Raku-Raku Router	Raku-Raku Communication Gateway	Raku-Raku Cloud Backup Premium
Raku-Raku Server Management	Raku-Raku WSUS	Raku-Raku MDM
Raku-Raku EDR	Raku-Raku EDR Premium	Raku-Raku Server Security
Raku-Raku NGAV for Deep Instinct	Raku-Raku Office 365	Raku-Raku SSL Server Certificate

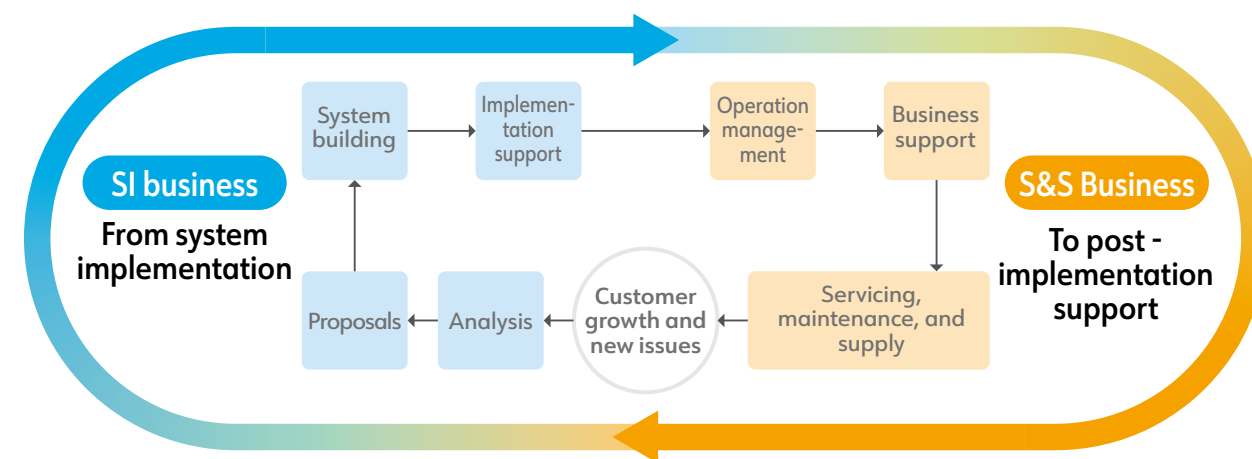
SI and S&S Business Strategies

Characteristics of business segments

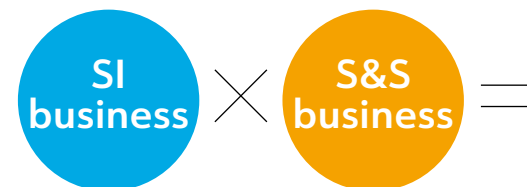
OTSUKA CORPORATION classifies its business segments into two categories: System Integration Business (SI business = system implementation) and Service and Support Business (S&S business = post-implementation support). However, each segment cannot be divided by customer industry or business category, or by a specific product line. The most distinctive feature of OTSUKA CORPORATION's business segments is that the two segments work together in an aim to "support for the entire office" of customers.

Providing value to customers

A single solution cannot fully resolve customers' challenges in an increasingly complex IT environment. It is important to combine multiple solutions and implement them in stages according to the growth of the customer. Rather than ending with a single transaction, we propose optimal solutions to each customer's issues at the time from a wide range of partner solutions, and provide support from implementation to subsequent support. The cyclical collaboration between the two segments makes it possible to continuously support growing customers.



Strategic aims of having both SI and S&S businesses



OTSUKA CORPORATION can respond to any situation in which customers experience problems, such as in the selection of IT equipment or when problems occur. This creates a competitive advantage that is difficult for competitors to imitate. We have summarized three key strategic points.

Three strategic points

① Higher switching costs

As IT environment become increasingly complex, support for the entire system lifecycle increases customer loyalty. At the same time, our deep understanding of customer operations increases switching costs and supports the building of long-term relationships.

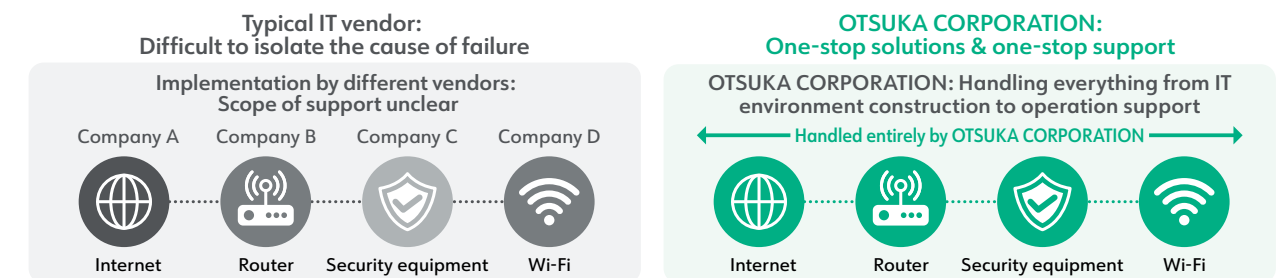
② Contact points with customers and additional sales

Having customer contact points in a variety of situations is effective in discovering customer needs in an increasingly complex IT environment. By building more customer contact points than competitors, we are able to offer additional solutions that directly address customer needs. This is an important revenue opportunity for OTSUKA CORPORATION.

③ Expanding the ecosystem

As more customers gather, more partners are attracted, creating a high-quality ecosystem. We will strengthen our customer support and gain a competitive advantage by building a broad business ecosystem that extends beyond the realm of IT.

① Higher switching costs Case study: Office IT environment



② Contact points with customers and additional sales

Case study: Entire Office Starting with PCs

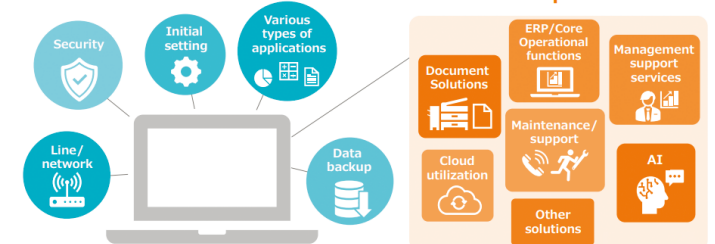
PCs are indispensable IT tools in daily work for many office workers. With Windows 10 EOS coming in October 2025 and the advent of AI PCs, they will continue to be important.

Solving the problems of customers by starting with PC business is an important step in building a relationship of trust with customers and subsequently proposing a variety of solutions for "support for the entire office" approach.

Entire Office Starting with PCs

Moves to replace EOS began from the second half of 2024

From "PC problems" to "solving issues across entire business operations"



Toward "Entire Office" along with PC transactions

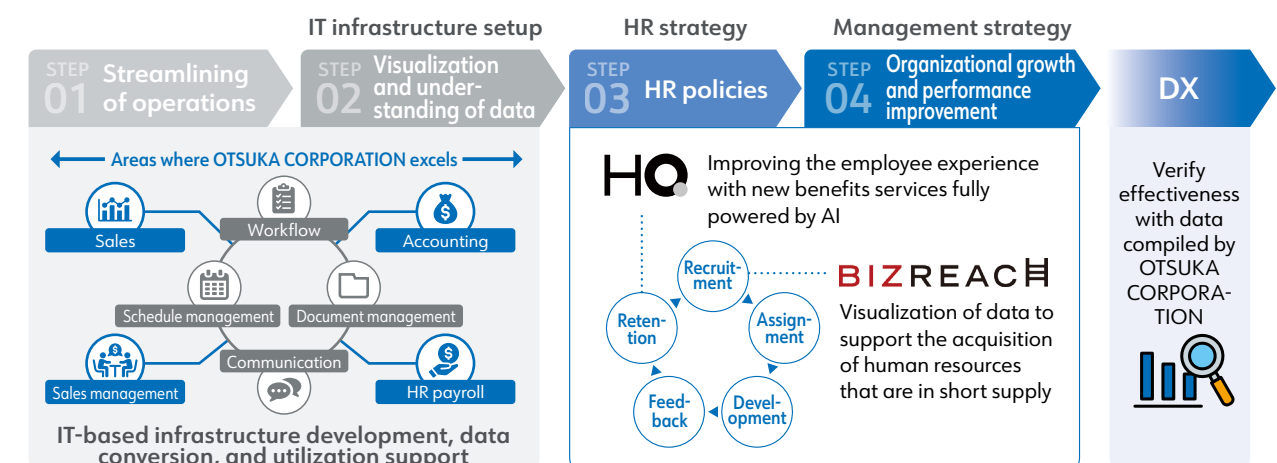
③ Expanding the ecosystem

Case study: Human capital management DX through partner collaboration

Challenges in the office go beyond the IT environment. To solve issues such as labor shortages and securing human resources, which are common challenges for Japanese companies as a whole including small and medium enterprises, we've built a business ecosystem with partners who specialize in supporting HR strategies and organizational growth. In addition to IT, which is OTSUKA

CORPORATION's strengths, we are creating an environment to provide "support for the entire office" solution, including human capital management. By combining OTSUKA CORPORATION's customer base and problem-solving capabilities with partner solutions specialized in human capital, we are able to further solve our customers' issues.

Partner roundtable P.41



Principal Financial and Non-Financial Data

KPI of the Medium- to Long-term Management Policy: ● (Millions of yen)

			2014	2015	2016	2017		2018	2019	2020	2021	2022	2023	2024
Consolidated	Financial results	Net sales* ¹	605,766	609,045	643,417	691,166		759,871	886,536	836,323	851,894	861,022	977,370	1,107,668
		System Integration Business* ¹	362,068	353,170	376,391	408,718		463,293	578,698	526,613	523,609	541,671	630,185	731,712
		Service and Support Business* ¹	243,316	255,490	266,625	282,064		296,577	307,837	309,710	328,284	319,350	347,185	375,955
		Other business* ²	381	385	400	383		—	—	—	—	—	—	—
		Operating profit	37,097	37,311	39,684	44,386		48,058	62,192	56,309	55,827	54,768	62,959	74,360
		Ordinary profit	38,144	38,240	40,780	45,460		49,285	63,706	57,550	57,567	56,639	64,517	75,931
		Profit attributable to owners of parent	23,455	23,705	26,675	31,560		33,601	43,497	39,309	39,927	40,022	47,448	53,481
	Financial position	Total assets	305,513	324,755	343,821	380,317		406,732	461,812	471,292	486,254	523,016	561,805	673,903
		Equity	163,277	173,229	189,851	212,897		229,726	259,328	277,348	298,743	319,388	343,112	370,799
		Interest-bearing debt	9,584	9,344	9,008	8,873		8,256	8,807	8,895	8,851	8,441	8,188	7,528
	Cash flows	Net cash provided by (used in) operating activities	34,130	27,621	23,932	36,153		38,646	48,762	32,496	57,873	29,196	71,649	37,711
		Net cash provided by (used in) investing activities	(5,410)	(7,235)	(5,823)	(5,243)		(11,096)	(7,934)	(8,716)	(9,160)	(8,355)	(21,473)	(11,949)
		Net cash provided by (used in) financing activities	(7,580)	(8,742)	(9,532)	(11,528)		(13,470)	(16,221)	(20,988)	(21,957)	(23,307)	(23,839)	(25,891)
		Cash and cash equivalents at end of period	97,943	109,587	118,183	137,545		151,585	176,198	178,988	205,746	203,274	229,615	229,488
	Per share data* ³	Earnings per share (EPS) (yen)	61.85	62.51	70.35	83.23		88.61	114.71	103.66	105.29	105.54	125.13	141.04
		Dividend per share of common stock (yen)* ⁴	22.50	25.00	30.00	35.00		42.50	55.00	57.50	60.00	62.50	67.50	80.00
		Dividend payout ratio (%) ●	36.38	39.99	42.65	42.05		47.96	47.95	55.47	56.98	59.22	53.94	56.72
	Productivity	Net sales per employee (thousands of yen)	73,551	72,617	75,359	79,829		87,021	99,476	91,712	92,889	93,508	103,743	114,428
		Operating profit per employee (thousands of yen)	4,504	4,448	4,647	5,126		5,503	6,978	6,174	6,087	5,947	6,682	7,681
	Main financial indicators	Return on equity (%) ●	15.26	14.09	14.69	15.67		15.18	17.79	14.65	13.86	12.95	14.32	14.98
		Operating profit to Net sales ratio (%) ●	6.12	6.13	6.17	6.42		6.32	7.02	6.73	6.55	6.36	6.44	6.71
		Equity ratio (%)	53.44	53.34	55.22	55.98		56.48	56.15	58.85	61.44	61.07	61.07	55.02
	Relationships with customers	Number of customer companies with transactions per year (ten thousand) ●	25.2	25.9	26.5	27.0		27.5	27.9	28.5	28.7	29.2	29.5	29.5
		Net sales per company (ten thousand yen) ●	220	215	219	230		248	286	262	266	262	293	333
Non-consolidated	Environment	Scope 1 CO ₂ emissions (tCO ₂)	5,987	6,186	6,185	6,136		6,179	6,753	6,672	5,636	5,839	5,476	5,191
		Scope 2 CO ₂ emissions (location-based) (tCO ₂)	—	—	—	—		—	10,507	9,971	8,479	8,490	8,450	8,046
		Scope 2 CO ₂ emissions (market-based) (tCO ₂)	—	—	—	—		—	9,687	9,557	8,442	8,808	6,304	6,692
		Energy and electricity consumption (thousand kWh)	—	—	—	—		—	21,531	21,214	19,582	19,518	19,293	19,021
		Number of ISO14001-certified business sites (sites)	25	25	25	25		25	25	25	25	25	25	25
Consolidated	Employees	Number of regular employees (people)	8,236	8,387	8,538	8,658		8,732	8,912	9,119	9,171	9,208	9,421	9,680
Non-consolidated		Number of regular employees (people)	6,758	6,837	6,985	7,080		7,145	7,272	7,429	7,480	7,524	7,713	7,949
		Men	5,421	5,462	5,545	5,570		5,596	5,627	5,692	5,683	5,668	5,751	5,877
		Women	1,337	1,375	1,440	1,510		1,549	1,645	1,737	1,797	1,856	1,962	2,072
		Employee awareness survey — engagement survey response rate (%)* ⁵	83	78	75	78		74	74	73	77	75	84	89
		Training costs for regular employees (millions of yen)	462	490	445	461		470	489	530	590	811	980	1,238
		Education and training costs per employee (thousands of yen)	68	71	63	65		65	67	71	78	107	127	155
		Number of new graduates recruited (men and women) (people)	300	298	356	336		301	366	359	352	298	399	428
		Men	209	221	273	232		212	244	243	250	199	275	295
		Women	91	77	83	104		89	122	116	102	99	124	133
	Governance	No. of Directors (people)	12	13	14	13		14	12	12	10	10	8	8
		Men	12	13	14	13		14	12	12	9	9	7	7
		Women	0	0	0	0		0	0	0	1	1	1	1
		Attendance rate of Outside Directors at Board of Directors meetings (%)	—	100	97	94		100	100	100	100	98	98	100
		Number of Executive Officers (total) (people)	18	20	20	21		20	23	24	27	33	26	27
		Men	18	20	20	21		20	23	24	27	32	25	26
		Women	0	0	0	0		0	0	0	0	1	1	1

*1 The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) since 2022.

*2 Otsuka Auto Service Co., LTD., which was a consolidated subsidiary, was excluded from consolidation from 2018 due to its reduced impact on consolidated business results. Along with this, the Other business segment is not listed from 2018 due to the absence of business results.

*3 Per share data is calculated retroactively for stock splits conducted in the past.

*4 Includes commemorative dividend. (2016: 55th anniversary commemorative dividend: ¥2.50, 2021: 60th anniversary commemorative dividend: ¥2.50, 2024: one-trillion-yen net sales commemorative dividend: ¥5.00)

*5 New engagement survey tools have been introduced in 2024. (Up to 2023: employee awareness survey response rate. From 2024: engagement survey response rate.)

Financial Statements

(Fiscal year ended December 31, 2024)

*In order to more clearly communicate the financial characteristics of the Group, we have reclassified data differently from the annual securities reports and other documents.

Consolidated Balance Sheets

(Billions of yen)

Item	As of December 31, 2023	As of December 31, 2024	Change	Reasons for the change
Assets				
Current assets	459.7	568.8	+109.0	
Cash and deposits ①	228.6	228.1	(0.5)	▶ Slight decrease due to inventory buildup (③) (Consolidated statements of cash flows ② P.84)
Notes and accounts receivable—trade, and contract assets ②	155.2	200.9	+45.6	▶ More active sales activities. Net sales for 4Q increased 20.3%
Merchandise ③	36.0	71.9	+35.8	▶ Inventory buildup of PCs in preparation for Windows 10 EOS (up approx. ¥34.0 billion)
Returned assets ④	—	26.4	+26.4	▶ Some assets relate to transactions with cancellation clauses (corresponding to refund liabilities ⑧)
Others ⑤	39.7	41.3	+1.5	
Non-current assets	102.0	105.0	+3.0	
Total assets	561.8	673.9	+112.0	
Liabilities				
Current liabilities	203.2	289.6	+86.4	
Notes and accounts payable—trade, electronically recorded obligations—operating and contract liabilities ⑥	141.7	197.5	+55.7	▶ More active sales activities. Net sales for 4Q increased 20.3% (②). Inventory buildup (③)
Short-term borrowings ⑦	4.4	4.3	(0.1)	▶ Virtually debt free (⑦⑩)
Refund liabilities ⑧	—	26.9	+26.9	▶ Some liabilities relate to transactions with cancellation clauses (corresponding to returned assets ④)
Others ⑨	57.1	60.8	+3.7	
Non-current liabilities	11.5	8.9	(2.6)	
Long-term borrowings ⑩	1.7	1.7	—	▶ Virtually debt free (⑦⑩)
Others ⑪	9.8	7.2	(2.6)	
Total liabilities	214.8	298.6	+83.8	
Net assets				
Shareholders' equity ⑫	338.0	365.9	+27.8	▶ Profit for 2024: ¥53.4 billion – Dividends paid for 2024: ¥25.5 billion (Consolidated statements of income ② P.83)
Accumulated other comprehensive income ⑬	5.0	4.8	(0.1)	
Non-controlling interests ⑭	3.8	4.4	+0.6	
Total net assets	346.9	375.2	+28.2	
Total liabilities and net assets	561.8	673.9	+112.0	

Explanation of Consolidated Balance Sheets

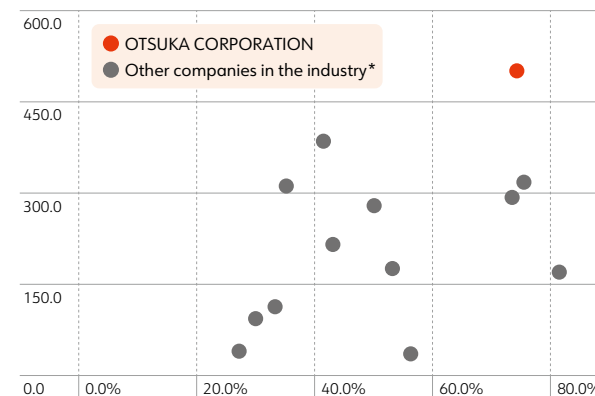
Highly liquid assets account for 75% of total assets

Nearly 75% of total assets are highly liquid assets (① cash and deposits, ② notes and accounts receivable—trade, and contract assets, ③ merchandise), placing us at the industry's top level in both absolute value and composition. The source of funds for these assets is retained earnings (⑫ shareholders' equity), and much of the profits accumulated in the past are invested in these highly liquid assets. We have an extremely sound financial position, backed by a solid earnings structure centered on an accumulated business.

*Other companies in the industry: The following 12 companies are plotted out of the 16 companies stated in Daiwa Securities, IT and Software Sector Investment Strategy (April 17, 2025), excluding the three companies of NEC, Fujitsu, and NTT Data Group, which have a significantly larger scale. (Calculated in May 2025 based on each company's most recent full-year financial results)
NS Solutions, TIS, SHIFT, Internet Initiative Japan, Nomura Research Institute, OBIC, Trend Micro, ORACLE CORPORATION JAPAN, OBIC BUSINESS CONSULTANTS, DENTSU SOKEN, BIPROGY, SCSK

Amount of highly liquid assets (vertical axis) and their proportion of total assets (horizontal axis)

(Billions of yen)



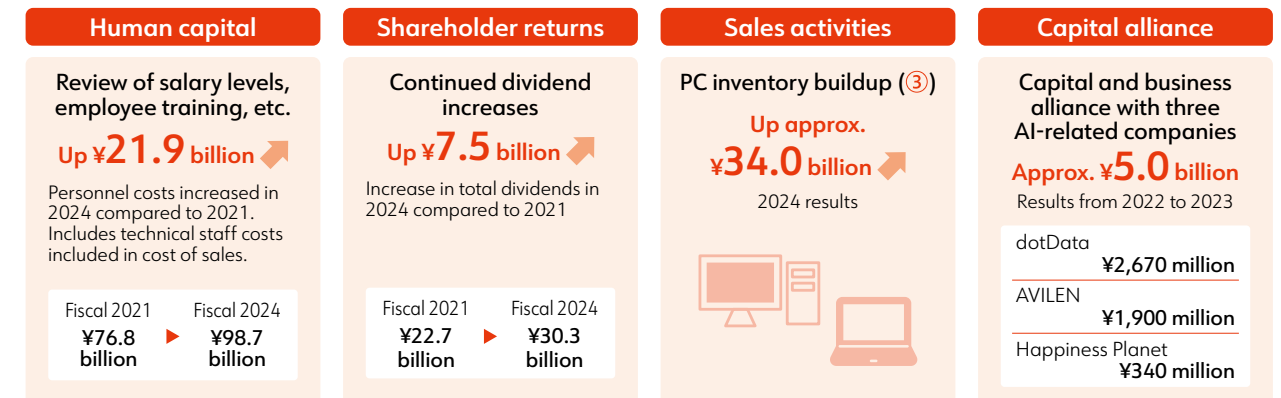
Continue to secure agility and invest in growth through effective use of cash on hand

To provide “support for the entire office” solutions to 295,000 client companies and enable the Group, with nearly 10,000 employees, to act swiftly in times of emergency, securing a much higher level of cash on hand than other companies is essential. Our abundant financial resources allow us to respond flexibly to changes in the market environment.

At the same time, it is important to share the fruits of growth with stakeholders through efforts such as investments in human capital and promotion of shareholder returns enhancement. We are also focusing on inventory buildup to support sales activities and forming capital alliances with AI startups that will be our next source of growth.

Approach to M&As and acquisition of treasury shares **② P.24**

Primary uses of funds (non-consolidated)

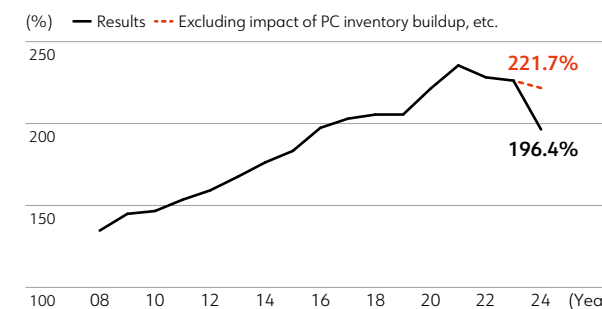


Long-term trends in current ratio (short-term solvency) and equity ratio (financial stability)

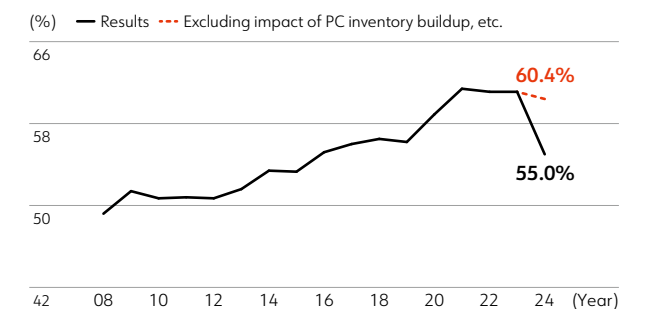
Both the current ratio and equity ratio have increased over time. In 2024, due to the impact of PC inventory buildup (③) and assets/liabilities with cancellation clauses (④ and ⑧),

current assets, current liabilities, and total assets all increased, resulting in a decline in both ratios. However, excluding these effects, they remained at the same level as in 2023.

Current ratio



Equity ratio



Reference Cash-rich company

Both the current ratio and equity ratio remain at high levels*¹, exceeding those of non-manufacturing industries in Japan. However, because we do not meet the criteria*² defined by Nomura Asset Management as a cash-rich company, it can be deemed that our cash reserves are within an appropriate range and are being used effectively. As we aim for further growth, we will work to improve the accuracy of our financial planning by comparing it with changes in the external environment.

*1 Policy Research Institute, Ministry of Finance, JAPAN

*2 April 10, 2025 JUNKAN KEIRIJOUHOU

Cash-rich company based on the definition of Nomura Asset Management
→ Meeting all of the following in ① to ③ for the past two fiscal years = cash-rich company

Definition	2023	2024	Verdict
① Equity ratio exceeding 50%	61.1%	55.0%	✓
② Net financial assets* ÷ net sales exceeding 30%	22.8%	20.1%	×
③ Net financial assets* ÷ total assets exceeding 30%	39.6%	33.0%	✓

Does not meet the criteria for a cash-rich company

*Net financial assets = net cash calculated by (cash and deposits – long-term and short-term borrowings)

Financial Statements

Consolidated Statements of Income

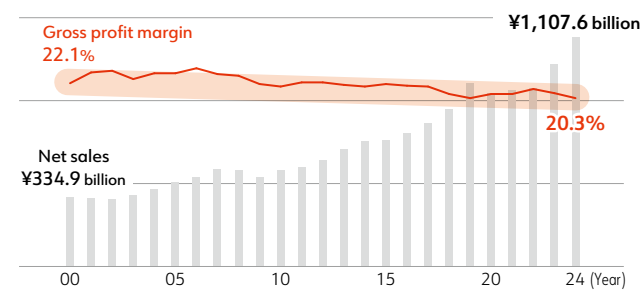
(Billions of yen)

	Fiscal year ended December 31, 2023		Fiscal year ended December 31, 2024			
	Results	Composition ratio	Results	Composition ratio	Year-on-year change	Change
Net sales (15)	977.3	100.0%	1,107.6	100.0%	+13.3%	+130.2
Cost of sales (16)	773.3	79.1%	883.1	79.7%	+14.2%	+109.8
Gross profit (17)	203.9	20.9%	224.4	20.3%	+10.0%	+20.4
Personnel costs (18)	69.5	7.1%	75.6	6.8%	+8.9%	+6.1
Logistics expenses (19)	28.7	2.9%	30.4	2.8%	+6.1%	+1.7
Internal system related (20)	9.2	0.9%	8.2	0.7%	-11.2%	(1.0)
Research and development expenses (21)	1.5	0.2%	2.2	0.2%	+44.1%	+0.6
Others (22)	31.9	3.3%	33.4	3.0%	+4.7%	+1.5
Total selling, general and administrative expenses (23)	141.0	14.4%	150.1	13.6%	+6.4%	+9.0
Operating profit (24)	62.9	6.4%	74.3	6.7%	+18.1%	+11.4
Ordinary profit (25)	64.5	6.6%	75.9	6.9%	+17.7%	+11.4
Profit attributable to owners of parent (26)	47.4	4.9%	53.4	4.8%	+12.7%	+6.0

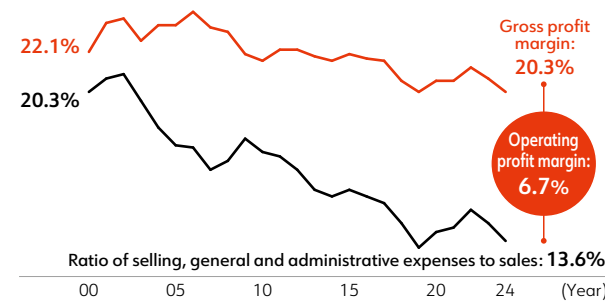
Explanation of Consolidated Statements of Income

■ Gross profit margin remained in a constant range

Compared to 2000, net sales in 2024 have grown approximately threefold, while the gross profit margin has remained in a constant range. Because we sell products from about 2,400 partner companies to 295,000 customers, the gross profit margin is very difficult to control. However, we have continued to expand sales without significant fluctuations in the gross profit margin by sharing profits appropriately based on strong relationships with partners.



↓ The gross profit margin remained within a certain range The selling, general and administrative expenses to sales ratio declined moderately



The gross profit margin is difficult to control

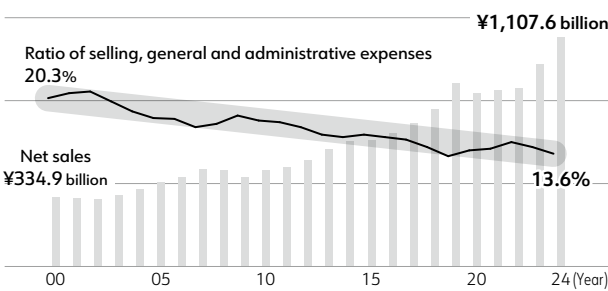
Reduction in ratio of selling, general and administrative expenses to sales is important

Half of selling, general and administrative expenses are personnel costs

Improving productivity per employee is important

■ Selling, general and administrative expenses declined gradually

Half of OTSUKA CORPORATION'S selling, general and administrative expenses are personnel costs (18). When logistics costs (19) are included, the ratio is approximately 70%, and this ratio has remained unchanged for a long time. While average annual salary per employee (P.50) has increased, we have achieved sales growth that exceeds the growth in personnel costs, resulting in a gradual long-term decline in selling, general and administrative expenses ratio.

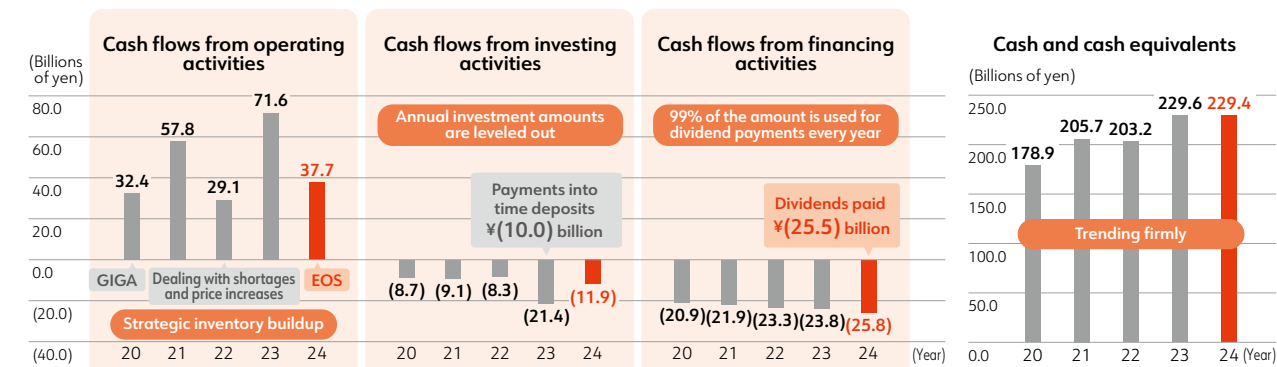


■ We aim to increase operating profit and enhance the operating profit margin by improving productivity

The operating profit margin (gross profit margin less ratio of selling, general and administrative expenses) is slowly but surely moving toward the 7% target set in the Medium-to Long-term Management Policy. The key point to this is to improve productivity per employee (P.48).

That is why it is important to invest in human capital (personnel costs (18)) and make efforts to improve the efficiency of sales activities (research and development expenses (21)). We will improve productivity with the necessary investments. Then, by securing gross profit exceeding those investments (i.e., increasing net sales through "support for the entire office" approach), we will increase operating profit and improve the operating profit margin.

Consolidated Statements of Cash Flows



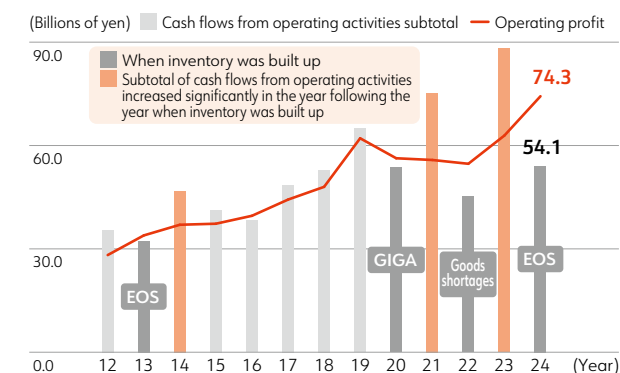
Explanation of Consolidated Statements of Cash Flows

While cash flows from operating activities fluctuate, cash flows from investing activities have not fluctuated significantly, and cash flows from financing activities have been on a gradual growth trend.

Given OTSUKA CORPORATION'S business model of procuring finished products from partners and selling them, there are limited opportunities for large-scale investments in factories or production facilities. Cash flows from investing activities mainly consist of investing in software development and IT equipment for business use, and annual investment levels tend to be stable since these are planned expenditures. In the last few years, we have increased investment in human capital, but since this is absorbed into profit before tax in cash flows from operating activities, it is not reflected in cash flows from investing activities. However, we believe that this is an important investment that will be necessary for future growth.

*Capital allocation P.24

Cash flows from operating activities are only slightly affected by non-cash expenses such as depreciation, and the main reasons for the change were higher profit before tax and strategic inventory buildup. Over the long term, the subtotal of cash flows from operating activities (excluding income taxes paid) closely approximates operating profit.



Consolidated Statements of Changes in Equity

(Billions of yen)

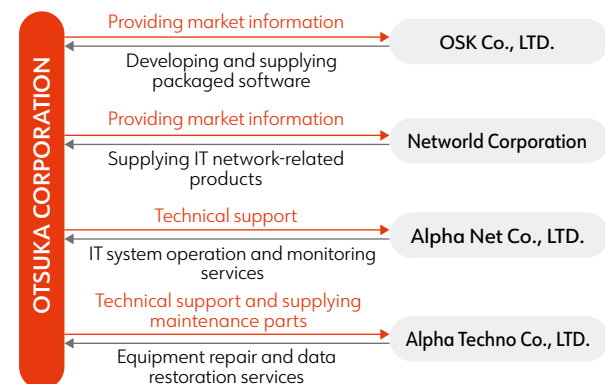
	Shareholders' equity				Accumulated other comprehensive income	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares			
Balance at beginning of period	10.3	16.2	311.5	(0.1)	338.0	5.0	346.9
Dividends of surplus			(25.5)		(25.5)		(25.5)
Profit attributable to owners of parent			53.4		53.4		53.4
Purchase of treasury shares				(0.0)	(0.0)		(0.0)
Net changes in items other than shareholders' equity					(0.1)	0.6	0.4
Total changes during period	—	—	27.8	(0.0)	(0.1)	0.6	28.2
Balance at end of period	10.3	16.2	339.4	(0.1)	365.9	4.8	375.2

Corporate Information / Stock Information (as of December 31, 2024)

Corporate Information

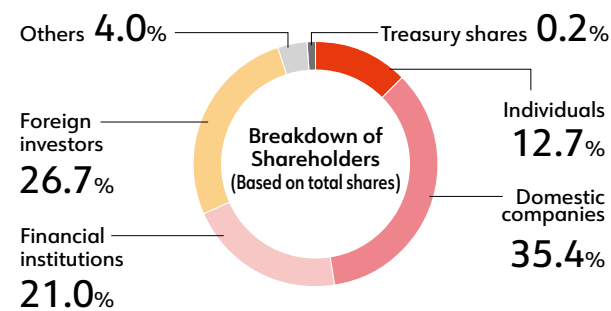
Company Name	OTSUKA CORPORATION	
Establishment	July 17, 1961 (Registered as joint-stock company on December 13, 1961)	
Capital Stock	¥10,374,851,000	
Number of Employees	Consolidated: 9,680 Non-consolidated: 7,949	
Fiscal Year	From January 1 to December 31 (Annual General Meeting of Shareholders: March)	
Business	<ul style="list-style-type: none"> System integration business P.75 Service and support business P.76 	
Head Office Location	2-18-4 Iidabashi, Chiyoda-ku, Tokyo 102-8573 TEL 03-3264-7111	
Local Area Sales Departments	Chuo Sales Dept. 1 Chuo Sales Dept. 2 Kanagawa Sales Dept. Tama Sales Dept. Josai Sales Dept. Johoku Sales Dept. Northern Kanto Sales Dept. Keiyo Sales Dept. Osaka Northern Sales Dept. Osaka Southern Sales Dept.	
Regional Offices	Sapporo Branch Sendai Branch Utsunomiya Branch Northern Kanto Branch (Takasaki, Kumagaya) Tsukuba Branch Chubu office Kyoto Branch Kobe Branch Hiroshima Branch Kyushu Branch	

Consolidated Subsidiaries



Stock Information

Authorized Common Stock	1,354,320,000 shares
Issued Common Stock	380,004,240 shares
Number of Shares of Unit Stock	100 shares
Number of Shareholders	7,930
Listed Stock Exchange	Tokyo Stock Exchange (securities code: 4768)

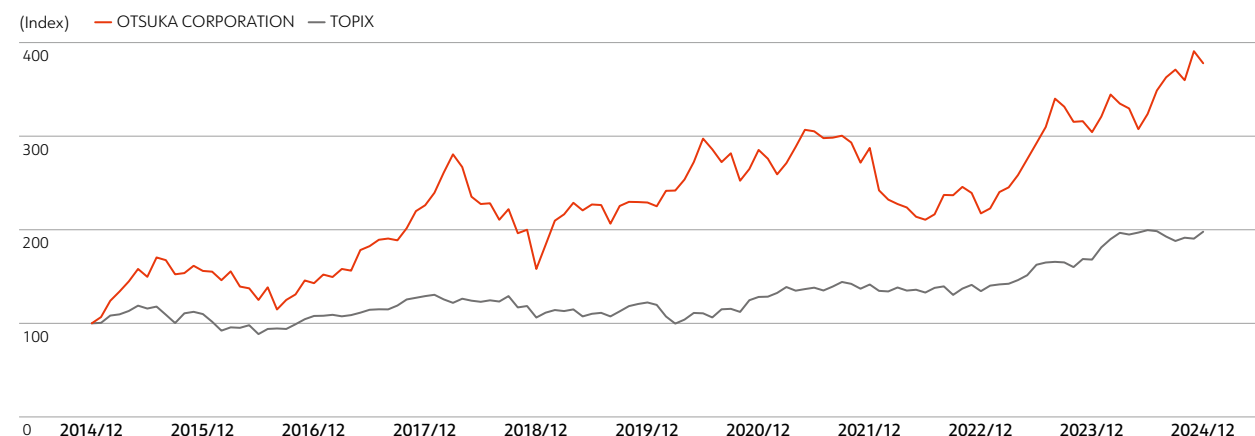


Major Shareholders (top 10)

Name	Number of Shares Held (thousands of shares)	Equity Ownership (%)
Otsuka Sobi Co., Ltd.	127,205	33.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,768	10.22
Custody Bank of Japan, Ltd. (Trust Account)	27,110	7.14
Yuji Otsuka	9,363	2.46
OTSUKA CORPORATION Employee Stock-Sharing Plan	8,414	2.21
Keiko Otsuka	6,963	1.83
STATE STREET BANK WEST CLIENT-TREATY 505234	6,254	1.64
SMBC Nikko Securities Inc.	4,186	1.10
JP MORGAN CHASE BANK 380055	3,839	1.01
JP Morgan Securities Japan Co., Ltd.	3,540	0.93

(Note) Equity Ownership is calculated after deducting treasury stock (803,041 shares).

Stock Price Trends



(Note) Changes in the stock price index with the stock price at December 31, 2014 set to equal 100.

Awards Received / About the Cover

Noteworthy DX Companies 2025

OTSUKA CORPORATION has been selected among Noteworthy DX Companies 2025 (two consecutive years since 2024) as part of the Digital Transformation Stocks (DX Stocks) by the Ministry of Economy, Trade and Industry (METI), Tokyo Stock Exchange (TSE) and the Information-technology Promotion Agency, Japan (IPA).



DX注目企業2025
Digital Transformation

Other certifications, etc. (Excerpt)

Task Force on Climate-related Financial Disclosures (TCFD) Web

The TCFD is a task force established by the Financial Stability Board (FSB) at the request of the G20 to improve companies' reporting of climate-related financial information and provide a useful framework within financial markets. In 2023, OTSUKA CORPORATION conducted disclosure based on the TCFD recommendations.



CDP (Carbon Disclosure Project) Web

An NGO that operates an international system for environmental disclosure. OTSUKA CORPORATION submitted a response to the CDP Climate Change Questionnaire for the first time in 2021 and obtained a score of B in 2024.



Eruboshi certification Web

OTSUKA CORPORATION was awarded the Eruboshi certification (third level) by the Minister of Health, Labour and Welfare (MHLW) in recognition of its efforts to promote the advancement of female employees in the workplace.



Certified KENKO Investment for Health Outstanding Organization Web

OTSUKA CORPORATION was recognized as one of the Outstanding Organizations (large enterprise category) under the 2025 Certified KENKO Investment for Health Outstanding Organizations Recognition Program, which is jointly operated by METI and the Nippon Kenko Kaigi.



DX-Certified Operator

OTSUKA CORPORATION obtained certification as a DX-certified operator from METI on April 1, 2021 and renewed its certification on April 1, 2025.



Science Based Targets (SBT) Web

SBT provides a clearly defined pathway for companies to set greenhouse gas (GHG) emissions reduction targets for a 5- to 10-year timeframe in line with the Paris Agreement goals. The targets set by OTSUKA CORPORATION were validated by the SBT initiative as science-based, in line with the goals of limiting global warming to 1.5°C above pre-industrial levels (a level well below 2°C, or WB-2°C, for Scope 3).



Japan Climate Initiative Web

Japan Climate Initiative is a network of non-state actors standing at the forefront of climate change measures. OTSUKA CORPORATION endorsed the initiative in 2021.



Kurumin certification Web

OTSUKA CORPORATION has been recognized by MHLW as a childcare supporting company that actively works to support a balance between work and child-rearing.



About the cover

OTSUKA CORPORATION has a business model that is rare even around the world, in that we handle almost every product that an office might need. By staying close to many customers and resolving each of their issues through "support for the entire office" approach, Japan will become more energized, and working people will smile more.

The cover of this issue depicts the problems of customers being solved through OTSUKA CORPORATION's "support for the entire office" approach, allowing them to work vibrantly and with energy.

Support the Entire Office **P.07**



Integrated Report 2025 Cover

OTSUKA CORPORATION

2-18-4 Iidabashi, Chiyoda-ku, Tokyo 102-8573
TEL. 03-3264-7111

<https://www.otsuka-shokai.co.jp/english/>

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