

# Annual Securities Report

(Pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal year	from January 1, 2024
(64th fiscal year)	to December 31, 2024

## OTSUKA CORPORATION

2-18-4 Iidabashi, Chiyoda-ku, Tokyo, Japan

(E05099)

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[Document title]	Annual Securities Report
[Clause of stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	March 27, 2025
[Fiscal year]	64th fiscal year (from January 1, 2024 to December 31, 2024)
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## Part 1 Company Information

### I. Overview of Company

#### 1. Key Financial Data

##### (1) Key financial data of group

Fiscal year		60th	61st	62nd	63rd	64th
Fiscal year-end		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(millions of yen)	836,323	851,894	861,022	977,370	1,107,668
Ordinary profit	(millions of yen)	57,550	57,567	56,639	64,517	75,931
Profit attributable to owners of parent	(millions of yen)	39,309	39,927	40,022	47,448	53,481
Comprehensive income	(millions of yen)	39,410	43,702	43,911	48,066	54,087
Net assets	(millions of yen)	280,035	301,774	322,732	346,950	375,247
Total assets	(millions of yen)	471,292	486,254	523,016	561,805	673,903
Net assets per share	(yen)	1,462.80	1,575.64	1,684.53	904.83	977.84
Basic earnings per share	(yen)	207.33	210.59	211.09	125.13	141.04
Diluted earnings per share	(yen)	—	—	—	—	—
Equity ratio	(%)	58.8	61.4	61.1	61.1	55.0
Return on equity	(%)	14.6	13.9	13.0	14.3	15.0
Price earnings ratio	(times)	26.3	26.1	19.7	23.2	25.6
Net cash provided by (used in) operating activities	(millions of yen)	32,496	57,873	29,196	71,649	37,711
Net cash provided by (used in) investing activities	(millions of yen)	(8,716)	(9,160)	(8,355)	(21,473)	(11,949)
Net cash provided by (used in) financing activities	(millions of yen)	(20,988)	(21,957)	(23,307)	(23,839)	(25,891)
Cash and cash equivalents at end of period	(millions of yen)	178,988	205,746	203,274	229,615	229,488
Number of employees [average number of temporary employees not included in above]	(persons)	9,119 [1,329]	9,171 [1,351]	9,208 [1,431]	9,421 [1,551]	9,680 [1,680]

- (Notes)
1. Diluted earnings per share up to the 62nd fiscal year are not stated, as there are no dilutive shares.
  2. Diluted earnings per share for the 63rd fiscal year and thereafter are not stated, as there are no dilutive shares with dilutive effect.
  3. The Company and its consolidated subsidiaries have applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the 62nd fiscal year. Key financial data from the 62nd fiscal year reflects these accounting standards.
  4. The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2024. Accordingly, net assets per share and basic earnings per share stated above are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

## (2) Key financial data of reporting company

Fiscal year		60th	61st	62nd	63rd	64th
Fiscal year-end		December 2020	December 2021	December 2022	December 2023	December 2024
Net sales	(millions of yen)	750,492	766,724	767,649	869,573	985,134
Ordinary profit	(millions of yen)	52,007	50,986	50,692	57,253	68,304
Profit	(millions of yen)	36,336	36,087	36,631	43,150	48,993
Share capital	(millions of yen)	10,374	10,374	10,374	10,374	10,374
Issued common stock	(1,000 shares)	190,002	190,002	190,002	190,002	380,004
Net assets	(millions of yen)	250,316	268,128	283,595	303,608	325,398
Total assets	(millions of yen)	431,736	443,127	473,250	504,852	580,220
Net assets per share	(yen)	1,320.23	1,414.17	1,495.75	800.65	858.12
Dividend per share [of which, interim dividend per share]	(yen)	115 [—]	120 [—]	125 [—]	135 [—]	80 [—]
Basic earnings per share	(yen)	191.65	190.33	193.20	113.79	129.20
Diluted earnings per share	(yen)	—	—	—	—	—
Equity ratio	(%)	58.0	60.5	59.9	60.1	56.1
Return on equity	(%)	15.0	13.9	13.3	14.7	15.6
Price earnings ratio	(times)	28.4	28.8	21.5	25.5	27.9
Dividend payout ratio	(%)	60.0	63.0	64.7	59.3	61.9
Number of employees [average number of temporary employees not included in above]	(persons)	7,429 [972]	7,480 [995]	7,524 [1,063]	7,713 [1,154]	7,949 [1,258]
Total shareholder return [Benchmark: TOPIX Total Return Index]	(%) (%)	127.2 [107.4]	130.9 [121.1]	103.2 [118.1]	144.2 [151.5]	180.0 [182.5]
Highest share price	(yen)	5,990	6,210	5,580	6,599	3,789 [6,874]
Lowest share price	(yen)	3,715	4,625	3,690	4,035	2,844 [5,670]

- (Notes) 1. Diluted earnings per share are not stated, as there are no dilutive shares.
2. The dividend per share of ¥120 for the 61st fiscal year includes the 60th anniversary commemorative dividend of ¥5.
3. The dividend per share of ¥80 for the 64th fiscal year includes the consolidated net sales of ¥1 trillion breakthrough commemorative dividend of ¥5.
4. The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the 62nd fiscal year. Key financial data from the 62nd fiscal year reflects these accounting standards.
5. The highest and lowest share prices up to April 3, 2022 are the prices on the First Section of the Tokyo Stock Exchange, and those from April 4, 2022 are prices on the Prime Market of the Tokyo Stock Exchange.
6. The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2024. Accordingly, net assets per share and basic earnings per share stated above are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year (Fiscal Year 2023). The dividends per share from the 60th to 63rd fiscal years are stated on the actual dividend amounts before the stock split.
7. The highest and lowest share prices for the 64th fiscal year after the stock split are stated, with the highest and lowest share prices before the stock split stated in brackets.

## 2. History

Year & month	Event
July 1961	Founded Otsuka Shokai in Chiyoda-ku, Tokyo, as a vendor of copiers and supplies.
December 1961	Incorporated as a joint-stock company OTSUKA CORPORATION
December 1962	Opened Omori Branch in Shinagawa-ku, Tokyo, as the first foothold for business development in the Metropolitan area
March 1965	Opened Osaka Branch in Oyodo-ku (currently Kita-ku), Osaka City
July 1968	Moved the head office to Chiyoda-ku, Tokyo, following the completion of the head office building
August 1970	Commenced computer business
October 1979	Commenced sales of SMILE, a proprietary packaged business software
July 1981	Commenced sales of personal computers and dedicated word processors
May 1982	Began operating regional Office Automation (OA) Centers, commenced education business
February 1984	Commenced CAD systems business
July 1984	Established OTSUKA System Engineering (currently OSK Co., Ltd.)
February 1985	Commenced hotel business
July 1987	Commenced network business
April 1990	Commenced Total $\alpha$ Service (currently the “tayoreru” maintenance service), a membership-based support service for corporate customers
August 1990	Established Networld Corporation
June 1995	Commenced $\alpha$ -Web, a commercial internet connection service
February 1996	Established Alpha Techno Co., Ltd.
September 1996	Commenced EC shop on the internet
November 1996	Acquired Alpha System Co., Ltd. as a subsidiary
August 1997	Established Aurora & Otsuka (currently Otsuka Information Technology Corp.) in Taiwan
October 1997	Opened Tokyo CTO Center to provide configure-to-order computers built according to customers’ specifications
October 1997	Established Alpha Network 24 Co., Ltd. (currently Alpha Net Co., Ltd.)
December 1998	Tokyo CTO Center obtained ISO 9001 certification
February 1999	Commenced sales through “tanomail,” a membership-based mail order service
November 1999	Commenced sales of $\alpha$ -MAIL, an ASP web hosting service
November 1999	Commenced ODS 2000 (currently ODS), a document solutions
July 2000	Opened the Otsuka Internet Data Center
July 2000	Listed on the Tokyo Stock Exchange First Section
December 2000	Obtained ISO 14001 certification at 14 major business sites (currently obtained at 25 sites)
September 2001	Commenced OSM, an information security business
December 2002	Awarded the Best IT Award by the Japan Institute of Office Automation (currently Japan Institute of Information Technology)

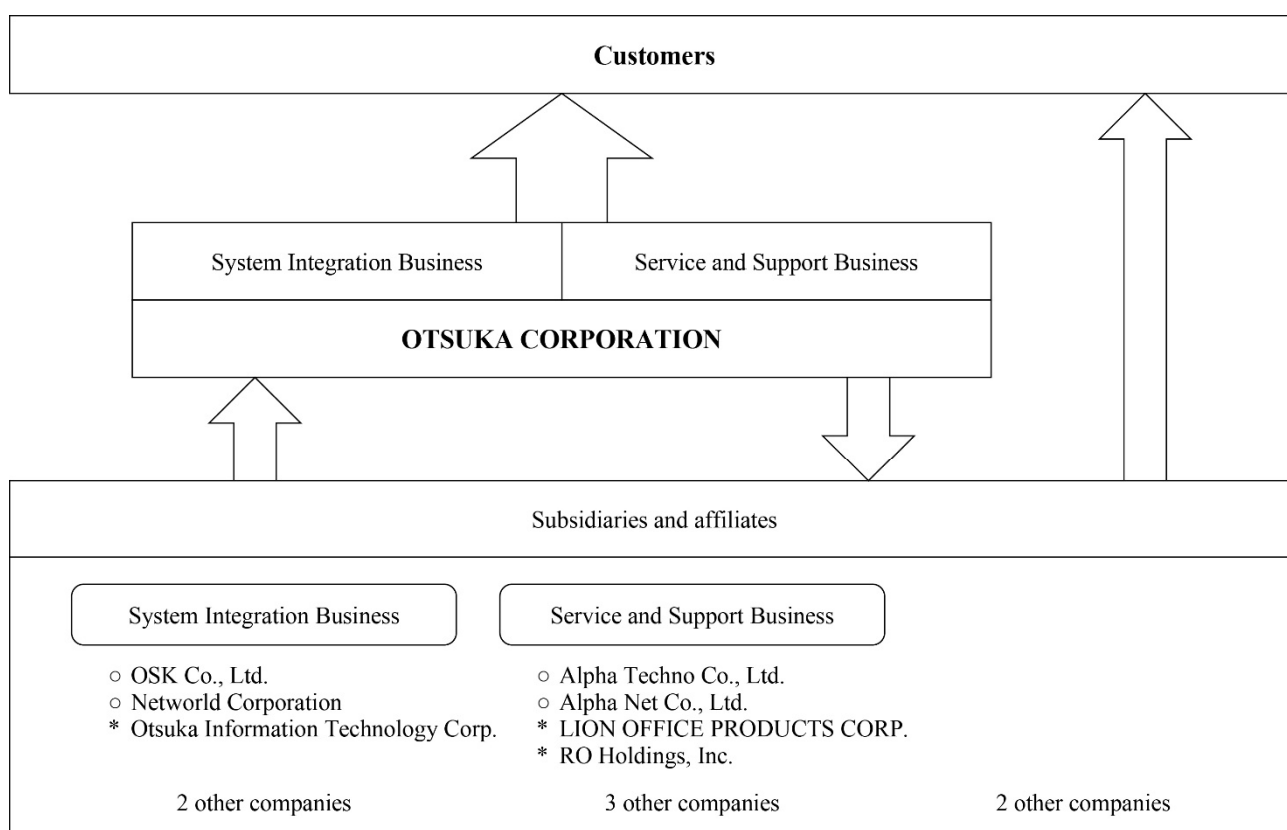
Year & month	Event
February 2003	Moved the head office to Chiyoda-ku, Tokyo, following the completion of the new head office building
April 2003	Total α Support Center (currently “tayoreru” Contact Center) received HDI Support Center Certification, the first in Japan, from the U.S. Help Desk Institute
October 2005	Received PrivacyMark Certification from the Japan Information Processing Development Center (currently JIPDEC)
April 2006	Established Otsuka Information System (Shanghai) Corporation
August 2006	Concentrated service and support businesses under the two major brands of “tanomail” and “tayoreru”
October 2007	Centralized the management of SMILE series brand in OSK Co., Ltd.
May 2008	Forged business and capital alliance with LION OFFICE PRODUCTS CORP.
February 2009	Opened the tayoreru Management Service Center
August 2010	Promoted tree planting activities, installation of LED streetlights, and other social contribution activities leading up to the 50th anniversary
April 2011	Completed the construction of Yokohama building fully equipped with LED lighting
December 2012	Received the IR Special Award
September 2013	Donated LED lighting and Smart Electric Outlets to the University of Tokyo for its I-REF building
June 2014	Received commendation from the IPv6 Promotion Council
October 2015	OSK Co., Ltd. and Alpha System Co., Ltd. Merged
October 2017	Opened Takasaki Branch in Takasaki City, Gunma Prefecture
September 2018	Opened Tsukuba Branch in Tsukuba City, Ibaraki Prefecture
December 2020	Established the DX Promotion Committee to reinforce internal structure
April 2021	Certified as a DX-certified business operator under the initiative of the Ministry of Economy, Trade and Industry of Japan
November 2021	Established Sustainability Committee
March 2022	Established Nomination and Remuneration Committee
April 2022	Transferred to the Prime Market of the Tokyo Stock Exchange
July 2023	Announced Medium- to Long-term Management Policy
January 2024	Fiscal 2023 Minister’s Commendation for Regional Development Support Taxation System (Hometown Tax Program for Businesses)

### 3. Description of Business

OTSUKA CORPORATION (hereinafter referred to as “the Company”) and its affiliates comprise a total of 15 companies including the Company, eight subsidiaries (of which, four are consolidated subsidiaries) and six affiliates (of which, three are affiliates accounted for using equity method). Our major businesses are the System Integration business encompassing business areas from building to launching of information systems, and the Service and Support business covering the business area of providing support after the system launch.

The system diagram below shows the positioning of the Company and its major subsidiaries and affiliates and how they are related to each segment.

Segment name		Description of business
Reportable segments	System Integration Business	Consulting; sales of hardware and software; consigned software development; transport and installation work and network construction of equipment, etc.
	Service and Support Business	Office supplies, maintenance and support for business operations, etc.



Companies marked with “○” are consolidated subsidiaries.

Companies marked with “\*” are affiliates accounted for using equity method.

#### 4. Subsidiaries and Affiliates

Name	Address	Share capital (millions of yen)	Principal business	Ratio of voting rights held by the Company (%)	Relationship with the Company
(Consolidated Subsidiaries)					
OSK Co., Ltd.	Sumida-ku, Tokyo	400	System Integration Business	100.0	Consignment of software development Purchase of software products and services Interlocking directorates: No Provision of loans: No Lease of facilities: Yes
Networld Corporation	Chiyoda-ku, Tokyo	585	System Integration Business	81.5	Purchase of network-related products, etc. Interlocking directorates: No Provision of loans: Yes Lease of facilities: No Guarantee of obligation: Yes
Alpha Techno Co., Ltd.	Narashino City, Chiba Prefecture	50	Service and Support Business	100.0	Consignment of repair of PC peripherals Interlocking directorates: No Provision of loans: No Lease of facilities: Yes
Alpha Net Co., Ltd.	Bunkyo-ku, Tokyo	400	Service and Support Business	100.0	Consignment of network system support services Interlocking directorates: No Provision of loans: No Lease of facilities: No
(Affiliates accounted for using equity method)					
Otsuka Information Technology Corp.	New Taipei City, Taiwan Province	NT\$ million 170	System Integration Business	37.8	Interlocking directorates: Yes Provision of loans: No Lease of facilities: No
LION OFFICE PRODUCTS CORP.	Nakano-ku, Tokyo	2,677	Service and Support Business	40.1	Purchase of office supplies, office furniture, etc. Interlocking directorates: Yes Provision of loans: No Lease of facilities: Yes
RO Holdings, Co., Ltd.	Ota-ku, Tokyo	100	Service and Support Business	33.4	Interlocking directorates: Yes Provision of loans: No Lease of facilities: No

- (Notes)
- Names of the operations in “Principal business” are the same as those stated under the segment information section.
  - None of the above subsidiaries are specified subsidiary companies.
  - LION OFFICE PRODUCTS CORP. files its own annual securities report.
  - Net sales of Networld Corporation (excluding intercompany sales between consolidated companies) account for 10 percent or more of consolidated net sales.  
Key profit/loss information
    - Net sales ¥143,450 million
    - Ordinary profit ¥5,648 million
    - Profit ¥4,025 million
    - Net assets ¥24,132 million
    - Total assets ¥92,679 million
  - Figures for “Ratio of voting rights held by the Company (%)” have been rounded down to the figures shown.



## 5. Employees

### (1) Information about consolidated companies

As of December 31, 2024

Company name	Segment name	Number of employees (persons)
OTSUKA CORPORATION	System Integration Business and Service and Support Business	7,949 [1,258]
OSK Co., Ltd.	System Integration Business	429 [57]
Networld Corporation	System Integration Business	507 [61]
Alpha Techno Co., Ltd.	Service and Support Business	317 [88]
Alpha Net Co., Ltd.	Service and Support Business	478 [216]
Total		9,680 [1,680]

- (Notes)
1. As the reporting company is unable to classify the employees into particular segments, figures by segment have been omitted and figures by company are stated.
  2. The number of employees represents the number of full-time employees. As for the number of casual employees, the annual average is stated in brackets [ ], which is not included in the number of employees.
  3. Employees by secondments among consolidated companies are aggregated as employees of the assignee companies.
  4. The figures exclude persons who are seconded from the Company and its consolidated subsidiaries (hereinafter referred to as “the Group”) to external Group companies and include those who are seconded from external Group companies to the Group.
  5. Casual employees include contract employees, part-time employees and dispatched employees from temporary staffing agencies. Employees who are dispatched from other consolidated companies are not included. In addition, contract employees and part-time employees include employees with indefinite contracts.

### (2) Information about reporting company

As of December 31, 2024

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (yen)
7,949 [1,258]	41.4	17.2	9,926,819

- (Notes)
1. As it is unable to classify the employees into particular segments, figures by segment have been omitted.
  2. The average annual salary includes non-standard wages and bonuses.
  3. The number of employees represents the number of full-time employees. As for the number of casual employees, the annual average is stated in brackets [ ], which is not included in the number of employees.
  4. The figures exclude six persons who are seconded from the Company to external companies and include 17 persons who are seconded from external companies to the Company.
  5. Casual employees include contract employees, part-time employees and dispatched employees from temporary staffing agencies. The 88 employees who are dispatched from other consolidated companies are not included. In addition, contract employees and part-time employees include employees with indefinite contracts.

### (3) Information about labor union

While no labor union is formed in the Company, the relationship between labor and management has been amicable.

(4) Percentage of female managers, rate of male employees taking childcare leave, and wage gap between male and female employees

(i) Reporting company

Current fiscal year				
Percentage of female managers (%) (Note 1)	Rate of male employees taking childcare leave (%) (Note 2)	Wage gap between male and female employees (%) (Note 1)		
		All employees	Regular employees	Non-regular employees
10.6	52.3	61.6	65.7	45.3

- (Notes) 1. Calculated based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (No. 64, 2015, hereinafter referred to as “Women’s empowerment law”).
2. Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (No. 76, 1991, hereinafter referred to as “Childcare/Caregiver Leave law”), the ratio of employees taking childcare leave, etc. and leave for childcare purposes is calculated in accordance with Article 71-4, item (ii) of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25, 1991, hereinafter referred to as “Ordinance for Enforcement of the Childcare/Caregiver Leave law”).

(ii) Consolidated subsidiaries

Current fiscal year					
Name	Percentage of female managers (%) (Note 1)	Rate of male employees taking childcare leave (%) (Note 2)	Wage gap between male and female employees (%) (Note 1)		
			All employees	Regular employees	Non-regular employees
OSK Co., Ltd.	8.2	66.7	74.1	73.6	81.2
Networld Corporation	13.4	87.5	73.0	71.7	106.3
Alpha Techno Co., Ltd.	18.2	50.0	72.5	84.9	69.5
Alpha Net Co., Ltd.	7.4	50.0	77.4	79.3	80.6

- (Notes) 1. Calculated based on the provisions of the Woman’s empowerment law.
2. Based on the provisions of the Childcare/Caregiver Leave law, the ratio of employees taking childcare leave, etc. and leave for childcare purposes is calculated in accordance with Article 71-4, item (ii) of the Ordinance for Enforcement of the Childcare/Caregiver Leave law.

## II. Overview of Business

### 1. Management Policy, Business Environment and Issues to be Addressed

Forward-looking statements included herein are based on the Group's judgement as of the end of the fiscal year under review.

#### (1) Basic management policy

The Group has established the "Mission Statement" as stated below, which serves as the basic policy that guides all of its corporate activities.

##### <<Mission>>

OTSUKA CORPORATION serves a wide range of companies, providing comprehensive support for their business activities by presenting, within a concrete framework, new business opportunities and management improvement strategies brought about by innovations in information and telecommunication technology. By so doing, we continue to facilitate the growth of our client companies and contribute to the development of our country and the creation of a spiritually enriching society.

##### <<Goals>>

- To become a corporate group that is recognized and trusted as a valuable corporate citizen
- To encourage employee growth and self-realization through the attainment of personal goals and professional achievement
- To demonstrate harmonious coexistence and growth with nature and society
- To create business models that consistently keep pace with the changing times

##### <<Principles>>

- Always thinking from the customer's perspective and acting through harmonious teamwork.
- Maintaining the spirit of challenge inherited from our predecessors, exercising our own critical judgment, and acting on our own initiative.
- Fully complying with all prevailing laws and regulations, and maintaining high ethical standards.

#### (2) Medium- to long-term corporate strategies

The Group aims to become an excellent corporate group that is highly appreciated in society by giving top priority to maintaining continuous and stable growth even under severe economic conditions, with special emphasis on profitability in practicing business management.

To achieve this goal, the Group is promoting the measures outlined below.

- 1) We will strive to further enhance our corporate value by practicing the "Pursuit of Customer Satisfaction," our basic policy since the founding, to a greater extent, and working to embody our "Mission Statement."
- 2) In order to forge new relationships with customers, we will establish three customer interfaces: "Real," "Web," and "Center," and provide solutions that align and blend our real-life business and web business, with the aim of being a partner to which customers can entrust the support of their entire office.
- 3) In the System Integration Business, we will focus on making proposals to improve corporate value by effectively using all of the Group's capabilities, and in the Service and Support Business, we will focus on stock-based business, particularly "tanomail," a mail-order business of office supplies, and "tayoreru," a support business. Through these efforts, we will strive to increase profitability.
- 4) In addition to developing organizations and systems, such as the centralization of operational tasks, practical use of the web, and building mechanisms, we will strive to improve productivity by utilizing digital technology and customer information to transform activity processes and business processes.
- 5) In order to maximize our consolidated revenue, we will take advantage of the features and functions of each Group company to make effective use of the Group's resources and develop human resources, while also make efforts to realize efficient corporate management.

(3) Target management indicators

One of the Group's management goals is to keep on enhancing corporate value through stable business expansion, accomplished by building long-term, sustainable business relationships with customers. As management indicators used to monitor progress towards this goal, we focus on the number of customer companies with transactions, net sales per company, the rate of operating profit growth, operating profit to net sales ratio, and return on equity, and strive for continuous improvement in these areas. We will also focus on the dividend payout ratio and aim to maintain stable dividends.

(4) Priority business issues to be addressed and the Company's understanding of business environment surrounding the issues

As stated in "(2) Medium- to long-term corporate strategies," the Group will enhance the quality of management to flexibly respond to the changes in the management environment and aim to improve profitability and raise sales by leveraging collective strength pivoted on cultivation and expansion of trading customers.

To address ongoing issues, the Group will undertake the following initiatives:

- Strengthening group management capability
- Thorough evaluation of each business area and optimal allocation of management resources
- Strengthening system to develop services
- Strengthening one-stop management system
- Developing human resources

Going forward, the economy is expected to continue to gradually improve, led by domestic demand, including a recovery in private consumption and increase in capital expenditure, although there remains some uncertainty in factors such as the impact of prolonged regional conflicts and economic and foreign policies of the new U.S. administration on the global economy, and concerns over continued price increases in Japan.

Under these economic conditions, companies are expected to promote digitization, and introduce and utilize AI in order to improve productivity and strengthen competitiveness, such as undertaking labor-saving investments and improving operational efficiency as a means of tackling labor shortages. As for the IT market, IT investment is expected to remain resilient, as demand for PC upgrades is expected to fully begin with subsequent demand expected for reviewing and upgrading information systems, following the termination of Windows 10 support.

Based on the aforementioned outlook for the domestic economic situation and IT investment trends, and under the fiscal 2025 slogan, "Get close to and grow together with customers through DX and AI," the Group will strive to strengthen support for customers' DX promotion and provision of AI solutions that will lead to operational transformation tailored to the customers' situation by further advancing our initiatives to support the entire office of our customers. In particular, for small- and medium-sized customers, whose digitization efforts are lagging behind, we will provide highly value-added solutions proposals that help them to improve productivity and reduce costs, thereby improving customer satisfaction. In order to do so, we will strive to enhance customer interfaces by combining various channels, such as the functions of each center that supports sales and support activities and Customer Personalized Pages\*, in addition to further enhancing efficiency in sales activities by supporting sales processes through the utilization of technologies such as AI. We will also provide IT-based services and solutions aimed at resolving ESG issues and contributing to the achievement of the SDGs. In addition, we will continue to promote initiatives that will lead to improved employee engagement.

\* Customer Personalized Pages: A customer portal site that provides numerous customers with convenient services to enable us to get closer to customers and help create relationships with customers through the Web.

(System Integration Business)

In the System Integration business, we will continue to assess needs to improve productivity, enhance competitiveness and reduce costs, such as digitization of documents. In order to promote digitization at our customers, we will get close to our customers and continue to propose highly value-added solutions by utilizing the wide range of products we offer, which is one of the Group's strengths.

(Service and Support Business)

In the Service and Support business, we will work to strengthen our competitiveness and expand markets in the “tanomail” business. In the “tayoreru” business, we will make efforts to improve its convenience and develop services that enable customers to continue their business activities safely and with a sense of security as well as services that can supplement the shortage of customers’ IT human resources, aiming for a steady increase in net sales.

## 2. Stance and Initiatives Regarding Sustainability

The Group’s stance and initiatives regarding sustainability are as follows. Forward-looking statements included herein are based on the Group’s judgement as of the end of the fiscal year under review.

(Sustainability Policy)

The Group promotes sustainability management in order to achieve both the realization of a sustainable society and continuous improvement of corporate value through the realization of our Mission Statement. We will promote our growth strategy from a medium- to long-term perspective by aligning our “support of the entire office of our customers,” which is placed at the center of our value creation model, and our sustainability management and strengthening our response to materiality. In addition, in order to contribute to the resolution of ESG issues, such as climate change, and the achievement of the SDGs, we will strive to strengthen our management foundation, increase the resilience of our business model, and fulfill our social responsibilities as a company.

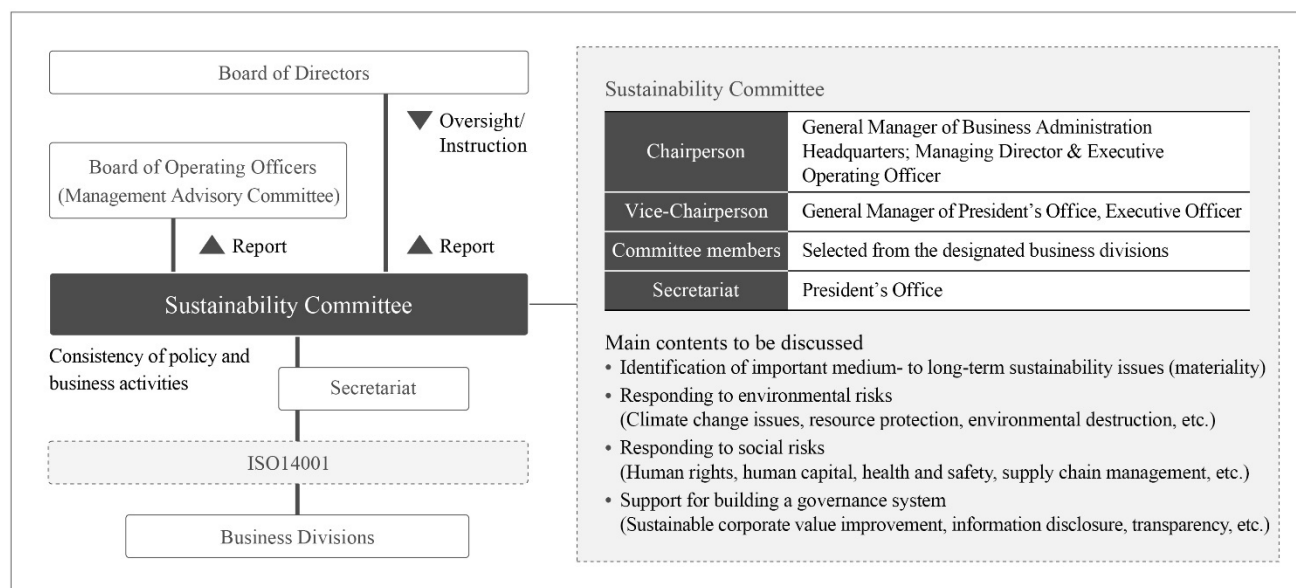
The Group has identified the following materiality issues as of the end of the fiscal year under review.

Materiality issues		Reasoning behind our focus
Value creation through business activities	Maintenance and expansion of the customer base	OTSUKA CORPORATION has continued to grow by expanding our business domains as a means of responding to various customer needs. Accumulating the know-how gained from transactions with many customers and widely sharing it with society is the source of OTSUKA CORPORATION's added value.
	Coexistence and co-prosperity with partners	Being a multi-vendor is one of OTSUKA CORPORATION's strengths. In order to provide optimal solutions for our customers, we receive high-quality products, services, and technologies of various fields from numerous partners. Coexistence and co-prosperity with a wide range of partners is also essential from the perspective of diversifying risk in the event of an emergency.
	Coexistence with the community	From the time of our founding to the present (community-based operations), OTSUKA CORPORATION has placed importance on business activities rooted in the local community. We believe that our community-based operations will create a virtuous cycle of mutual development between OTSUKA CORPORATION and the community.
Support for employee growth and self-realization	Improvement of employee engagement	OTSUKA CORPORATION has continued to grow with each employee having a sense of fulfillment and accomplishment in their work. We believe that the growth of our employees will contribute to the creation of value in our business activities, which in turn will lead to the realization of our Mission Statement.
	Promotion of diversity, equity, and inclusion	In order to anticipate changes and continue providing solutions that meet the needs of the times, it is becoming increasingly important to increase the diversity of our organization. OTSUKA CORPORATION aims to create a comfortable work environment for all employees, and to be a company that continues to create new value that has never been seen before.
	Human resource development	In order to implement our "multi-vendor & multi-field" approach, which is one of our strengths, OTSUKA CORPORATION must continue to acquire expert knowledge and learn about the latest technologies. OTSUKA CORPORATION continues to support employees' self-realization while providing opportunities for continuous learning.
Implementation of responsible corporate activities	Response to climate change	Response to climate change on a global scale is positioned as one of the SDGs, and is an issue that needs to be addressed globally. It is also one of OTSUKA CORPORATION's important management issues, and we consider carrying out initiatives aimed at realizing a carbon-free society an extremely important mission. By recommending and providing sustainable products and services to customers, we will simultaneously increase corporate value and reduce our environmental burden.
	Information security to provide safe and secure solutions	OTSUKA CORPORATION operates the support business for comprehensive corporate activities. In the activities of this business, we believe the appropriate handling of information assets and protecting these information assets from various threats is an important issue. As such, we will establish and promote policies to comply with laws and regulations related to information security, promote the protection of information assets, establish systems, provide education and training, make continuous improvements, and take action against violations.
	Strengthening governance	Based on corporate ethics and the spirit of compliance spelled out in our Mission Statement, we will continue to aim to adapt agilely to changes in the environment and augment our competitiveness by ensuring thorough compliance and raising both operational transparency and fairness. We recognize that nurturing the next generation of management is also an important management issue.

(1) Governance and risk management related to overall sustainability

(i) Governance

We have established a Sustainability Committee to promote management from the perspective of sustainability. The Sustainability Committee works to improve the effectiveness of our sustainability management by responding to environmental and social risks, establishing governance systems, and deliberating on materiality, making proposals to the Board of Directors as necessary.



(ii) Risk management

- After discussions at the Sustainability Committee and the Board of Directors, we have identified nine materiality issues. In identifying the issues, we have examined a wide range of issues in business activities and determined the materiality issues for us to prioritize from the points of view of both the degree of interest for stakeholders and importance for the Group.
- The Company has established a Risk Management Committee as the body to promote and control business risk management. The Committee investigates respective measures for key risks and provides direction on the creation of a risk management system to ensure the ongoing and stable maintenance and management of risk in each division and department in its scope.
- Led by the Sustainability Committee, we identify and assess climate-related risks that may have material impact financially or strategically.

We are working to strengthen our risk management by always maintaining consistency among these activities.

## (2) Important sustainability items

### (i) Response to climate change

#### a) Governance

The Board of Directors receives climate change-related reports from the Sustainability Committee, deliberates and makes resolutions on important risks and opportunities, gives directions regarding responses, and monitors their progress.

#### b) Risk management

Risk management related to climate change is outlined in “(1) Governance and risk management related to overall sustainability, (ii) Risk management.”

#### c) Strategies

We have identified risks and opportunities in our entire supply chain that may arise as a result of climate change and analyzed the impact on our business. For our analyses, we used the 4°C scenario and the less than 1.5°C scenario published by the International Energy Agency (IEA) and weighed the impact as of 2030 in each worldview.

	4°C	Less than 1.5°C
Risks	Increase in costs to deal with suspension of operations and interruption of logistics functions due to intensifying abnormal weather, such as typhoons and storm surges	Increase in costs to deal with the introduction of carbon taxes and soaring prices of electricity derived from fossil fuels in addition to physical damage similar to that stated in the 4°C scenario, even if damage will be down by half
Opportunities	Increase in customers' willingness to reduce costs and increase in demand for BCP measures in addition to the matter presented on the right	Increase in demand for environmentally friendly products and solutions

Based on these analyses, each business will consider, plan, and implement specific measures to prepare for all possibilities in an uncertain world in the future. Please see the Company website (<https://www.otsuka-shokai.co.jp/corporate/csr/environmental/tcfd/>)(only available in Japanese) for risks, opportunities and strategies relating to expected events.

#### d) Metrics and targets

By 2030, we aim to reduce CO<sub>2</sub> emissions from our business activities compared to 2021 as follows (Note).

The Company entered into a virtual power purchase agreement (PPA) as a means of achieving our targets. We concluded a long-term contract to purchase non-FIT non-fossil fuel energy certificates from small-scale, distributed solar power plants, and started receiving them in 2024. The power plants are scheduled to begin operation sequentially by March 2028. The amount of renewable power is expected to reach a maximum of approximately 24,000 MWh (annual CO<sub>2</sub> reduction effect of approximately 10,500 tons), equivalent to 100% or more of the Group's electricity consumption.

Scope 1+2	42% reduction by 2030
Scope 3	25% reduction by 2030 (Category 1: Emissions from purchased goods and services; Category 11: Emissions from the use of sold products)

(Note) Obtained SBTi certification in June 2023

We plan to disclose our CO<sub>2</sub> emissions for fiscal 2024 on the Company website.

Location: The Company website (<https://www.otsuka-shokai.co.jp/corporate/csr/data/>)(only available in Japanese)

Content: Scope 1, 2, and 3 emissions, and Scope 3 emissions by category

### (ii) Human capital initiatives

The Group is promoting “support for employee growth and self-realization” as part of our human capital policy that is consistent with our sustainability management. The strategies, metrics, and targets included herein are not applied to all companies within the consolidated Group, making it difficult to provide a unified statement for the entire Group. For this reason, the strategies, metrics, and targets of the reporting company, which operates the consolidated Group's major businesses, are stated.

#### a) Improvement of employee engagement

Creating a work environment and corporate culture that gives all employees a sense of reward and achievement

The Company has continued to grow with each employee having a sense of fulfillment and accomplishment in their work.



We aim at “employee growth = company growth = customer growth,” and foster a corporate culture and implement various measures to achieve this goal.

1) Introduction of engagement survey tool

We switched from the employee awareness survey we had used to date, to a third-party engagement survey tool. The new tool enables us to survey new factors which were not sufficiently visible or covered in the previous system, and we can now compare ourselves with industry average and according to company size. We aim to visualize the state of mind which facilitates decision-making and actions, using knowledge we have accumulated in the past surveys and information obtained from new surveys (the response rate of the engagement survey conducted in February 2024 was 89.4%).

2) AI Happiness

AI Happiness is a smartphone app that allows employees to share small daily challenge declarations with other employees to increase vertical, horizontal, and diagonal connections within the organization and to foster a positive mind. Based on the status of usage and employee survey conducted on a regular basis, the status of individuals and organization is plotted in four quadrants. By confirming its changes, we aim to help foster a corporate culture and improve management.

3) Improve the labor share of income

We have been reviewing and amending our salary structure since 2022 to further strengthen human capital and improve job satisfaction. In order to protect the livelihoods of our employees from rapidly rising prices, in addition to the basic salary increase (uniform ¥10,000 for all employees) in July 2022, we have implemented another base salary increase of a uniform ¥10,000 for all employees in April 2024.

In addition to non-monetary remuneration such as support for self-realization and the provision of opportunities for growth, we will enhance monetary remuneration to improve engagement, to ultimately attract and retain workforce.

b) Promotion of diversity, equity, and inclusion

Developing a comfortable work environment for all employees

In order to be a company that is continuously needed for a long period of time, it is important to anticipate changes in the world and constantly create business models that meet the needs of the times. The Company strives to increase diversity as an organization by embracing each employee's diversity. We will continue to aim to be a company that achieves competitive advantage and sustainable value creation by developing a comfortable work environment for all employees.

#### 1) Project to promote diversity

In January 2024, we launched a project that aims to promote diversity by incorporating employee feedback. The project is composed of 40 male and female employees of various job categories and job levels including two Directors. Recommendations will be made to the Board of Directors based on the discussion within the project. As part of efforts to date, in April 2024, the shorter working hour period, which previously applied until the end of the child's third year of elementary school, was extended until the child graduates from elementary school, and a flextime system was introduced for sales personnel.

While we have developed various measures to support a balance between job satisfaction and work comfort so far, we will redouble our initiatives to promote diversity.

#### 2) Percentage of female managers

We have worked on our initiatives with the aim of increasing the percentage of female managers to 10% by 2027 through encouraging female employees to participate in leadership development training such as OTSUKA Leader's College and Otsuka Management College, and enhancing systems. As a result, the actual result as of December 31, 2024 was 10.6%, which was an early achievement of the goal, and we plan to revise it upward to 12% in the future.

#### 3) Employment of persons with disabilities

Employees with disabilities are active in various departments. Employees who are qualified as "working life counselors for persons with disabilities" conduct regular follow-up interviews and questionnaires with employees with disabilities after they join the Company. In addition, a barrier-free satellite office staffed with a job coach was established in Shinjuku. Based on regular weekly interviews with employees, we make improvements to facilitate their performance as a way to continue to support special needs of employees who want to continue working.

The rate of employment of persons with disabilities as of December 31, 2024 was 2.6%, exceeding the statutory employment rate of 2.5%. The statutory rate will be raised to 2.7% in July 2026, which is the rate we set as the target to be achieved by the end of 2025.

This serves not only as a means to fulfill our corporate social responsibility, but also to generate new perspectives and ideas through nurturing diversity within the company.

#### c) Human resource development

Providing continuous learning opportunities to support the self-realization and growth of employees

The Company supports the growth and self-realization of its employees. In order for the Company to contribute to customer growth and continue to grow sustainably, the growth of each employee is crucial. As an employee of the Company, we provide various support systems and opportunities for group and optional training for our employees to grow not only as a businessperson, but also as an individual.

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

##### 1) Support for qualification acquisition

We have a support system in place for employees to acquire qualifications by providing necessary expenses and incentives when they acquire them. A total of 14,663 employees have acquired qualifications as of December 31, 2024. 1,245 and 50 employees have acquired the AI-related Deep Learning for General certificate and Deep Learning for Engineer certificate, respectively.

The Deep Learning for Engineer certificate is a qualification for engineers, technical in nature, as it tests the ability to implement deep learning in actual operations. However, at the Company, many employees, regardless of job category, actively pursue this certification for self-development. A sales employee who obtained the certificate commented, "After obtaining the certification, I now have a feel for what AI can do, and I use the knowledge in my proposals to customers," while also feeling that skills had improved toward the realization of support of the entire office of our customers. In 2024, we invited interested employees to compete in an AI ideathon to come up with business ideas using AI (40 teams of 125 employees applied). The ideas that were given were studied for effective utilization in our operations.

##### 2) Reskilling

We provide employees with reskilling opportunities by using online learning platform tools. Employees can specify their areas of interest on the platform to receive recommendations of related courses. This will encourage efficient learning tailored

to each employee, which will lead to improved operational skills. (Over 2,173 employees are learning on a voluntary basis as of December 31, 2024. Average annual learning hours = 108 minutes/person)

\* New year of courses began from August 2024

### 3) Fostering management and next-generation leaders

Fostering management and next-generation leaders is an important management issue. We continue our initiatives to that end, including the launch of a specialized development program in 2015, and reclassifying target job levels in 2022. In addition to acquiring management literacy, this program is implemented as a curriculum that allows participants to acquire practical competence by providing various output opportunities both internally and externally.

#### d) Initiatives for health and productivity management

To strengthen our human capital, it is important to enhance the health of our employees. Since the introduction of health management systems in 2015, we have been making efforts to improve risk indicators, including mitigating the risk of lifestyle-related diseases and reducing long working hours. In 2023, we started to promote the support of awareness reforms and behavioral changes so that employees themselves will proactively maintain their own health and offer e-learning courses on women's health issues. In this manner, we have been working to enhance employees' health literacy. We will continue to support happiness and self-fulfillment of our employees through the deepening of well-being management, thereby achieving sustainable growth.

In March 2024, we were certified as one of the 2024 KENKO Investment for Health Outstanding Organizations, which were jointly selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

#### (iii) Initiatives to respect human rights

As discussions across the globe become increasingly active on human rights in business settings, proactive efforts are being made toward respecting human rights. The Group have also formulated the OTSUKA CORPORATION Group Human Rights Policy to understand that all people involved in corporate activities have human rights and to fulfill our responsibility to respect human rights. We will fulfill our social responsibilities together with our stakeholders with the aim of realizing decent work while promoting initiatives that are respectful of human rights.

##### a) Human Rights Policies

The Group formulated the OTSUKA CORPORATION Group Human Rights Policy in April 2022. The policy complies with international standards and supports the principles stipulated in the "International Bill of Human Rights" by the United Nations and the "ILO Declaration on Fundamental Principles and Rights at Work" by the International Labour Organization (ILO). As a commitment to human rights issues related to corporate activities, we clearly state that we will eliminate all kinds of discrimination, respect human rights and diversity of individuals, and provide a healthy and safe work environment free of all forms of harassment. In addition to applying the policies to all employees of our group companies, we also encourage our business partners to support and observe the policy.

OTSUKA CORPORATION Group Human Rights Policy

1. Our basic thinking toward human rights
2. Scope of application of the policy
3. System to promote respect for human rights
4. Commitment to human rights issues related to corporate activities
5. Human rights due diligence
6. Remedies
7. Education and training
8. Information disclosure

##### b) Structure and system

In order to disseminate the Human Rights Policy and the Principles of Corporate Behavior, we continuously provide training on compliance, harassment, etc. using e-learning systems. In addition, for the purpose of preventing, early detecting, and correcting issues, we have established various whistleblowing and consulting desks and formulated the Whistleblower Protection Regulations in accordance with the Whistleblower Protection Act so that all stakeholders will be able to make reports without being disadvantaged.

### 3. Business Risks

The most common risks that could potentially impact the Group's operating results and financial condition are outlined below. While these are the most common risks, they do not represent all potential risks.

Forward-looking statements included herein are based on the Group's judgement as of the filing date of this Annual Securities Report.

#### (1) Customer-related risks

The Group's customers range from large enterprises to small firms that span a broad range in terms of company scale and industries. Consequently, its level of dependency on any specific customer is low.

However, the Group's operations could be impacted by changes in IT investment trends of a large number of companies in the same direction as a result of unexpected changes in the economic environment.

#### (2) Supplier-related risks

The Group is supplied with high-quality products, services and technologies (hereinafter referred to as "products, etc.") by numerous suppliers for respective segments in order to optimally resolve the problems of each customer. While working to deepen its relationship with suppliers to ensure stable supply of these "products," the Group is constantly working to acquire information on new products, etc. as well.

However, the Group's operations could be impacted by the inability to supply products, etc. in the quantity demanded by customers because of the Group's inability to obtain substitutes in addition to insufficient supply of products, etc. due to issues at supplier sites.

#### (3) Information leakage risks

The Group possesses an abundance of individual and corporate information pertaining to operations that is handled carefully. The Company received approval to use the PrivacyMark of the JIPDEC, and its Internet Data Center acquired certification for Information Security Management System (ISMS). With the expansion of its services, the Company has also acquired ISO 27017 certification (cloud security).

As a concrete measure to manage data, the Company has released an internal and external Personal Information Protection Policy as well as established regulations on personal information protection and confidentiality. The Company has its employees take a pledge of confidentiality and then raises awareness of information management through its proprietary educational "CP (Compliance Program) License System" and other measures in order to work to prevent information leakage outside of the Company. Moreover, 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.

Even with these measures, however, the Group's operations could be impacted in the unlikely event that personal or corporate information is leaked outside the Group because the Group not only assumes liabilities for damage but also loses trust by society.

#### (4) Risks related to the spread of infectious diseases

In preparation for the spread of infectious diseases, besides measures to prevent the infection of its employees, the Group has established an environment that enables online activities to ensure that sales and service activities not involving customer visits or face-to-face discussions can be undertaken in addition to strengthening sales activities through call centers and websites.

However, despite these measures, in the event of an outbreak of infectious disease that significantly affects overall socio-economic activities, depending on the state of infections, the Group's operations could be impacted by restrictions on the Group's sales and service activities, reductions in office supply consumption and copy usage, and a shortage of products, etc. due to a rapid increase in demand for specific products such as PCs and tablets and infection-prevention products.

#### 4. Management Analysis of Financial Position, Operating Results and Cash Flows

##### (1) Overview of operating results, etc.

##### (i) Operating results

During the fiscal year under review (from January 1, 2024 to December 31, 2024), the Japanese economy showed some weakness amid continuing soaring resource prices and prices in general due to the depreciation of the yen. However, the economy remained on a moderate recovery trend, as seen from factors such as the recovery in private consumption backed by improvements in the employment and income environment, and capital expenditure remaining firm supported by strong corporate performance. Under these economic conditions, in the IT investment field, companies' software investment budgets continued to remain at high levels, and demand for IT investment remained firm towards labor saving and digitization in order to improve productivity, strengthen competitiveness, and reduce costs.

Amid such environment, the Group upheld the fiscal 2024 slogan, "Get close to and grow together with customers by supporting DX." In our sales activities, we strived to improve sales productivity by supporting sales processes with AI and to enhance the ability to respond to customers aimed at supporting the entire office of our customers. Based on these initiatives, we made proposals for digitizing and streamlining customers' daily operations, including the review of workflows and adoption of security measures. Moreover, we supported customers' efforts to promote DX through offering latest AI solutions that help small- and medium-sized customers to realize the benefits of AI easily, based on examples of how the Company itself has successfully achieved business process reforms and productivity improvements by promoting DX, including the utilization of AI.

As a result of the above, net sales in the fiscal year under review increased 13.3% year-on-year to ¥1,107,668 million, due to capturing robust demand for corporate IT investment. At the earnings level, operating profit increased 18.1% year-on-year to ¥74,360 million, ordinary profit increased 17.7% year-on-year to ¥75,931 million and profit attributable to owners of parent increased 12.7% year-on-year to ¥53,481 million, owing to an increase in gross profit resulting from growth in revenue, despite an increase in selling, general and administrative expenses. As a result, both revenue and profit increased, and net sales and various forms of profit reached record highs.

##### (System Integration Business)

The System Integration Business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction, and its net sales increased 16.1% year-on-year to ¥731,712 million due to growth in sales of PCs and packaged software.

##### (Service and Support Business)

The Service and Support business provides customers with total service and support for their business operations and installed systems encompassing supplies, hardware and software maintenance, telephone support and outsourcing. We continued to focus on stock-based business, including the "tanomail" office supply mail-order service business and the "tayloreru"\*1 support business, and its net sales increased 8.3% year-on-year to ¥375,955 million.

\*1 "Tayoreru": A business brand which supports customers' IT and overall business operations.

(ii) Financial position

Total assets at the end of the fiscal year under review increased ¥112,097 million from the end of the previous fiscal year to ¥673,903 million. Total liabilities increased ¥83,801 million from the end of the previous fiscal year to ¥298,656 million. Net assets increased ¥28,296 million from the end of the previous fiscal year to ¥375,247 million.

(iii) Cash flows

Cash and cash equivalents at the end of the fiscal year under review totaled ¥229,488 million, a decrease of ¥127 million from the end of the previous fiscal year.

Factors relating to each cash flow category were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥37,711 million, a decrease of ¥33,938 million from the previous fiscal year. This was mainly due to a growth in the increase in trade receivables, and the shifting to an increase in the decrease (increase) in inventories.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥11,949 million, a decrease of ¥9,523 million from the previous fiscal year. This was mainly due to a decrease in payments into time deposits.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥25,891 million, an increase of ¥2,052 million from the previous fiscal year. This was mainly due to an increase in dividends paid.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities, decreased ¥24,414 million from the previous fiscal year to ¥25,762 million.

(iv) Actual results of production, orders received and sales

a. Production results

The Group's major businesses are the System Integration business that spans from building to launching of information systems, and the Service and Support business that provides support after the system launch. In these businesses, the Group provides services and support according to customers' orders, which are received in a variety of forms. Grasping the amount of production according to the concept of production is therefore neither relevant to the Group's business nor possible and consequently such data have been omitted.

b. Purchase of merchandise

The results of purchase of merchandise by segment for the fiscal year under review are as shown below.

Segment name	Value of purchases (millions of yen)	Year-on-year change (%)
System Integration Business	604,488	+29.5
Service and Support Business	167,523	+6.4
Total	772,012	+23.7

(Notes) 1. Intersegment transactions have been eliminated.  
2. Values are based on purchasing prices.

c. Orders received

Since the production operations of the Group consist mainly of support services such as hardware and software maintenance services, with only a small portion of which being engineered-to-order production, the report on actual orders received has been omitted.

d. Sales results

Sales results by segment for the fiscal year under review are as shown below.

Segment name	Sales turnover (millions of yen)	Year-on-year change (%)
System Integration Business	731,712	+16.1
Service and Support Business	375,955	+8.3
Total	1,107,668	+13.3

(Note) Intersegment transactions have been eliminated.

(2) Details of analysis and examination of operating results from management perspective

The details of recognition, analysis and examination of the Group's operating results from management perspective are as follows. Forward-looking statements included herein are based on management's judgments as of the filing date of this Annual Securities Report.

(i) Details of recognition, analysis and examination of operating results, etc. for the fiscal year under review

a. Analysis of operating results

(Sales)

Net sales of the Group for the fiscal year under review increased ¥130,297 million, or 13.3%, from the previous fiscal year to ¥1,107,668 million. By segment, net sales for the System Integration Business increased 16.1% year-on-year to ¥731,712 million, and net sales for the Service and Support Business increased 8.3% year-on-year to ¥375,955 million.

(Income and expenses)

Regarding profits, operating profit increased 18.1% year-on-year to ¥74,360 million, ordinary profit increased 17.7% year-on-year to ¥75,931 million, and profit attributable to owners of parent increased 12.7% year-on-year to ¥53,481 million.

The information about sales and income and expenses are stated under "II. Overview of Business, 4. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of operating results, etc., (i) Operating results."

b. Analysis of financial position

(Assets)

Total assets at the end of the fiscal year under review increased ¥112,097 million from the end of the previous fiscal year to ¥673,903 million.

Current assets increased ¥109,048 million from the end of the previous fiscal year to ¥568,843 million due to such factors as an increase in notes and accounts receivable - trade, and contract assets. Non-current assets increased ¥3,049 million from the end of the previous fiscal year to ¥105,060 million.

(Liabilities)

Total liabilities at the end of the fiscal year under review increased ¥83,801 million from the end of the previous fiscal year to ¥298,656 million.

Current liabilities increased ¥86,428 million from the end of the previous fiscal year to ¥289,692 million due to such factors as an increase in notes and accounts payable - trade. Non-current liabilities decreased ¥2,627 million from the end of the previous fiscal year to ¥8,964 million.

(Net assets)

Net assets at the end of the fiscal year under review increased ¥28,296 million from the end of the previous fiscal year to ¥375,247 million due to such factors as an increase in retained earnings.

As a result, the equity ratio decreased 6.1 percentage points from the end of the previous fiscal year to 55.0%.



c. Analysis of cash flows

The status of cash flows is stated under “II. Overview of Business, 4. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of operating results, etc., (iii) Cash flows.”

Trends in the indicators related to cash flows of the Group are as shown below.

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Equity ratio (%)	61.4	61.1	61.1	55.0
Equity ratio based on market value (%)	214.1	150.6	196.2	203.1
Interest-bearing debt to cash flow ratio (years)	0.2	0.3	0.1	0.2
Interest coverage ratio (times)	1,295.2	663.6	1,808.7	679.7

Equity ratio: Equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest bearing debt / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest paid

(Notes) 1. All of the above indicators are calculated based on consolidated financial figures.

2. Total market capitalization is calculated based on the number of issued shares excluding treasury shares.

3. Interest-bearing debt includes all liabilities recorded in the Consolidated Balance Sheets for which interest is paid.

4. Cash flows from operating activities and interest paid are the same as the figures recorded as “net cash provided by (used in) operating activities” and “interest paid,” respectively, in the Consolidated Statements of Cash Flows.

5. The Group has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the fiscal year ended December 31, 2022.

d. Information on capital resources and liquidity of funds

The Group’s funding requirements are mainly for working capital to run its business activities and for equipment funds. These funding requirements are fulfilled through funds internally generated as well as loans from financial institutions.

With regard to working capital at hand, in our effort to reduce interest-bearing debt of the Group as a whole, we have introduced the Company’s cash management system (CMS) at some of the subsidiaries so as to bring surplus funds of these companies under the central management of the Company.

There is no plan of significant capital investment.

e. Status of achievement of target management indicators

One of the Group’s management goals is to keep on enhancing corporate value through stable business expansion, accomplished by building long-term, sustainable business relationships with customers. As management indicators used to monitor progress towards this goal, we focus on the number of customer companies with transactions, net sales per company, the rate of operating profit growth, the operating profit to net sales ratio, and return on equity, and strive for continuous improvement in these areas. We will also focus on the dividend payout ratio and aim to maintain stable dividends.

The targets for each management indicator set in the Medium- to Long-term Management Policy (announced on July 24, 2023) are: rate of number of customer companies with transactions growth of 2.0%, rate of net sales per company growth of 3.0%, rate of operating profit growth of 6.0%, anchoring operating profit to net sales ratio of 7.0%, and return on equity of 13.0%. We also aim to consistently achieve a dividend payout ratio of 50%.

In the fiscal year under review, the number of customer companies with transactions decreased 0.2% year-on-year to 295,000 companies, net sales per company increased 13.6% year-on-year to ¥3.33 million, the rate of operating profit growth was 18.1%, the operating profit to net sales ratio expanded 0.3 percentage points year-on-year to 6.7%, and return on equity increased 0.7 percentage points year-on-year to 15.0%. The consolidated dividend payout ratio came to 56.7%. The Group will maintain its efforts to improve these financial indicators on a continuing basis.

(ii) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, the Group makes accounting estimates based on rational standards for matters that require estimates. The Group makes rational decisions regarding these estimates in consideration of past results. However, actual results may differ from these estimates. The accounting policies significant in preparing these consolidated financial statements are as described in "V. Financial Information."

The Group believes the following significant accounting policies could affect the preparation of the consolidated financial statements.

Revenue recognition

a. Products

The Group identifies the procurement from suppliers and provision of the following products to customers as its performance obligations: SI-related products such as copiers, PCs, servers and software, which are included in the System Integration business, and supplies such as office equipment-related consumables and office supplies, which are included in the Service and Support business. Revenue is recognized when the control of a relevant asset is transferred to the customer. However, for domestic sales transactions of goods shipped from the distribution centers of the Group, revenue is recognized at the time of shipment because the period between shipment of such assets and the transfer of control to the customer is a normal period of time.

The Group typically involves in determining the specifications of the goods for customers, the delivery date and the delivery location, and is responsible for selecting a manufacturer or distributor designated by the manufacturer (hereinafter referred to as the "regular suppliers") and delivering the goods to customers.

Some of those transactions involve multiple companies and the related goods themselves are delivered directly from a supplier to the final customer without going through the Company or the consolidated subsidiary concerned. These transactions may include goods that have been purchased from non-regular suppliers in exceptional circumstances. In that case, the Group must take into consideration the nature of each transaction, confirm the existence of the transaction, identify its own roles in the commercial flow of the transaction, identify the performance obligation, and accordingly assess whether it is a principal or an agent. When it is an agent, revenue is recognized at the net amount of consideration received from the customer less the amount paid to suppliers.

b. Services

The Group identifies performance obligations for consigned software development included in the System Integration business for each of the four phases of 1. requirements definition, 2. design, 3. construction, and 4. operational preparation and transition, and enters into contracts and acquires an acceptance inspection for each of these phases. However, for contracts that fall under the above category but have a very short term, revenue is recognized when the performance obligation is fully satisfied. In addition, maintenance services included in the Service and Support business are identified as performance obligations to provide maintenance and support for equipment, software, and other items installed in the System Integration business, and the revenues are recognized according to the performance obligations that are fulfilled by contract over a certain period of time or according to the volume of services provided. However, for some services, such as copy maintenance and telecommunications, in which other parties are involved, revenues are recognized on a net basis, as the Company judges that the performance obligation of the Group is to arrange for the services to be provided by such other parties and they are acting as agents in the transactions.

(3) Factors that have significant impacts on operating results

Factors that have significant impacts on operating results are stated under "II. Overview of Business, 3. Business Risks."

## 5. Material Contracts, etc.

### (1) Technological alliances

Not applicable.

### (2) Major business alliances concerning purchasing and sales

Not applicable.

### (3) Other major business alliances

Not applicable.

## 6. Research and Development Activities

Research and development activities for the Group are conducted mainly by the Company and OSK Co., Ltd., a subsidiary responsible for research and development. The Group's research and development expenses for the fiscal year under review totaled ¥2,258 million.

Information by segment on research and development activities is not stated, since such activities cannot be connected to a particular segment.

The Group is engaged in research and development on the following themes related to software in computer systems. These are aimed at developing high-performance, high-quality and advanced products to be offered to the customers and to help improve productivity and promote DX for the customers, by building on the foundation of research for new information technologies and products and always incorporating trending functions such as the latest technology and cloud service integration into software products originally developed by the Group. The Group is also working to develop software tools aimed at boosting productivity in order to improve the efficiency of system support work performed by system engineers. In addition, the Group conducts survey and research to use and apply cutting-edge AI and related technologies, and will strive to strengthen competitiveness by working on the creation of new business models and development of new services.

#### (i) Survey and research on the use and application of new information technologies and products

- Research and development of systems using AI image analysis technology
- Research and development of collection functions of various sensor information and data analysis functions linked with other system information
- Research and development of services using generative AI

#### (ii) Development of original software products

- New product development and drastic improvement of existing products of packaged software for industrial and business use
- New product development and drastic improvement of existing products in software related to integrated groupware
- New product development and drastic improvement of existing products of software integrating packaged software for business use and groupware
- Research and development of implementation of AI prediction model function for integrated software
- Research and development of package services using AI image analysis technology

#### (iii) Research and development of development tools aimed at the improvement of productivity and quality, and standardization in the process of consigned software development

#### (iv) Survey and research on the use and application of rapidly evolving cutting-edge AI and related technologies

- Research and development of advanced automation systems by applying AI agent technology
- Research and development of Swarm AI that combines LLMs of each expert model
- Research and development of management systems for learning data that is essential for prediction and generative AI

### III. Information about Facilities

#### 1. Overview of Capital Investments

In the fiscal year under review, the Group made capital investments of ¥10,701 million to respond to the rapid technological innovation and changes in the market environment. Investments on intangible assets are stated, in addition to those on property, plant and equipment.

In the System Integration business, the Group made capital investments of ¥5,378 million, mainly to strengthen the sales support environment and to build up intra-company infrastructure.

In the Service and Support business, the Group made capital investments of ¥5,063 million, mainly to build up intra-company infrastructure for network support and system operation support.

#### 2. Major Facilities

Major facilities of the Group as of December 31, 2024 are as listed below.

(1) Reporting company

As of December 31, 2024

As of December 31, 2024							
Business site (location)	Segment name	Book value					Number of employees (persons)
		Buildings and structures (millions of yen)	Land		Other (millions of yen)	Total (millions of yen)	
			Area (m <sup>2</sup> )	Value (millions of yen)			
Head Office, other (Chiyoda-ku, Tokyo, other)	System Integration Business and Service and Support Business	5,225 [1,418]	3,225	9,851	2,687	17,764	2,678
Metropolitan Area Group (Chiyoda-ku, Tokyo, other)	System Integration Business and Service and Support Business	4,022 [1,864]	4,260	2,744	402	7,169	3,014
Kansai Area Group (Fukushima-ku, Osaka City, other)	System Integration Business and Service and Support Business	954 [496]	1,278	730	151	1,836	1,193
Regional Group (Naka-ku, Nagoya City, other)	System Integration Business and Service and Support Business	46 [573]	—	—	86	133	881
Hotel Division (Atami City, Shizuoka Prefecture, other)	System Integration Business and Service and Support Business	2,920 [2]	48,113	1,108	105	4,134	141
Logistics Center (Kanazawa-ku, Yokohama City, other)	System Integration Business and Service and Support Business	26 [3,772]	—	—	2,147	2,173	42

## (2) Subsidiaries

As of December 31, 2024

As of December 31, 2024								
Segment name	Number of subsidiaries	Details of facilities	Book value					Number of employees (persons)
			Buildings and structures (millions of yen)	Land		Other (millions of yen)	Total (millions of yen)	
				Area (m <sup>2</sup> )	Value (millions of yen)			
System Integration Business	2	Facilities related to System Integration business	103 [572]	—	—	142	245	936
Service and Support Business	2	Facilities related to Service and Support business	25 [216]	—	—	28	54	795

- (Notes) 1. “Other” under book value includes machinery and equipment, vehicles, furniture and fixtures, and leased assets.  
2. “Head Office, other” of the reporting company includes business sites that serve head office functions.  
3. “Metropolitan Area Group” and “Kansai Area Group” of the reporting company include their subordinate departments and regional offices.  
4. “Regional Group” of the reporting company includes Sapporo Branch (Chuo-ku, Sapporo City), Sendai Branch (Miyagino-ku, Sendai City), Chubu Office (Naka-ku, Nagoya City), Kyoto Branch (Nakagyo-ku, Kyoto City), Kobe Branch (Chuo-ku, Kobe City), Hiroshima Branch (Naka-ku, Hiroshima City), Kyushu Branch (Hakata-ku, Fukuoka City), and others.  
5. “Hotel Division” of the reporting company includes Hotel New Sagamiya (Atami City, Shizuoka Prefecture), Hotel Biwa Lake Otsuka (Otsu City, Shiga Prefecture), Hotel Ichinomiya Seaside Otsuka (Chosei-gun, Chiba Prefecture), and Hotel Ijika-So (Toba City, Mie Prefecture).  
6. “Logistics Center” of the reporting company includes warehouses that serve its logistics functions.  
7. Annual rent expenses for major rented facilities are separately stated in brackets [ ].  
8. In addition to the above, there are major leased facilities as stated below.

## (1) Reporting company

As of December 31, 2024

Segment name	Details	Number of units	Annual rental and leasing charges (millions of yen)
System Integration Business and Service and Support Business	Vehicles	2,327	687

## (2) Subsidiaries

As there is no quantitative significance, statement has been omitted.

## 3. Planned Addition, Retirement, and Other Changes of Facilities

Plans for addition, etc. of significant facilities as of the end of the fiscal year under review are as stated below.

## (1) Addition of significant facilities

Not applicable.

## (2) Significant repair, retirement, etc.

Not applicable.

## IV. Information about Reporting Company

### 1. Company's Shares, etc.

#### (1) Total number of shares, etc.

##### (i) Total number of shares

Class	Total number of authorized shares (shares)
Common shares	1,354,320,000
Total	1,354,320,000

##### (ii) Number of shares issued

Class	Number of shares issued as of the fiscal year-end (shares) (December 31, 2024)	Number of shares issued as of the filing date (shares) (March 27, 2025)	Name of the financial instruments exchange on which the Company is listed or the authorized financial instruments firms association with which the Company is registered	Details
Common shares	380,004,240	380,004,240	Tokyo Stock Exchange (Prime Market)	The number of shares per stock unit is 100.
Total	380,004,240	380,004,240	—	—

#### (2) Share acquisition rights

##### (i) Description of stock option plans

Not applicable.

##### (ii) Description of rights plans

Not applicable.

##### (iii) Share acquisition rights for other uses

Not applicable.

#### (3) Exercises of corporate bond certificates, etc. with share acquisition rights subject to exercise value change

Not applicable.

#### (4) Changes in the total number of shares issued and amount of share capital, etc.

Date	Change in the total number of shares issued (shares)	Balance of the total number of shares issued (shares)	Change in share capital (millions of yen)	Balance of share capital (millions of yen)	Change in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
April 1, 2024 (Note)	190,002,120	380,004,240	—	10,374	—	16,254

(Note) The change is attributable to a two-for-one stock split.

## (5) Shareholding by shareholder category

As of December 31, 2024

Category	Status of shares (Number of shares per stock unit: 100 shares)								Shares less than one stock unit (shares)
	Government and local municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals Other	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	—	66	27	93	678	10	5,885	6,759	—
Number of shares held (stock units)	—	799,624	151,058	1,343,202	1,014,961	85	490,856	3,799,786	25,640
Percentage of the number of shares held (%)	—	21.04	3.97	35.34	26.71	0.00	12.91	100.00	—

- (Notes) 1. The percentages of the number of shares held have been rounded down to the second decimal place.  
2. Of the 803,041 shares of treasury shares, 8,030 stock units are included in the figure presented for “Individuals and others” and 41 shares are included in the figure presented for “Shares less than one stock unit.”

## (6) Major shareholders

As of December 31, 2024

Name	Address	Number of shares held (1,000 shares)	Percentage of the number of shares held to the total number of shares issued (excluding treasury shares) (%)
Otsuka Sobi Co., Ltd.	2-18-4 Iidabashi, Chiyoda-ku, Tokyo	127,205	33.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1, Akasaka, Minato-ku, Tokyo	38,768	10.22
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	27,110	7.14
Yuji Otsuka	Shinjuku-ku, Tokyo	9,363	2.46
OTSUKA CORPORATION Employee Stock-Sharing Plan	2-18-4 Iidabashi, Chiyoda-ku, Tokyo	8,414	2.21
Keiko Otsuka	Meguro-ku, Tokyo	6,963	1.83
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	6,254	1.64
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	4,186	1.10
JPMorgan Chase Bank 380055 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (2-15-1 Konan, Minato-ku, Tokyo)	3,839	1.01
JP Morgan Securities Japan Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	3,540	0.93
Total	–	235,649	62.14

- (Notes) The percentages of the number of shares held to the total number of shares issued (excluding treasury shares) have been rounded down to the second decimal place.

## (7) Voting rights

## (i) Issued shares

As of December 31, 2024

Category	Number of shares (shares)	Number of voting rights (units)	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Others)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common shares 803,000	—	—
Shares with full voting rights (Others)	Common shares 379,175,600	3,791,756	—
Shares less than one stock unit	Common shares 25,640	—	—
Issued common stock	380,004,240	—	—
Voting rights held by all shareholders	—	3,791,756	—

(Note) 41 treasury shares held by the Company are included in the figure presented for “Shares less than one stock unit.”

## (ii) Treasury shares, etc.

As of December 31, 2024

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under names of others (shares)	Total number of shares held (shares)	Percentage of the number of shares held to the total number of shares issued (%)
(Treasury shares) OTSUKA CORPORATION	2-18-4 Iidabashi, Chiyoda- ku, Tokyo	803,000	—	803,000	0.21
Total	—	803,000	—	803,000	0.21

(Note) The percentages of the number of shares held to the total number of shares issued have been rounded down to the second decimal place.



## 2. Acquisition and Disposal of Treasury Shares

Class of shares, etc.: Acquisition of common shares under Article 155, Item 7 of the Companies Act

### (1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

### (2) Acquisition by resolution of the Board of Directors

Not applicable.

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

Category	Number of shares (shares)	Total amount (yen)
Treasury shares acquired during the current fiscal year	645	2,067,469
Treasury shares acquired during the current period	—	—

(Note) 1. The figure presented for “Treasury shares acquired during the current period” does not include the number of shares less than one stock unit purchased during the period from March 1, 2025 to the filing date of the Annual Securities Report.

2. As a result of a two-for-one stock split implemented with an effective date of April 1, 2024, the number of “Treasury shares acquired during the current fiscal year” stated above indicate the number of shares after the stock split.

### (4) Disposal and holding of acquired treasury shares

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total amount disposed (yen)	Number of shares (shares)	Total amount disposed (yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares which were cancelled	—	—	—	—
Acquired treasury shares transferred due to a merger, share exchange, share delivery, or a company split	—	—	—	—
Others (—)	—	—	—	—
Treasury shares held	803,041	—	803,041	—

(Note) 1. The figure presented for “Treasury shares held” during the “Current period” does not include the number of shares less than one stock unit purchased during the period from March 1, 2025 to the filing date of the Annual Securities Report.

2. As a result of a two-for-one stock split implemented with an effective date of April 1, 2024, the number of “Treasury shares held” during the “Current fiscal year” and the “Current period” stated above indicates the number of shares after the stock split.

### 3. Dividend Policy

The Company considers the return of profit to shareholders to be one of the most important management issues and its basic policy is to continually pay stable dividends based on its business performance while taking into consideration of the enhancement of business foundation and soundness of financial strength. The Company has paid dividends once a fiscal year up to the current fiscal year. However, from the next fiscal year (ending December 31, 2025), the Company plans to pay dividends twice a fiscal year, as interim dividends and year-end dividends.

In accordance with this policy, the dividend per share for the current fiscal year was set at ¥80 (including an ordinary dividend of ¥75 and a commemorative dividend of ¥5 for the consolidated net sales of ¥1 trillion breakthrough), representing a net increase of ¥12.50 compared to the adjusted previous fiscal year's (ended December 31, 2023) dividend of ¥67.50 per share after accounting for the stock split, as the dividend per share for the previous fiscal year (ended December 31, 2023) before the stock split was ¥135, in order to return profit to those shareholders who had supported us. As a result, the dividend payout ratio for the current fiscal year was 61.9%.

The decision-making body for dividends of surplus at the Company is the Board of Directors for interim dividends and the Annual General Meeting of Shareholders for year-end dividends. Furthermore, the Company's Articles of Incorporation stipulate that based on a resolution of the Board of Directors, the Company may pay interim dividends with the record date of June 30 each year.

Details of the dividends of surplus for the current fiscal year are as follows:

Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
March 27, 2025 Resolution at the Annual General Meeting of Shareholders	30,336	80.00

(Note) The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2024. Accordingly, the dividend per share for the current fiscal year represents the amount after the stock split. The dividend per share without reflecting account the stock split would be ¥160.

## 4. Corporate Governance

### (1) Overview of corporate governance

#### (i) Basic stance regarding corporate governance

Based on its Mission Statement presented in “II. Overview of Business, 1. Management Policy, Business Environment and Issues to be Addressed, (1) Basic management policy,” the Company has made continuous efforts to strengthen corporate governance, and established the following “Basic Policy for Corporate Governance.”

<Basic Policy for Corporate Governance>

- Securing the rights and equal treatment of shareholders

The Company positions its shareholders as important stakeholders, and recognizes that building medium- to long-term relationships of trust with shareholders is one of its important management issues.

To this end, we endeavor to develop a system for securing effective equal treatment of all shareholders and an environment in which shareholders can exercise their rights appropriately.

- Appropriate cooperation with stakeholders other than shareholders

In order to achieve its sustainable growth and create medium- to long-term corporate value, the Company endeavors to appropriately cooperate not only with its shareholders, but also with stakeholders other than shareholders (employees, customers, business partners, creditors, local communities, etc.), and works to build a strong relationship of trust with them.

Based on corporate ethics and the spirit of compliance spelled out in its Mission Statement, the Company sets out as the basic policy and the goal for corporate governance to adapt agilely to changes in the environment and augment its competitiveness by ensuring thorough compliance and raising both operational transparency and fairness. The Board of Directors takes the lead in promoting these policies and goals.

- Ensuring appropriate information disclosure and transparency

The Company continues to disclose financial and non-financial information in compliance with the relevant laws and regulations in a timely, appropriate, and fair manner, and also appropriately works to provide information beyond that required by law.

- Responsibilities of the Board of Directors, etc.

The Company has adopted a company with an Audit & Supervisory Board as a form of corporate organization under the Companies Act. The Board of Directors executes important management decision-making and carries out oversight of business execution, and the Audit & Supervisory Board Members and the Audit & Supervisory Board, which are independent from the Board of Directors, conducts audits of the status of execution of duties by Directors, among other matters.

In addition, the Company has adopted the Executive Officer System in order to realize rapid decision-making on business execution. The Board of Directors works to improve profitability and capital efficiency, etc., aimed at achieving sustainable growth of the Company and improving corporate value over the medium- to long-term, in light of its fiduciary responsibility and accountability to shareholders as well as responsibility to various stakeholders other than shareholders.

- Dialogue with shareholders

In order to contribute to sustainable growth and improvement of corporate value over the medium- to long-term, the Company recognizes that it is important that senior management and Directors engage in dialogue with shareholders even outside General Meetings of Shareholders, clearly explain their business policies, and gain support from shareholders.

To this end, the President's Office is responsible for IR of the Company, and regularly offers opportunities of dialogue with shareholders and investors so that they are able to deepen understanding of the Company.

#### (ii) Overview of the corporate governance system and reason for adopting this system

##### A. Overview of the corporate governance system

The Company consists of various statutory bodies such as the General Meeting of Shareholders, Directors and Board of Directors, Audit & Supervisory Board Members and Audit & Supervisory Board and Accounting Auditor. An Audit & Supervisory Board Members System has therefore been adopted. Additionally, the Company appoints Outside Directors and Outside Audit & Supervisory Board Members with the aim of strengthening the monitoring of the execution of duties.

The Board of Directors is chaired by Yuji Otsuka, President & Chief Executive Officer, and consists of eleven persons, including four Outside Directors. The names of its members are presented later in “(2) Directors and Audit & Supervisory Board

Members (i) List of Directors and Audit & Supervisory Board Members.” The Board of Directors meets regularly once per month in principle to discuss and make decisions on critical management issues requiring resolution based on relevant laws and the Articles of Incorporation, and monitors the execution of duties by Directors. In addition, by introducing the Executive Officer System, we aim 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. There are 32 Executive Officers, including six with a concurrent post of Director. Their names are presented later in “(2) Directors and Audit & Supervisory Board Members (i) List of Directors and Audit & Supervisory Board Members.”

The Audit & Supervisory Board is chaired by Tatsumi Murata, Standing Audit & Supervisory Board Member, and is comprised of four Audit & Supervisory Board Members (one standing member and three non-standing members), including three Outside Audit & Supervisory Board Members. The names of its members are presented later in “(2) Directors and Audit & Supervisory Board Members (i) List of Directors and Audit & Supervisory Board Members.” The Audit & Supervisory Board prescribes auditing policies and annual plans, receives reports on important auditing-related matters and carries out discussions. The Audit & Supervisory Board Members attend such important meetings as the Board of Directors meetings to provide appropriate recommendations and advice, monitor whether suitable management is carried out and closely audit the execution of duties by Directors.

The other main systems are as follows.

The Nomination and Remuneration Committee consists of at least five Directors, a majority of whom are Independent Outside Directors. The members of the committee are President & Chief Executive Officer Yuji Otsuka, Managing Director & Executive Operating Officer Hironobu Saito, Independent Outside Director Jiro Makino, Independent Outside Director Tetsuo Saito, and Independent Outside Director Makiko Hamabe. By resolution of the Nomination and Remuneration Committee, Independent Outside Director Jiro Makino is selected as the Chairperson of the committee, and the chair is selected from among the committee members who are Independent Outside Directors as required. The purpose of the Nomination and Remuneration Committee is to strengthen the transparency, fairness, and objectivity of procedures related to the nomination and remuneration, etc. of Directors, and to enhance corporate governance.

The Board of Independent Outside Directors consists of all the Independent Outside Directors, with Jiro Makino as the Lead Independent Outside Director, and its members are Independent Outside Director Jiro Makino, Independent Outside Director Tetsuo Saito, Independent Outside Director Makiko Hamabe, and Independent Outside Director Fuminori Suzumura. In principle, the Board of Independent Outside Directors is held once per month 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.

The Board of Independent Outside Officers consists of all the Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, with Jiro Makino as the Lead Independent Outside Officer, and its members are Independent Outside Director Jiro Makino, Independent Outside Director Tetsuo Saito, Independent Outside Director Makiko Hamabe, Independent Outside Director Fuminori Suzumura, Independent Outside Audit & Supervisory Board Member Kazuhiko Nakai, Independent Outside Audit & Supervisory Board Member Etsuo Hada, and Independent Outside Audit & Supervisory Board Member Katsumasa Minagawa. In principle, the Board of Independent Outside Officers is held once per month to share information its members obtained, utilize such information for their duties, and report and offer opinions to the Board of Directors and the President & Chief Executive Officer, and others as necessary.

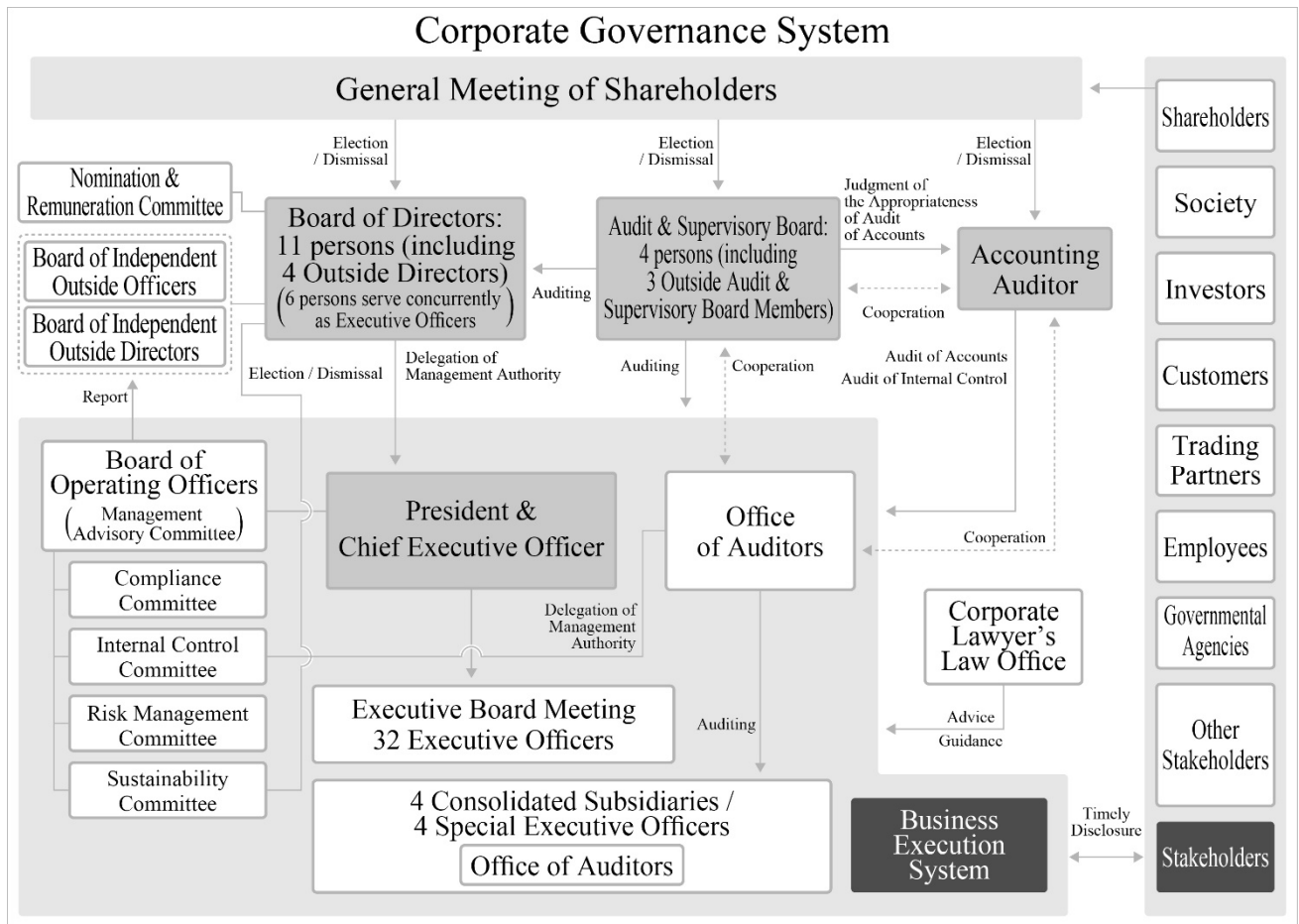
The Board of Operating Officers is chaired by President & Chief Executive Officer Yuji Otsuka, and consists of six members, including five in the position of Managing Director & Operating Officer or above. Its members are President & Chief Executive Officer Yuji Otsuka, Managing Director & Senior Executive Operating Officer Kazuyuki Katakura, Managing Director & Executive Operating Officer Hironobu Tsurumi, Managing Director & Executive Operating Officer Hironobu Saito, Managing Director & Operating Officer Minoru Sakurai, and Managing Director & Operating Officer Koichiro Yamada. The Board of Operating Officers serves as an advisory body for the decision-making of the President & Chief Executive Officer, and discusses basic policies concerning matters to be discussed at Board of Directors meetings and matters concerning important executive policies of management. The Compliance Committee, Internal Control Committee, Risk Management Committee, and Sustainability Committee have been established under the Board of Operating Officers. The Compliance Committee formulates a plan for compliance education, as well as formulates a policy to deal with any violations of compliance that have come to the surface and plans measures to prevent recurrence, etc., pursuing thorough and stronger compliance. The Internal Control Committee manages the mechanism of effectively and efficiently designing, operating, and evaluating internal control over financial reporting so that it functions in an appropriate manner in order to ensure the reliability of financial reporting. The Risk Management Committee identifies and assesses all risks related to the Company. The Committee investigates respective measures for key risks and works to mitigate risks in order to secure stable corporate activities. The Sustainability Committee works to improve the effectiveness of our sustainability management by responding to environmental and social risks, establishing governance systems, and deliberating on materiality, making proposals to the Board of Directors as necessary.

The Executive Board Meeting is chaired by President & Chief Executive Officer Yuji Otsuka, and consists of the President & Chief Executive Officer and 32 Executive Officers (including six Executive Officers concurrently serving as Directors), for a total of 33 members, the names of which are presented later in “(2) Directors and Audit & Supervisory Board Members (i) List of Directors and Audit & Supervisory Board Members.” The Executive Board Meeting works to ensure that the Executive Officers are thoroughly instructed by the Board of Directors and the President & Chief Executive Officer, and to exchange information with each other.

Furthermore, Group Management Meetings are held four times a year to monitor the management status and progress in achieving profit targets of each Group company and to strengthen corporate governance. Group Management Meetings are chaired by Managing Director & Executive Operating Officer; General Manager of Business Administration Headquarters Hironobu Saito, and the meeting consists of 26 members, including six Internal Directors (excluding the President & Chief Executive Officer), one standing Audit & Supervisory Board Member, four top management of Group companies (Special Executive Officers), and six Executive Officers who have close business relationships with Group companies, as well as the President’s Office and the Finance and Accounting Department.

# Diagram

The Company's corporate governance system is as follows:



## B. Reason for adopting this system

Because the Company's business domains are diverse, standing Audit & Supervisory Board Members who are familiar with the Company's business and can concentrate on the duties of Audit & Supervisory Board Members are appointed. The Company has also adopted an Audit & Supervisory Board Members System, in which the Company is allowed to appoint Outside Audit & Supervisory Board Members who have considerable insight and experience in law or finance and accounting and are covered under the independent authority system.

The Company assures transparency of decision-making by strengthening management oversight and audit functions by Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, and appoints Outside Directors with no conflict of interest with general shareholders to strengthen management supervision functions. By doing so, the Company aims to contribute to proper decision-making by the Board of Directors.

In this manner, the Company believes that its corporate governance system functions effectively, under which Executive Officers are in charge of business execution while the Board of Directors, including Outside Directors, and the Audit & Supervisory Board, including Outside Audit & Supervisory Board Members, serving as a basis for the system.

## (iii) Other matters concerning corporate governance

### A. State of internal control systems

At a meeting of the Board of Directors, the Company has determined the following basic policies for a system for ensuring that the execution of duties by Directors is in compliance with laws and the Articles of Incorporation as well as for a system deemed necessary as prescribed by an ordinance of the Ministry of Justice for ensuring appropriate operations of stock companies and of corporate groups consisting of stock companies and their subsidiaries.

#### ○ Basic policies for internal control systems

#### a) System for ensuring compliance with laws and the Articles of Incorporation in the execution of duties by Directors and employees

Directors shall take the lead and set an example in complying with and promoting the Mission Statement as the basis of our compliance system.

Directors and employees shall strive to enhance the compliance system by taking such measures as improving awareness through continuous compliance education, improving business operations through internal audits and properly applying the internal reporting system in working to ensure compliance with laws and the Articles of Incorporation in the execution of their duties.

#### b) System for storing and managing information concerning the execution of duties by Directors

Information concerning the execution of duties by Directors (paper or electronically recorded) as well as other important information shall be properly stored and managed in accordance with laws and internal regulations.

#### c) Regulations and other systems concerning management of risk of losses

Based on internal regulations, we shall establish a risk management system, identify, analyze and evaluate any risk that could affect operating results, financial condition or other areas and respond appropriately.

In the event of unexpected contingencies, we shall set up a task force, collect risk information and devise quick and appropriate countermeasures.

#### d) System for ensuring the efficient execution of duties by Directors

The Board of Directors shall in principle convene once per month to discuss and decide important matters concerning management and supervise the state of execution of business duties. Also, the Board of Directors shall clarify criteria for convening and bringing up matters for debate at council bodies set up to raise the suitability of decision-making, while stipulating details of the execution of duties in the Duty Authority Regulations and the Segregation of Duties Regulations to raise efficiency.

#### e) System for ensuring proper operations of the Corporate Group consisting of the Company and its subsidiaries

##### 1) System for reporting to the Company matters concerning the execution of duties by Directors of subsidiaries

Group Management Meetings are held to clarify operational conditions at consolidated subsidiaries and progress in achieving profit plans. The Special Executive Officer System has also been established, with the Presidents & Chief Executive Officer of consolidated subsidiaries selected to serve as Special Executive Officers, to promote thorough compliance and strengthen governance at consolidated subsidiaries. When the need arises, the Special Executive Officers

shall be asked to report to the Company's Board of Directors or President & Chief Executive Officer on the state of the execution of duties.

2) Regulations and other systems concerning management of risk of losses at subsidiaries

The Board of Directors of consolidated subsidiaries shall identify, analyze and evaluate any risk that could affect operating results, financial condition or other areas and respond appropriately.

Information regarding recognized risk by consolidated subsidiaries shall be shared at Group Management Meetings and efforts shall be made for the early detection and prevention of risk.

In the event of unexpected contingencies, we shall set up a task force at the Company, collect risk information, collaborate with the relevant consolidated subsidiaries and devise quick and appropriate countermeasures.

3) System for ensuring the efficient execution of duties by Directors of subsidiaries

Consolidated subsidiaries shall ensure the autonomy and independence of management and formulate an annual plan in accordance with the Group's policies. The targets and responsibilities of each company shall be clarified and efforts shall be made to attain the intended performance targets through the analyses of variances between budget estimates and actual results. Consolidated subsidiaries shall establish Board of Directors regulations and convene meetings of the Board of Directors to deliberate on and resolve important matters concerning management and monitor the state of the execution of duties. Moreover, details on the execution of duties shall be prescribed in the various types of internal company regulations and efficiency shall be raised.



- 4) System for ensuring compliance with laws and the Articles of Incorporation in the execution of duties by Directors and employees of subsidiaries

Consolidated subsidiaries shall ensure the proper execution of business operations by the functioning of self-cleansing mechanisms through the execution of business operations that are in accordance with the Mission Statement.

Consolidated subsidiaries shall strive to enhance their compliance systems and ensure the execution of business operations is in compliance with laws and the Articles of Incorporation by taking such measures as raising awareness through continuous compliance education, setting up Office of Auditors within each company to improve business operations and properly applying the internal reporting system established by the Company and shared by consolidated subsidiaries.

- 5) Other systems for ensuring proper operations of the Corporate Group consisting of the Company and its subsidiaries

The Company's Office of Auditors shall receive reports on the results of internal audits implemented at each consolidated subsidiary by Office of Auditors established at each consolidated subsidiary. Additionally, it shall implement regular audits of consolidated subsidiaries as well as audit the state of compliance with laws and regulations and provide necessary guidance.

- f) Matters regarding employees assisting Audit & Supervisory Board Members when requested by Audit & Supervisory Board Members

When an Audit & Supervisory Board Member makes such a request, an appropriate employee shall be appointed from the Business Administration Headquarters and assigned to a concurrent position as an employee assisting the Audit & Supervisory Board Member.

- g) Matters concerning the independence of such employees from Directors as mentioned in the preceding item and matters related to ensuring the effectiveness of instructions from the Audit & Supervisory Board Member to the relevant employee

Concerning the determination of matters related to the delegation of authority over personnel matters to the relevant employee as mentioned in the previous item, the independence of such employees from Directors shall be ensured by obtaining the prior consent of the Audit & Supervisory Board Member.

Effectiveness shall be ensured by establishing a structure under which the Audit & Supervisory Board Member provides direct instructions to and receives reports from the relevant employee.

- h) System regarding reporting to the Audit & Supervisory Board Members

- 1) System for reporting to Audit & Supervisory Board Members by Directors and employees

A system shall be established that enables Audit & Supervisory Board Members to receive reports from Directors and employees on the state of the execution of duties. At the same time, collaboration and coordination with internal departments carrying out audits shall be strengthened.

- 2) System that enables Directors, Audit & Supervisory Board Members, employees and other employees executing business operations of consolidated subsidiaries, as well as parties receiving reports from these persons, to report to the Audit & Supervisory Board Members

Directors, Audit & Supervisory Board Members, employees and other employees executing business operations of consolidated subsidiaries, as well as parties receiving reports from these persons, shall, depending on the importance and urgency of the matters, report to the Audit & Supervisory Board Members of the Company about any improprieties regarding the execution of duties by Directors or employees of the Company and its consolidated subsidiaries, about any actual matters in violation of laws and regulations or the Articles of Incorporation or regarding actual matters that could cause significant damage to the Company.

- i) System for ensuring that persons reporting matters described in the previous item are not treated unfavorably as a result of such reports

In accordance with employment regulations, persons reporting matters to the Audit & Supervisory Board Members shall not be treated unfavorably as a result of such reports.

- j) Matters related to the treatment of expenses and liabilities incurred in business execution by Audit & Supervisory Board Members

In the case Audit & Supervisory Board Members request prepayment of expenses from the Company for their execution of duties, based on Article 388 of the Companies Act, the Company shall, upon deliberation with the Legal & Compliance Office, process these requested expenses except in the case these are determined to be unnecessary for the execution of duties by such Audit & Supervisory Board Members.

k) Other systems for ensuring effective audits by Audit & Supervisory Board Members

President & Chief Executive Officer shall exchange opinions with Audit & Supervisory Board Members on a timely basis.

The Company's Office of Auditors shall maintain close relations with Audit & Supervisory Board Members and undertake inspections in accordance with the requests of Audit & Supervisory Board Members.

B. Basic thinking on the elimination of antisocial forces and establishment of measures

a) Basic thinking

The Mission Statement and Compliance Regulations stipulate that the Company shall take a firm stance against and maintain no relations with antisocial forces that threaten the order and safety of society.

b) Establishment of measures

The Company shall express its Action Guidelines against antisocial forces in its Mission Statement and Compliance Manual while designating its Legal & Compliance Office, Human Resources and General Affairs Department, and Customer Relationship Office as the department and office responsible for responding to antisocial forces.

The Company shall, in collaboration with legal counsel and external organizations that include police departments and the Metropolitan Police Department Joint Association for the Prevention of Particular Violence, consolidate the internal system and collect information. At the same time, employees shall be thoroughly familiarized with the Action Guidelines.

C. State of establishment of risk management structure

The Company has established a Risk Management Committee as the body to promote and control business risk management as part of its risk management system.

The Risk Management Committee identifies and assesses all risk related to the Company and 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 risk in each division and department in its scope. At the same time, efforts are made to enhance crisis management by (1) preparing for such emergencies during ordinary times, (2) taking appropriate steps during a crisis and (3) formulating and managing a business continuity plan.

D. Summary of details of contract of limited liability

As prescribed by Article 427, Paragraph 1 of the Companies Act, the Company, each Outside Director and each Audit & Supervisory Board Member conclude a contract that limits liability under Article 423, Paragraph 1 of the Act.

The amount limit of the liability based on these contracts shall be the amount prescribed by law.

E. Summary of the contents of the liability insurance contracts for officers

The Company concludes liability insurance contracts for officers with insurance companies as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The Directors, Audit & Supervisory Board Members, Executive Officers and outside dispatched officers of the Company and its subsidiaries shall be the insured persons and the relevant insurance contracts shall indemnify against damages and dispute costs incurred due to claims for damages arising from the execution of duties (including omissions) by the insured persons. However, as a reason for exemption, indemnity shall not be provided for matters arising from criminal acts such as bribery and willful illegal acts.

All premiums for such insurance policies are borne by the Company and its subsidiaries.

F. Number of Directors

The Company's Articles of Incorporation stipulate that the number of Company Directors shall be 19 or fewer.

G. Resolutions for appointment of Director

The Company's Articles of Incorporation stipulate that a resolution for the appointment of a Director requires attendance by shareholders with more than one-third of the voting rights of shareholders capable of exercising such rights at the General Meeting of Shareholders, and is approved by a majority of voting rights of such shareholders.

In addition, a resolution for the appointment of a Director shall not be decided by cumulative voting.

#### H. Requirements for special resolution of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that a special resolution of the General Meeting of Shareholders, pursuant to Article 309, Paragraph 2 of the Companies Act, requires attendance by shareholders with more than one-third of the voting rights of shareholders capable of exercising such rights, and is approved by two-thirds of more of voting rights of such shareholders. This is intended to facilitate efficient operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

#### I. Interim dividend

Pursuant to Article 454, Paragraph 5 of the Companies Act, the Company's Articles of Incorporation stipulate that based on a resolution of the Board of Directors, the Company may pay interim dividends with the record date of June 30 each year. This is in order to allow the flexible return of profits to shareholders.

#### J. Purchase of own shares

The Company's Articles of Incorporation stipulate that the Company shall be able to purchase its own shares based on a resolution of the Board of Directors as prescribed under Article 165, Paragraph 2 of the Companies Act. This is aimed at purchasing own shares through market transactions to enable the execution of a flexible capital policy that responds to changes in economic conditions.

#### (iv) Status of activities by the Board of Directors

The Board of Directors in principle convened once per month during the fiscal year, and the state of attendance by each Director is as follows:

Class	Name	Number of times convened	Number of times attended (attendance rate)
President & Chief Executive Officer	Yuji Otsuka	19 times	18 times (94%)
Director	Kazuyuki Katakura	19 times	19 times (100%)
Director	Hironobu Tsurumi	19 times	17 times (89%)
Director	Hironobu Saito	19 times	19 times (100%)
Director	Minoru Sakurai	19 times	19 times (100%)
Director	Jiro Makino	19 times	19 times (100%)
Director	Tetsuo Saito	19 times	19 times (100%)
Director	Makiko Hamabe	19 times	19 times (100%)

The details of the contents considered by the Board of Directors are as follows:

Quarter	Resolution	Report	Agenda
First	<ul style="list-style-type: none"><li>○</li><li>○</li><li>○</li><li>○</li><li>○</li><li>○</li></ul>	<ul style="list-style-type: none"><li>○</li><li>○</li></ul>	<p>Matters related to the financial results for the fiscal year ended December 31, 2023 (including the announced plan and dividends for fiscal 2024)</p> <p>Stock split</p> <p>Annual financial plan for fiscal 2024</p> <p>Regulation revisions (implementation of basic salary increases/review of regulations related to the promotion of the active participation of women)</p> <p>Matters related to the Annual General Meeting of Shareholders for the 63rd fiscal year (proposals, personnel changes for officers, items to be resolved, etc.)</p> <p>Regulation revisions (employment regulations, etc.)</p> <p>Submission of corporate governance report</p> <p>Monthly financial report</p>

Quarter	Resolution	Report	Agenda
Second	<ul style="list-style-type: none"> <li>○</li> <li>○</li> <li>○</li> <li>○</li> </ul>	<ul style="list-style-type: none"> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> </ul>	<ul style="list-style-type: none"> <li>Matters related to internal control</li> <li>Report from the Nomination and Remuneration Committee</li> <li>Considering disclosure regarding “management that is conscious of cost of capital and share price” and “dialogue with shareholders”</li> <li>Results of voting rights exercised at the General Meeting of Shareholders</li> <li>Matters related to the financial results for the first quarter of the fiscal year ended December 31, 2024</li> <li>Company responses to opinions and requests at workplace improvement round-table conferences</li> <li>Organizational and personnel changes for the new business year made on July 1, 2024</li> <li>Report from the DX Promotion Committee</li> <li>Sustainability activity plan and the implementation status for fiscal 2024</li> <li>Monthly financial report</li> </ul>
Third	<ul style="list-style-type: none"> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> </ul>	<ul style="list-style-type: none"> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> </ul>	<ul style="list-style-type: none"> <li>Report on the evaluation of the Board of Directors effectiveness</li> <li>Matters related to the financial results for the second quarter of the fiscal year ended December 31, 2024</li> <li>Earnings forecast revisions</li> <li>Submission of corporate governance report</li> <li>Tax audit by the Regional Taxation Bureau</li> <li>Lending of working capital for Networld Corporation</li> <li>Considering disclosure regarding “management that is conscious of cost of capital and share price” and “dialogue with shareholders”</li> <li>Deliberations on fiscal 2024 promotions</li> <li>Monthly financial report</li> </ul>
Fourth	<ul style="list-style-type: none"> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> </ul>	<ul style="list-style-type: none"> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> <li>○</li> </ul>	<ul style="list-style-type: none"> <li>Regulation revisions and establishment of new regulations (recruitment of high level personnel and salary revisions)</li> <li>Matters related to the financial results for the third quarter of the fiscal year ended December 31, 2024</li> <li>Sale of policy stocks</li> <li>Report from the Nomination and Remuneration Committee</li> <li>Re-conclusion of subsidiary loan limit and debt guarantee consignment contracts</li> <li>Planned personnel changes, etc. for January 2025</li> <li>Renewal of directors and officers liability insurance</li> <li>Estimation of impairment losses on investment securities</li> <li>Tax audit by the Regional Taxation Bureau</li> <li>Payment of a consolidated net sales of ¥1 trillion breakthrough commemorative allowance</li> </ul>

(v) Status of activities by the Nomination and Remuneration Committee

The Nomination and Remuneration Committee in principle convened five times during the fiscal year, and the state of attendance by each Director is as follows:

Class	Name	Number of times convened	Number of times attended (attendance rate)
President & Chief Executive Officer	Yuji Otsuka	5 times	5 times (100%)
Director	Hironobu Saito	5 times	5 times (100%)
Director	Jiro Makino	5 times	5 times (100%)
Director	Tetsuo Saito	5 times	5 times (100%)
Director	Makiko Hamabe	5 times	5 times (100%)

The details of the contents considered by the Nomination and Remuneration Committee are as follows:

Quarter	Agenda
First	Directors' remuneration composition proportion and levels Long-term incentives
Second	Determination of bonus payment amounts for the first half Long-term incentives
Third	—
Fourth	Determination of bonus payment amounts for the second half Medium- to long-term incentives Policy for determining remuneration for Directors for fiscal 2025 Nomination of Directors for fiscal 2025

(vi) Status of activities by the Board of Independent Outside Directors

The Board of Independent Outside Directors in principle convened once per month up to August during the fiscal year, and the state of attendance by each Director is as follows:

Class	Name	Number of times convened	Number of times attended (attendance rate)
Director	Jiro Makino	8 times	8 times (100%)
Director	Tetsuo Saito	8 times	8 times (100%)
Director	Makiko Hamabe	8 times	8 times (100%)

The details of the contents considered by the Board of Independent Outside Directors are as follows:

Quarter	Agenda
First	Preliminary review of agenda items for the Board of Directors meetings Assignment of new graduates hired in 2024 and recruitment plan for 2025 Report on whistleblowing response results (including disciplinary action) Report on and review of engagement survey (employee awareness survey) results
Second	Preliminary review of agenda items for the Board of Directors meetings Report on whistleblowing response results (including disciplinary action) Revisions to criteria for excluding persons who face disciplinary action from promotion, pay raise, and annual award Confirmation of the Board of Directors Effectiveness Evaluation Survey
Third	Preliminary review of agenda items for the Board of Directors meetings Report on the evaluation of the Board of Directors effectiveness Management and supervision responsibility at the Hotel Division
Fourth	—

(vii) Status of activities by the Board of Independent Outside Officers (Established in August, 2024)

The Board of Independent Outside Officers in principle convened once per month during the fiscal year, and the state of attendance by each Director and Audit & Supervisory Board Members is as follows:

Class	Name	Number of times convened	Number of times attended (attendance rate)
Director	Jiro Makino	5 times	5 times (100%)
Director	Tetsuo Saito	5 times	5 times (100%)
Director	Makiko Hamabe	5 times	5 times (100%)
Director	Kazuhiko Nakai	5 times	5 times (100%)
Director	Etsuo Hada	5 times	5 times (100%)
Director	Katsumasa Minagawa	5 times	5 times (100%)

The details of the contents considered by the Board of Independent Outside Officers are as follows:

Quarter	Agenda
First	—
Second	—
Third	<ul style="list-style-type: none"> <li>Preliminary review of agenda items for the Board of Directors meetings</li> <li>Selection of the Chairperson of the Board of Independent Outside Officers and establishment of new Board of Independent Outside Officers regulations</li> <li>Update of corporate governance report</li> <li>Personnel changes in the Hotel Division</li> <li>Consideration of drawing up a road map for the Senior Leaders College and development of female leaders</li> <li>Regulation revisions and establishment of new regulations</li> </ul>
Fourth	<ul style="list-style-type: none"> <li>Preliminary review of agenda items for the Board of Directors meetings</li> <li>Regulation revisions and establishment of new regulations</li> <li>Report on the audit of the Product Department</li> <li>Report on whistleblowing response results (including disciplinary action)</li> <li>Board of Independent Outside Directors regulation revisions and establishment of new Board of Independent Outside Officers regulations</li> <li>Tax audit by the Regional Taxation Bureau</li> <li>Matters related to sustainability</li> <li>Slow-moving inventory</li> </ul>

(2) Directors and Audit & Supervisory Board Members

(i) List of Directors and Audit & Supervisory Board Members

Male: 14, Female: 1 (Ratio of female Directors and Audit & Supervisory Board Members: 6%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (1,000 shares)
President & Chief Executive Officer General Manager of MM Headquarters	Yuji Otsuka	February 13, 1954	Apr. 1976 Joined The Bank of Yokohama, Ltd. Dec. 1980 Joined Ricoh Company, Ltd. Nov. 1981 Joined the Company Mar. 1992 Director Mar. 1993 Operating Director Mar. 1994 Executive Operating Director Mar. 1995 Director & Vice President (Representative Director) Aug. 2000 President & Chief Executive Officer of Otsuka Sobi Co., Ltd. (current position) Aug. 2001 Director & President (Representative Director) of the Company Mar. 2006 President & Chief Executive Officer (current position)	(Note) 5	9,363
Managing Director & Senior Executive Operating Officer General Manager of Sales Headquarters	Kazuyuki Katakura	June 11, 1952	Mar. 1976 Joined the Company Oct. 1996 General Manager of CAD Sales Promotion Department Mar. 1997 Director Mar. 1999 Operating Director Jul. 2003 Operating Director & Senior Managing Officer Mar. 2006 Managing Director & Senior Operating Officer Mar. 2008 Managing Director & Executive Operating Officer Mar. 2018 Managing Director & Senior Executive Operating Officer (current position)	(Note) 5	101
Managing Director & Executive Operating Officer Deputy General Manager of Sales Headquarters, Executive Department Head of CAD Department, General Manager of CAD Promotion Department	Hironobu Tsurumi	July 23, 1955	Mar. 1979 Joined the Company Nov. 2001 Chairperson of Aurora & Otsuka (currently Otsuka Information Technology Corp.) (current position) Jul. 2004 Managing Officer Mar. 2006 Senior Managing Officer Mar. 2010 Director & Senior Managing Officer Mar. 2013 Managing Director & Operating Officer Mar. 2018 Managing Director & Senior Operating Officer Mar. 2019 Managing Director & Executive Operating Officer (current position)	(Note) 5	60
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	Hironobu Saito	July 17, 1949	Aug. 1968 Joined the Company Oct. 2000 General Manager of Corporate Planning Office Jul. 2003 Managing Officer Mar. 2005 Senior Managing Officer Mar. 2007 Director & Senior Managing Officer Mar. 2011 Managing Director & Operating Officer Mar. 2018 Managing Director & Senior Operating Officer Mar. 2021 Managing Director & Executive Operating Officer (current position)	(Note) 5	372
Managing Director & Operating Officer General Manager of Technology Headquarters, Executive Department Head of AP Solution Department	Minoru Sakurai	March 27, 1957	Mar. 1979 Joined the Company Jul. 2003 Head of Technical Solution Center Mar. 2005 Managing Officer Mar. 2010 Senior Managing Officer Mar. 2011 Director & Senior Managing Officer Mar. 2013 Managing Director & Operating Officer (current position)	(Note) 5	39
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	Koichiro Yamada	February 1, 1963	Mar. 1986 Joined the Company Mar. 2018 Managing Officer Mar. 2023 Senior Managing Officer Mar. 2024 Operating Officer Mar. 2025 Managing Director & Operating Officer (current position)	(Note) 5	13

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (1,000 shares)
Managing Director & Senior Managing Officer General Manager of Finance and Accounting Department	Kazuo Uneno	Dec. 8, 1967	Jan. 1997    Joined the Company Jan. 2017    General Manager of Finance and Accounting Department Mar. 2021    Managing Officer Mar. 2023    Senior Managing Officer Mar. 2025    Managing Director & Senior Managing Officer (current position)	(Note) 5	1
Director	Jiro Makino (Note) 2	May 14, 1953	Apr. 1983    Registered as an attorney at law Aug. 1990    Established MAKINO legal professional office (currently MAKINO law office professional corporation) Director (current position) Mar. 2004    Outside Audit & Supervisory Board Member of the Company Mar. 2015    Outside Director (current position)	(Note) 5	—
Director	Tetsuo Saito (Note) 2	March 25, 1954	Apr. 1977    Joined Tokyo Stock Exchange (currently Japan Exchange Group, Inc.) May 1997    Representative Director of Work Two Co., Ltd. (current position) May 2009    Outside Audit & Supervisory Board Member of Diamond Dining Co., Ltd. (currently DD GROUP Co., Ltd.) Jun. 2012    Outside Audit & Supervisory Board Member of DM Solutions Co., Ltd. (current position) Dec. 2015    Outside Director of Career Design Center Co., Ltd. (current position) Mar. 2016    Outside Director of the Company (current position) May. 2023    Outside Director (Audit & Supervisory Board Member) of DD GROUP Co., Ltd. (current position)	(Note) 5	—



Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (1,000 shares)
Director	Makiko Hamabe (Note) 2, 4	August 28, 1964	<p>Apr. 1988 Joined Tokyo Office of the Central Bank of Chile (Financial Department of Embassy of Chile)</p> <p>Sep. 1992 Joined Tokyo Branch of J.P. Morgan Securities Asia Pte. Limited (currently JP Morgan Securities Japan Co., Ltd.)</p> <p>Apr. 1995 Joined Tokyo Office of Company Information Division, Department of Trade and Industry of Catalonia, Spain</p> <p>Jun. 1998 Joined Thomson Financial Investor Relations</p> <p>Mar. 2000 Joined Yahoo Japan Corporation (currently LY Corporation)</p> <p>Sep. 2019 Joined DIP Corporation</p> <p>Feb. 2021 Established Makiko Hamabe Office Representative (current position)</p> <p>Mar. 2021 Outside Director of SoldOut, Inc</p> <p>Mar. 2021 Outside Director of the Company (current position)</p> <p>Mar. 2023 Outside Audit &amp; Supervisory Board Member of McDonald's Holdings Company (Japan), Ltd. (current position)</p>	(Note) 5	—
Director	Fuminori Suzumura (Note) 2	October 25, 1966	<p>Apr. 1990 Joined Epson Sales Japan Corporation</p> <p>Jun. 2014 Director</p> <p>Apr. 2019 President &amp; Chief Executive Officer</p> <p>Jun. 2019 Managing Officer of Seiko Epson Corporation</p> <p>Mar. 2025 Outside Director of the Company (current position)</p>	(Note) 5	—
Standing Audit & Supervisory Board Member	Tatsumi Murata	November 2, 1957	<p>Mar. 1981 Joined the Company</p> <p>Jan. 2013 General Manager of Operation Administration Department</p> <p>Apr. 2016 General Manager of Office of Auditors</p> <p>Mar. 2020 Operating Officer, General Manager of Office of Auditors</p> <p>Mar. 2021 Standing Audit &amp; Supervisory Board Member (current position)</p>	(Note) 6	4
Audit & Supervisory Board Member	Kazuhiko Nakai (Note) 3	August 31, 1951	<p>Aug. 1976 Joined Chuo Audit Corporation</p> <p>Mar. 1981 Registered as a certified public accountant</p> <p>Nov. 1995 Senior Partner of Chuo Audit Corporation</p> <p>Mar. 2005 Registered as a certified public tax accountant</p> <p>Established Kazuhiko Nakai Tax Accountant Office</p> <p>Director (current position)</p> <p>Jul. 2007 Senior Partner of Ernst &amp; Young ShinNihon (currently Ernst &amp; Young ShinNihon LLC)</p> <p>Jul. 2010 Established Kazuhiko Nakai CPA Office</p> <p>Director (current position)</p> <p>Jun. 2011 Outside Audit &amp; Supervisory Board Member of Nippon Antenna Co., Ltd. (current position)</p> <p>Mar. 2012 Outside Audit &amp; Supervisory Board Member of the Company (current position)</p> <p>Feb. 2019 Outside Director of S-Pool, Inc. (current position)</p>	(Note) 7	—

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (1,000 shares)
Audit & Supervisory Board Member	Etsuo Hada (Note) 3	November 27, 1961	Sep. 1987 Joined Chuo Audit Corporation Mar. 1990 Registered as a certified public accountant Aug. 1993 Registered as a judicial scrivener Sep. 1993 Director of Hada CPA and Judicial Scrivener Office (current position) Jun. 1999 Registered as a certified public tax accountant Jun. 2004 Registered as an administrative scrivener Jun. 2004 Corporate Auditor of The Nikkan Kogyo Shimbun, Ltd. (current position) Mar. 2016 Outside Audit & Supervisory Board Member of the Company (current position)	(Note) 7	—
Audit & Supervisory Board Member	Katsumasa Minagawa (Note) 3	July 21, 1971	Apr. 1998 Joined Mitsubishi Corporation Dec. 2007 Registered as an attorney at law (Dai-Ichi Tokyo Bar Association) Sep. 2010 Established Minagawa Ebisu Law Office Representative Attorney Jun. 2016 Outside Statutory Auditor of Ubiquitous Corporation (currently Ubiquitous AI Corporation) (current position) Mar. 2020 Outside Audit & Supervisory Board Member of the Company (current position) Jan. 2022 Established Kollect Partners Representative Attorney (current position)	(Note) 7	—
Total					9,957

- (Notes)
1. The number of shares held is rounded down to the nearest thousand shares.
  2. Directors Jiro Makino, Tetsuo Saito, Makiko Hamabe and Fuminori Suzumura are Outside Directors.
  3. Audit & Supervisory Board Members Kazuhiko Nakai, Etsuo Hada and Katsumasa Minagawa are Outside Audit & Supervisory Board members.
  4. Makiko Hamabe's name on the family register is Makiko Yasui.
  5. The period between the election at the Annual General Meeting of Shareholders held on March 27, 2025 and the conclusion of the Annual General Meeting of Shareholders for fiscal 2026
  6. The period between the election at the Annual General Meeting of Shareholders held on March 29, 2023 and the conclusion of the Annual General Meeting of Shareholders for fiscal 2026
  7. The period between the election at the Annual General Meeting of Shareholders held on March 27, 2024 and the conclusion of the Annual General Meeting of Shareholders for fiscal 2027
  8. The Company introduced the Executive Officer System in July 2003 in order to further strengthen corporate governance and improve management efficiency. Executive Officers of the Company are comprised of the following persons, as well as those concurrently serving as Director as listed above.

Title	Position	Name
Operating Officer	Executive Division Manager of Tanomail Division	Kazuki Kimura
Operating Officer	Executive Division Manager of LA Division, General Manager of Regional Sales Department, LA Division	Kazuhiro Kohara
Operating Officer	Deputy General Manager of MM Headquarters, Executive Division Manager of MM Strategic Promotion Business Division, General Manager of MM Strategic Promotion Department, General Manager of MM Promotion Department, General Manager of Regional Promotion Department, in charge of Sales Support Center	Yoshihiro Tokura
Chief Corporate Officer	Deputy General Manager of Technology Headquarters, Executive Department Head of TC Solution Department, Head of Technical Solution Center	Tatsuya Shimizu
Senior Managing Officer	Head of Total Solution Group, Head of Inside Business Center, Head of SPR / CRM Center	Toshio Otani
Senior Managing Officer	Assistant to Executive Department Head of CAD Department, General Manager of PLM Solution Sales Department	Hiroshi Muto
Senior Managing Officer	Head of Multi-AI Research Center	Takahiro Jinushi
Senior Managing Officer	General Manager of Northern Kanto Sales Dept.	Hiroki Saito
Senior Managing Officer	Executive Division Manager of BP Division, General Manager of East Japan Sales Department, BP Division, General Manager of MA/CAD Sales Department, BP Division, General Manager of BPMRO Sales Department	Isao Murakami
Senior Managing Officer	General Manager of President's Office, General Manager of Legal and Compliance Office	Koichi Hisano
Senior Managing Officer	General Manager of Human Resources and General Affairs Department	Shigeru Koizumi
Senior Managing Officer	General Manager of Osaka Southern Sales Dept.	Teruki Ashihara
Senior Managing Officer	Head of Application Solution Center	Kenji Kuwabara
Senior Managing Officer	Executive Department Head of Support Center Department, Head of Tayoreru Management Service Center	Kazuya Hamaguchi
Senior Managing Officer	Total Solution Master	Hiroki Yamaguchi
Senior Managing Officer	Total Solution Master	Kenji Watanabe
Managing Officer	Assistant to Executive Division Manager of Tanomail Division, General Manager of Tanomail Sales Department, General Manager of Tanomail Information Department, General Manager of Tanomail Marketing Department	Tomohiro Tsuchiya
Managing Officer	Executive Department Head of Area Department	Shinji Koike
Managing Officer	General Manager of Product Department, General Manager of Logistics Promotion Department	Hiroshi Iwamiya
Managing Officer	General Manager of Operation Administration Department	Naoko Sano
Managing Officer	General Manager of Project Promotion Office, Head of Customer Personalized Pages Promotion Center	Yukitaka Suzuki
Managing Officer	General Manager of Chuo Sales Dept. 2	Yuji Miyagawa
Managing Officer	Executive Department Head of Telecommunication Network Department, General Manager of ICT Major Customers Supervision Sales Department, General Manager of Telecommunication Network Promotion Department	Kiyotaka Tsuboi
Managing Officer	General Manager of Total Information System Office	Yoshimitsu Ogura
Managing Officer	General Manager of Chuo Sales Dept. 1	Yoshinobu Takada
Managing Officer	Chubu Office Manager	Shinji Kamimura

(ii) Outside Directors and Audit & Supervisory Board Members

The Company has four Outside Directors and three Outside Audit & Supervisory Board Members.

Outside Director Jiro Makino has been appointed as an Outside Director because of his knowledge and experience as a lawyer and long years of involvement in the actual practice of corporate legal affairs. The Tokyo Stock Exchange has been notified that he has been designated as an independent officer as stipulated by the Exchange.

There are no special interests or otherwise relationship between the Company and MAKINO law office professional corporation, in which Outside Director Jiro Makino concurrently holds a significant position.

Outside Director Tetsuo Saito has been appointed as an Outside Director because of his long years of experience in participating in the management of numerous companies in multiple industries. The Tokyo Stock Exchange has been notified that he has been designated as an independent officer as stipulated by the Exchange.

There are no special interests or otherwise relationship between the Company and Work Two Co., Ltd., DD GROUP Co., Ltd., DM SOLUTIONS Co., Ltd. and Career Design Center Co., Ltd., in which Outside Director Tetsuo Saito concurrently holds a significant position.

Outside Director Makiko Hamabe has been appointed as an Outside Director because of her high level of knowledge about ESG and IR and her involvement in corporate communications and IR-related activities for many years. The Tokyo Stock Exchange has been notified that she has been designated as an independent officer as stipulated by the Exchange.

There are no special interests or otherwise relationship between the Company and Makiko Hamabe Office and McDonald's Holdings Company (Japan), Ltd., in which Outside Director Makiko Hamabe concurrently holds a significant position.

Outside Director Fuminori Suzumura has been appointed as an Outside Director because of his involvement in the information and telecommunications industry for many years and his high level of knowledge regarding sales promotion and marketing, as well as knowledge regarding overall management from his experience serving as the President & Chief Executive Officer. The Tokyo Stock Exchange has been notified that he has been designated as an independent officer as stipulated by the Exchange.

Outside Director Fuminori Suzumura worked for Seiko Epson Corporation and its consolidated subsidiary Epson Sales Japan Corporation, which are business partners of the Company. Although there are business transactions between both companies and the Company, the Company believes that the impact on the independence as an outside Director is immaterial since the annual amount of the transactions is less than 1% of the respective amounts of consolidated net sales of Seiko Epson Corporation and the Company.

Outside Audit & Supervisory Board Member Kazuhiko Nakai has been appointed as an Outside Audit & Supervisory Board Member because of his knowledge and experience as a certified public accountant and certified public tax accountant and long years of involvement in the actual practice of corporate accounting. The Tokyo Stock Exchange has been notified that he has been designated as an independent officer as stipulated by the Exchange.

There are no special interests or otherwise relationship between the Company and Kazuhiko Nakai Tax Accountant Office, Kazuhiko Nakai CPA Office, Nippon Antenna Co., Ltd. and S-Pool, Inc., in which Outside Audit & Supervisory Board Member Kazuhiko Nakai concurrently holds a significant position.

He joined Ernst & Young ShinNihon (currently Ernst & Young ShinNihon LLC) as a representative partner in 2007 and resigned from the firm in 2010. Although the Company and Ernst & Young ShinNihon LLC have concluded an agreement and the Company receives accounting audits from the firm, there are no special interests or otherwise relationship with the Company and the firm.

Outside Audit & Supervisory Board Member Etsuo Hada has been appointed as an Outside Audit & Supervisory Board Member because of his knowledge and experience as a certified public accountant, certified public tax accountant, judicial scrivener and administrative scrivener, as well as his long years of involvement in the actual practice of corporate accounting and legal affairs. The Tokyo Stock Exchange has been notified that he has been designated as an independent officer as stipulated by the Exchange.

There are no special interests or otherwise relationship between the Company and Hada CPA and Judicial Scrivener Office and The Nikkan Kogyo Shimbun, Ltd., in which Outside Audit & Supervisory Board Member Etsuo Hada concurrently holds a significant position.

Outside Audit & Supervisory Board Member Katsumasa Minagawa has been appointed as an Outside Audit & Supervisory

Board Member because of his knowledge and experience as a lawyer as well as his long years of involvement in the actual practice of corporate legal affairs. The Tokyo Stock Exchange has been notified that he has been designated as an independent officer as stipulated by the Exchange.

There are no special interests or otherwise relationship between the Company and Kollect Partners and Ubiquitous AI Corporation, in which Outside Audit & Supervisory Board Member Katsumasa Minagawa concurrently holds a significant position.

The Company does not stipulate standards and other criteria regarding independence in terms of the selection and appointment of Outside Directors and Outside Audit & Supervisory Board Members. However, the Company selects and appoints individuals who are able to ensure independence from the Company based on the criteria for determining independence of directors and auditors set out by the Tokyo Stock Exchange.

Outside Directors and Outside Audit & Supervisory Board Members each attend Board of Directors meetings to provide opinions based on their extensive insights and experience. This strengthens the function of overseeing business execution by the Board of Directors and decision-making by the Board of Directors.

- (iii) Supervision or auditing by Outside Directors or Outside Audit & Supervisory Board Members and mutual cooperation among internal audits, Audit & Supervisory Board audits and Accounting Auditor audits, and relationships with internal control departments

Outside Directors attend the Audit & Supervisory Board as necessary as observers, ascertain the status of audit implementation by the Audit & Supervisory Board, and exchange information with Audit & Supervisory Board Members. With regard to internal audits, Outside Directors receive audit reports from the Office of Auditors every month, and makes proposals as necessary.

Outside Audit & Supervisory Board Members receive a report on the audit plan and the status of audit implementation from the Office of Auditors and exchange opinions at the Audit & Supervisory Board meetings held in principle once per month.

Besides receiving reports on the establishment and operation of internal controls from the Internal Control Committee at the Board of Directors meetings, Outside Directors and Outside Audit & Supervisory Board Members exchange information and opinions with the Finance and Accounting Department and Legal and Compliance Office at the Board of Directors meetings, Audit & Supervisory Board meetings, and Board of Independent Outside Officers meetings as appropriate to ascertain the current situation and issues of the Group and express opinions from a professional viewpoint as necessary.

Outside Audit & Supervisory Board Members, with the attendance of Outside Directors, meet on a timely basis with Accounting Auditors to confirm auditing plans and the condition of audit implementation and progress on improvements to recommended areas, exchange information on confirming the legality of actions, etc. taken by Directors and take appropriate steps as required.

(3) Status of audits

(i) Status of audits by Audit & Supervisory Board Members

The Audit & Supervisory Board consists of four members, including three Outside Audit & Supervisory Board Members (one standing Audit & Supervisory Board Member and three non-standing Audit & Supervisory Board Members) as described in “(1) Overview of corporate governance (ii) Overview of the corporate governance system and reason for adopting this system,” and the names of its members and selection criteria are presented in “(2) Directors and Audit & Supervisory Board Members.” Among these Audit & Supervisory Board Members, Outside Audit & Supervisory Board Member Kazuhiko Nakai and Outside Audit & Supervisory Board Member Etsuo Hada hold qualifications as certified public accountants and certified public tax accountants and have considerable knowledge of finance and accounting. In addition, Outside Audit & Supervisory Board Member Katsumasa Minagawa holds qualifications as a lawyer and has considerable knowledge of law.

The Audit & Supervisory Board is chaired by a standing Audit & Supervisory Board Member in accordance with its resolution.

The Audit & Supervisory Board in principle convened once per month during the fiscal year and the state of attendance by each Audit & Supervisory Board Member is as follows:

Class	Name	Number of times convened	Number of times attended (attendance rate)
Standing Audit & Supervisory Board Member	Tatsumi Murata	14 times	14 times (100%)
Audit & Supervisory Board Member	Kazuhiko Nakai	14 times	14 times (100%)
Audit & Supervisory Board Member	Etsuo Hada	14 times	14 times (100%)
Audit & Supervisory Board Member	Katsumasa Minagawa	14 times	14 times (100%)

The main items considered and the status of activities by the Audit & Supervisory Board are as follows:

Items considered	Status of activities		
	Standing	Non-standing	Activity details
Formulation of audit policy and annual plan	○	○	After discussion, formulated the audit policy and annual plan.
Selection of persons convening the Audit & Supervisory Board meetings and the chairperson thereof	○	○	After discussion, the person convening the Audit & Supervisory Board meetings and the chairperson thereof were selected.
Selection of standing Audit & Supervisory Board Member	○	○	After discussion, standing Audit & Supervisory Board Member was selected.
Determination of a specified Audit & Supervisory Board Member	○	○	After discussion, a specified Audit & Supervisory Board Member was decided.
Determination of monthly remuneration for Audit & Supervisory Board Members	○	○	After discussion, the monthly remuneration for Audit & Supervisory Board Members was decided.
Approval of the proposal for the election of Audit & Supervisory Board Members	○	○	After discussion, the proposal for the election of Audit & Supervisory Board Members was approved.
Exchange of opinions with the President & Chief Executive Officer	○	○	Opinions were exchanged with the President & Chief Executive Officer.
Attendance and expression of opinions at the Board of Directors meetings	○	○	Each Audit & Supervisory Board Member attended all Board of Directors meetings and expressed opinions as appropriate.
Attendance and expression of opinions at important meetings	○	—	Attended important meetings (Executive Board Meeting, Otsuka Corporation Group Management Meeting, IT Control Committee, etc.) and expressed opinions as appropriate. (Note) 1
Attendance and expression of opinions at annual planning meetings for the next fiscal year	○	○	Attended annual planning meetings for the next fiscal year and expressed opinions as appropriate.
Hearing reports from Directors and employees	○	○	Received reports from Directors who also serve as Executive Officers and department heads and requested explanations.

Items considered	Status of activities		
	Standing	Non-standing	Activity details
Monitoring and verification of status of establishment and operation of the internal control system, including financial reporting	○	○	Monitored and verified status of establishment and operation of the internal control system, including financial reporting.
Confirmation of status of accounts receivable collection	○	—	Confirmed the status of accounts receivable collection and requested explanations. (Note) 1
Examination of financial results documents	○	○	Examined financial results documents and requested explanations.
Examination of important documents	○	—	Examined important documents (approval documents, etc.) and requested explanation. (Note) 1
Report on the status of execution of duties by standing Audit & Supervisory Board Member	○	○	Standing Audit & Supervisory Board Member reported to non-standing Audit & Supervisory Board Members on the status of execution of duties by the standing Audit & Supervisory Board Member.
Observation for inventory counts	○	○	Observed inventory counts and requested explanations.
Cooperation and exchange of opinions among the three-way audits (accounting auditor and the Office of Auditors)	○	○	Received reports on the audit plan and audit implementation status from the accounting auditor and the Office of Auditors and exchanged opinions.
Exchange of opinions with the Presidents & Chief Executive Officer of consolidated subsidiaries	○	○	Exchanged opinions with the Presidents & Chief Executive Officer of consolidated subsidiaries.
Hearing reports and exchanging opinions with Audit & Supervisory Board Members of consolidated subsidiaries	○	○	Received reports from Audit & Supervisory Board Members of consolidated subsidiaries and exchanged opinions.
Hearing internal reports regarding whistleblowing independent of management	○	○	Received internal reports from a whistleblowing hotline independent of management.
Assessment of the appropriateness of the accounting auditor's audit method and results	○	○	Assessed the appropriateness of the accounting auditor's audit method and results and decided to reappoint the accounting auditor.
Consent to accounting auditor's fee	○	○	Discussed and consented to the accounting auditor's fee plan.
Consent to the non-assurance services agreement with the accounting auditor	○	○	Discussed and consented to the notice regarding the provision of non-assurance services by the accounting auditor.
Preparation of audit report	○	○	Audited business reports, financial statements, etc., and prepared an audit report.

(Note) 1. Important matters are also shared with non-standing Audit & Supervisory Board Members as appropriate.

The Legal & Compliance Office is in charge of assisting Audit & Supervisory Board Members with their duties. Although the Legal & Compliance Office is an organization within the Business Administration Headquarters, one employee (concurrent position) assists with Audit & Supervisory Board Members' duties based on instructions given directly by Audit & Supervisory Board Members to ensure independence.

#### (ii) Status of internal audits

The Office of Auditors (19 persons) under the direction of the President has been established to conduct periodic and on-demand internal audits of all operations across the Group and assess the adequacy of policies, plans and procedures, the effectiveness of their implementation and compliance with laws, as well as to offer concrete advice for improving operations and raising awareness. There is no system for direct reporting of audit results to the Board of Directors, however we believe that the effectiveness of internal audits is ensured because these audit results are reported in writing to all of Directors and Audit & Supervisory Board Members each month. In addition, the Office of Auditors receives reports on the results of internal audits implemented at each group company from Office of Auditors established at each group company.

The Office of Auditors regularly exchanges opinions with the accounting auditor regarding audit plans, the state of audit

implementation and results, and strives for mutual collaboration. In this fiscal year, the Office of Auditors held opinion exchanges in January and July.

Additionally, the Office of Auditors strives for mutual collaboration with Audit & Supervisory Board Members at the Audit & Supervisory Board meetings as described in “(2) Directors and Audit & Supervisory Board Members (iii) Supervision or Auditing by Outside Directors or Outside Audit & Supervisory Board Members and Mutual Cooperation among Internal Audits, Audit & Supervisory Board Audits and Accounting Audits, and Relationships with Internal Control Departments,” and exchanged opinions ten times during this fiscal year.

(iii) Accounting audits

a) Name of audit firm

Ernst & Young ShinNihon LLC

b) Consecutive audit period

Since 1992

\* From 1992 to 2007, the Company concluded an audit contract with MISUZU Audit Corporation (then Chuo Shinko Audit Corporation). Subsequently, with the dissolution of MISUZU Audit Corporation, since 2007 the Company entered into an audit contract with EY ShinNihon LLC (then Ernst & Young ShinNihon). On this occasion, the certified public accountant who was executing the Company’s auditing work was also transferred to EY ShinNihon LLC (then Ernst & Young ShinNihon) and continued to execute the Company’s auditing work even after this transfer. As such, the Company considers the same audit firm as continuing to execute the Company’s auditing work and lists this in conjunction with the audit period of the audit firm prior to the transfer of the relevant certified public accountant.

c) Certified public accountants involved in audit-related operations

Munetake Kamiyama, Designated Engagement Partner

Hideaki Keyaki, Designated Engagement Partner

d) Composition of staff assisting in audit-related operations

CPAs: 6

Other individuals: 25

e) Audit firm selection policy and reasons thereof

(Accounting auditor selection policy)

The Audit & Supervisory Board makes comprehensive considerations that include the independence, expertise and the state of quality control of the accounting auditor as well as the appropriateness and efficiency of auditing activities and on the basis of the establishment of a system that assures the proper execution of duties of the accounting auditor, the Board of Directors decides on the suitability thereof.

(Policy on dismissal or determination of non-reappointment of accounting auditor)

The Audit & Supervisory Board will determine the details of the proposal for dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders if it determines that doing so is necessary, such as when there is an issue with the accounting auditor’s execution of duties.

If the accounting auditor is deemed to fall under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act, the accounting auditor shall be dismissed based on the consent of all Audit & Supervisory Board Members. In this case, the Audit & Supervisory Board Member selected by the Audit & Supervisory Board will report the intent and reason for the dismissal of the accounting auditor at the first General Meeting of Shareholders convened after the dismissal.

(Reason for reappointment of accounting auditor)

The Audit & Supervisory Board evaluated the accounting auditor in accordance with the policy for selecting the accounting auditor and determined that reappointing Ernst & Young ShinNihon LLC as the accounting auditor would be appropriate.



f) Evaluation of the Accounting Auditor by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board, as described in “(2) Directors and Audit & Supervisory Board Members (iii) Supervision or Auditing by Outside Directors or Outside Audit & Supervisory Board Members and Mutual Cooperation among Internal Audits, Audit & Supervisory Board Audits and Accounting Audits, and Relationships with Internal Control Departments,” exchanges information with the accounting auditor and receives reports from the accounting auditor on the results of quality control reviews and inspections of external audit firms.

Audit & Supervisory Board Members and the Audit & Supervisory Board evaluated the accounting auditor based on the evaluation standards prescribed in the Japan Audit & Supervisory Board Members Association’s “Practical Guidelines for Auditors Concerning Determination of Evaluation Standards for Selection Criteria for Accounting Auditors” and determined this to be suitable.

(iv) Details of audit fees, etc.

a) Fee for auditing certified public accountants

Class	Previous fiscal year		Current fiscal year	
	Fee for audit services (Millions of yen)	Fee for non-audit services (Millions of yen)	Fee for audit services (Millions of yen)	Fee for non-audit services (Millions of yen)
Reporting company	76	2	79	2
Consolidated subsidiaries	18	—	18	—
Total	94	2	98	2

Non-audit services for the Company include advisory services related to the preparation of English translations of annual securities reports, which fall under services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

b) Fee for the same network as the auditing certified public accountants (Ernst & Young) (excluding a)

Not applicable.

c) Details of fee for other important audit and certification services

Not applicable.

d) Policy for determining audit fees

The Company determines with the consent from the Audit & Supervisory Board an appropriate amount of audit fees based on a number of factors, including the number of days of auditing work, the nature of auditing duties and scale of work to ensure the accounting auditor can conduct auditing and certification services fairly and in good faith from an independent standpoint.

e) Reasons the Audit & Supervisory Board consented to the fee for the accounting auditor

The Audit & Supervisory Board, upon undertaking necessary verifications of the appropriateness of the details of the accounting auditor’s audit plan, the state of execution of duties regarding accounting audits and the basis for calculating fee estimates, has consented to the provisions of Article 399, Paragraph 1 of the Companies Act for the fee for the accounting auditor.

(4) Directors' remuneration

(i) Items concerning policy for determination of remuneration amounts for Directors and calculation method

The Company has resolved its policy for determining the details of individual remuneration for Directors at a meeting of the Board of Directors. In addition, the Board of Directors has confirmed that the method of determining the details of remuneration, etc. and the details of remuneration, etc. determined for each individual director for the current fiscal year are consistent with the policy for determining remuneration resolved by the Board of Directors, and therefore believes that the remunerations are in line with such policy.

The Company's policy for determining the details of individual remuneration for Directors is as follows.

[Policy for Determining Remuneration for Directors]

Remuneration for Directors (excluding Outside Directors) shall be monetary remuneration within the range approved by a resolution of the General Meeting of Shareholders and shall comprise 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 Managing Officers, position and performance as a Managing Officer shall also be considered in determining their Director remuneration. Remuneration levels as well as the percentages of each of the following types of remuneration as individual remuneration for Directors are set according to job responsibilities and contributions, etc., giving reference to survey data from external specialist organizations.

- A. 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.
- B. In order to link bonuses with the level of contribution to the operation of the Company, the payment level of bonuses is predetermined based on the achievement rate of target operating profit, which is strongly correlated to share 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.
- C. 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.
- D. 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.
- E. 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.

Outside Directors shall receive monetary remuneration that consists solely of fixed basic remuneration from the perspective of maintaining independence. Basic remuneration shall be within a range approved by a resolution of the General Meeting of Shareholders and paid monthly in an amount determined based on the remuneration levels of other companies and the remuneration levels of standing Directors of the Company.

As per the above policy, the Nomination and Remuneration Committee, an advisory body to the Board of Directors, deliberates A. basic remuneration, B. bonuses, and D. retirement benefits for officers as well as remuneration for Outside Directors. The said committee then reports the results of its deliberations to the Board of Directors, which makes determinations. The overview of Nomination and Remuneration Committee is described in "(1) Overview of corporate governance (ii) Overview of the corporate governance system and reason for adopting this system A. Overview of the corporate governance system."

The Nomination and Remuneration Committee held the meetings as described in “(1) Overview of corporate governance (v) Status of activities by the Nomination and Remuneration Committee,” to deliberate on remuneration for officers during the current fiscal year and reported the results of its deliberations to the Board of Directors.

#### Reference

Annual basic amount for each position stipulated in the rules for retirement benefits for officers (effective from April 2003)

Position	Fixed amount by position (Ten thousand yen)
President & Chief Executive Officer	1,200
Managing Director & Senior Executive Operating Officer	400
Managing Director & Executive Operating Officer	370
Managing Director & Senior Operating Officer	300
Managing Director & Operating Officer	280
Managing Director & Senior Managing Officer	200

\* Cumulative amount of annual basic amount for each position (fixed amount by position) × total number of years in office

#### [Policy for Determining Remuneration for Audit & Supervisory Board Members]

Remuneration of Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) shall be monetary remuneration, and basic remuneration shall be paid within the range approved by a resolution of the General Meeting of Shareholders. Basic remuneration is paid monthly in an amount determined through discussions among Audit & Supervisory Board Members.

Retirement benefits for Audit & Supervisory Board Members were applied only to standing Audit & Supervisory Board Members. However, at the meeting of the Board of Directors held on February 21, 2022 and the General Meeting of Shareholders held on March 29, 2022, it was resolved that the retirement benefit system for standing Audit & Supervisory Board Members shall be abolished upon the conclusion of the General Meeting of Shareholders. For the standing Audit & Supervisory Board Member currently in office, to remunerate his achievements during his term of office until the conclusion of the General Meeting of Shareholders, at the aforementioned meeting of the Board of Directors and General Meeting of Shareholders, it was resolved that final retirement benefits shall be paid within a reasonable range based on certain standards prescribed by the Company and that the timing of payments shall be at the time of his retirement as Audit & Supervisory Board Member and the specific amount, method and other details of such payment shall be determined through discussions by the Audit & Supervisory Board Members.

Outside Audit & Supervisory Board members shall receive monetary remuneration that consists solely of fixed basic remuneration. Basic remuneration is paid monthly in an amount determined through discussions among Audit & Supervisory Board Members.

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

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 ¥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 directors (and other 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 and to pay retirement benefits 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.

## (iii) Total consolidated remuneration, etc. by officer of the reporting company

Name	Total consolidated remuneration (Millions of yen)	Officer class	Company category	Breakdown of consolidated remuneration (Millions of yen)		
				Fixed remuneration	Performance- linked remuneration	Retirement benefits
Yuji Otsuka	162	Director	Reporting company	72	78	12

(Note) Figures are only disclosed for officers that receive total consolidated remuneration of ¥100 million or more.

(5) Principal stockholdings by the Company

(i) Criteria and concept for classification of investment stocks

The Company classifies stocks into investment stocks held for the purpose of pure investment, which are investment stocks held for the purpose of obtaining profits from fluctuations in share prices and dividends from stocks, and investment stocks held for purposes other than pure investment (policy stocks), which are held for the purpose of strengthening relationships and alliances with partner companies. The Company does not in principle hold investment stocks for pure investment purposes.

(ii) Stocks held for purposes other than pure investment

a) Holding policy and method for verifying the rationality of holdings and details of verification by the Board of Directors regarding the suitability of holding individual stocks

One of the Company's management objectives is to continuously improve corporate value through business expansion even within a harsh economic environment and the Company recognizes that securing a wide-ranging sales network, the stable procurement of products and services and continuing to secure smooth financial transactions into the future are essential in executing its management strategy. Based on this need, the Company adheres to a policy of holding policy stocks for the purpose of strengthening relationships and alliances with partner companies and does not otherwise hold policy stocks.

Every year the Board of Directors verifies the returns and risks of policy stocks from a medium to-long-term perspective and considers the suitability of holding these stocks. As evaluation criteria for determining the suitability of holdings, the Company comprehensively considers such factors as the benefits of alliances, comparison of investment returns and the cost of capital, investment risk and the growth potential of the relevant company.

In accordance with the above criteria, as a shareholder, the Company will sell policy stocks that do not result in a medium-to-long-term increase in corporate value upon carrying out sufficient dialogue with its partner company.

At the Board of Directors meeting for the current fiscal year, the Company pursued a return on investment of all policy stocks that is calculated from dividends and business profits obtained from the company as well as the acquisition price of the shares and compared and verified the return on investment with the Company's cost of capital. As a result, the Company deliberated on the suitability of holding stocks for which return on investment was lower than the Company's cost of capital. As a result of this deliberation, although some of these stocks have little direct relation to business profits, the Company has confirmed the benefits of maintaining cooperative relationships in undertaking its business operations that include alliances in financing and fund settlement fields and has determined the appropriateness of holding these stocks. On the other hand, the Company has resolved to proceed with the sale of stocks for which the appropriateness of these holdings has not been recognized.

b) Criteria for exercising voting rights for policy stocks

Regarding the exercise of voting rights of policy stocks, the Company determines whether to approve or disapprove a proposal upon close examination of individual stocks to determine whether they contribute to the enhancement of medium-to-long-term corporate value of the relevant company and the Company.

c) Number of issues and balance sheet amount

	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted stocks	22	1,326
Stocks other than unlisted stocks	23	11,641

(Issues for which the number of shares increased this fiscal year)

	Number of issues	Total amount of acquisition price for the increase in the number of shares (Millions of yen)	Reason for increase in number of shares
Stocks other than unlisted stocks	1	25	Regular purchases by the Stock Ownership Association

(Issues for which the number of shares decreased this fiscal year)

	Number of issues	Total amount of sales price for the decrease in the number of shares (Millions of yen)
Stocks other than unlisted stocks	2	20

d) Information on the number of shares for each issue of specified investment stocks and deemed stocks held and balance sheet amounts

Specified investment stocks

Name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, etc., quantitative holding effect and reason the number of shares increased	Holds Company stock
	Number of shares (Shares) Balance sheet amount (Millions of yen)	Number of shares (Shares) Balance sheet amount (Millions of yen)		
PERSOL HOLDINGS CO., LTD.	30,000,000	30,000,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by securing and ensuring a stable supply of excellent human resources, including IT personnel, and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No Note 3
	7,095	7,263		
AVILEN, Inc.	1,140,000	1,140,000	The purpose of holding the company's shares is to improve corporate value by concluding a capital and business alliance agreement with the company, which has strengths in AI personnel training and AI systems market. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	1,038	2,910		
Ricoh Company, Ltd.	456,674	439,885	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by ensuring stable supplies of products and services and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares. The increase in the number of shares is due to fixed-amount purchases by the Stock Ownership Association for the purpose of strengthening relationships as important partners, since the company has a long track record centered on primarily office automation (OA) equipment.	Yes
	827	476		
SIOS Corporation	1,593,300	1,593,300	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by ensuring stable supplies of products and services and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	549	548		
Daiwa House Industry Co, Ltd.	100,000	100,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	485	427		

Name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, etc., quantitative holding effect and reason the number of shares increased	Holds Company stock
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Concordia Financial Group, Ltd.	382,204	382,204	The purpose of holding the company's shares is to improve corporate value of the company, a major financial institution of the Company, by facilitating smooth transactions including stable financing, and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	332	246		
GiG Works Inc.	1,080,000	1,080,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by ensuring stable supplies of products and services and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	Yes
	285	682		
Daito Trust Construction Co., Ltd.	13,100	13,100	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	230	214		
Credit Saison Co., Ltd.	50,000	50,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by ensuring stable supplies of products and services and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	184	129		
Cybertrust Japan Co., Ltd.	64,000	64,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by ensuring stable supplies of products and services and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	139	138		
Nihon Knowledge Co., Ltd.	134,000	134,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by ensuring stable supplies of products and services and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	Yes
	132	195		
Bandai Namco Holdings Inc.	28,512	28,512	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	107	80		
Mitsubishi UFJ Financial Group, Inc.	29,110	29,110	The purpose of holding the company's shares is to improve corporate value of the company, a major financial institution of the Company, by facilitating smooth transactions including stable financing, and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No Note 4
	53	35		

Name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, etc., quantitative holding effect and reason the number of shares increased	Holds Company stock
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Zeon Corporation	35,200	35,200	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	52	46		
Meiko Network Japan Co., Ltd.	60,000	60,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	43	45		
Nippon Kayaku Co., Ltd.	20,000	20,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	25	26		
Kyowa Kirin Co., Ltd.	8,000	8,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	19	18		
Mizuho Financial Group, Inc.	2,152	2,152	The purpose of holding the company's shares is to improve corporate value of the company, a major financial institution of the Company, by facilitating smooth transactions including stable financing, and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No Note 5
	8	5		
HYPER Inc.	24,000	24,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	7	7		
Maruzen Co., Ltd.	2,000	2,000	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	6	5		
Rengo Co., Ltd.	7,600	7,600	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	6	7		
Canon Marketing Japan Inc	1,155	1,155	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by ensuring stable supplies of products and services and by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	Yes
	5	4		



Name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, etc., quantitative holding effect and reason the number of shares increased	Holds Company stock
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
Autobacs Seven Co., Ltd.	1,500	1,500	The purpose of holding the company's shares is to improve corporate value of the company, one of the Company's business partners, by maintaining and strengthening the sales cooperation systems. The Company uses the method described in a) above and confirmed the rationality of its holdings of the company's shares.	No
	2	2		
Dai-ichi Life Holdings, Inc.	—	4,300	The Company has comprehensively considered the items described in a) above and sold the company's shares in the current fiscal year.	No Note 6
	—	12		
Tsuchiya Holdings Co., Ltd.	—	13,600	The Company has comprehensively considered the items described in a) above and sold the company's shares in the current fiscal year.	No
	—	3		

- (Notes)
1. All stocks, including stocks with recorded balance sheet amounts of 1% or less of their capital amounts, are listed.
  2. The - symbol indicates that the Company does not hold that stock as of the end of the current fiscal year.
  3. Although PERSOL HOLDINGS CO., LTD. does not hold Company shares, its subsidiary, PERSOL TEMPSTAFF CO., LTD., holds Company shares.
  4. Although Mitsubishi UFJ Financial Group, Inc. does not hold Company shares, its subsidiaries Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and au Kabucom Securities Co., Ltd. hold Company shares. au Kabucom Securities Co., Ltd. changed its company name to Mitsubishi UFJ eSmart Securities Co., Ltd. on February 1, 2025.
  5. Although Mizuho Financial Group, Inc. does not hold Company shares, its subsidiaries, Mizuho Bank, Ltd. and Mizuho Securities Co., Ltd., hold Company shares.
  6. Although Dai-ichi Life Holdings, Inc. does not hold Company shares, its subsidiary, The Dai-ichi Life Insurance Company, Limited, holds Company shares.

Deemed stocks

Not applicable.

(iii) Investment stocks held for pure investment purposes

Not applicable.

## V. Financial Information

### 1. Basis of preparation of consolidated and non-consolidated financial statements

- (1) Consolidated financial statements of the Group are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).
- (2) Non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963, the “Financial Statements Regulation”).

As the Company qualifies as a special company submitting financial statements, the Company prepares its non-consolidated financial statements pursuant to Article 127 of the Financial Statements Regulation.

### 2. Auditor’s report

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Group’s consolidated financial statements and non-consolidated financial statements for the fiscal year (January 1, 2024 to December 31, 2024) were audited by Ernst & Young ShinNihon LLC.

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

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to develop a system to ensure appropriate understanding of the content of accounting standards, etc., the Company joins the Financial Accounting Standards Foundation and actively collects information through such measures as participating in training offered by accounting standard setters, etc.

# 1 Consolidated Financial Statements, Etc.

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	228,692	228,136
Notes and accounts receivable - trade, and contract assets	*1, *4 155,269	*1, *4 200,952
Merchandise	36,068	71,935
Work in process	1,413	1,668
Raw materials and supplies	755	815
Other	37,689	65,482
Allowance for doubtful accounts	(93)	(147)
Total current assets	459,794	568,843
Non-current assets		
Property, plant and equipment		
Buildings and structures	49,925	50,418
Accumulated depreciation and impairment	(36,094)	(36,468)
Buildings and structures, net	13,831	13,950
Land	*3 14,448	*3 14,448
Other	17,389	18,434
Accumulated depreciation and impairment	(10,994)	(11,920)
Other, net	6,394	6,514
Total property, plant and equipment	34,674	34,913
Intangible assets		
Software	16,006	20,224
Other	59	59
Total intangible assets	16,065	20,283
Investments and other assets		
Investment securities	*2 26,306	*2 22,815
Guarantee deposits	3,108	3,215
Deferred tax assets	8,026	9,797
Deferred tax assets for land revaluation	*3 2,448	*3 2,448
Other	11,507	11,967
Allowance for doubtful accounts	(127)	(380)
Total investments and other assets	51,270	49,863
Total non-current assets	102,010	105,060
Total assets	561,805	673,903

	As of December 31, 2023	As of December 31, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	105,485	162,266
Electronically recorded obligations - operating	19,831	17,528
Short-term borrowings	4,400	4,300
Income taxes payable	9,495	13,790
Contract liabilities	16,443	17,762
Provision for bonuses	4,480	5,261
Other	43,126	68,783
Total current liabilities	203,263	289,692
Non-current liabilities		
Long-term borrowings	1,700	1,700
Lease obligations	1,204	861
Provision for retirement benefits for directors (and other officers)	644	613
Retirement benefit liability	6,961	4,695
Other	1,080	1,094
Total non-current liabilities	11,591	8,964
Total liabilities	214,854	298,656
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	311,537	339,422
Treasury shares	(141)	(143)
Total shareholders' equity	338,025	365,909
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,424	5,891
Deferred gains or losses on hedges	(35)	133
Revaluation reserve for land	*3 (5,269)	*3 (5,269)
Foreign currency translation adjustment	289	363
Remeasurements of defined benefit plans	2,678	3,771
Total accumulated other comprehensive income	5,087	4,889
Non-controlling interests	3,838	4,447
Total net assets	346,950	375,247
Total liabilities and net assets	561,805	673,903

## (ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net sales	*1 977,370	*1 1,107,668
Cost of sales	773,392	883,196
Gross profit	203,978	224,471
Selling, general and administrative expenses		
Salaries, allowances and bonuses	53,674	58,303
Remuneration for directors (and other officers)	578	582
Welfare expenses	10,263	11,258
Rent expenses	7,985	8,560
Transportation and storage costs	28,726	30,491
Provision for bonuses	3,088	3,631
Retirement benefit expenses	1,852	1,845
Provision for retirement benefits for directors (and other officers)	47	43
Provision of allowance for doubtful accounts	98	244
Depreciation	6,258	6,494
Other	28,444	28,654
Total selling, general and administrative expenses	*2 141,019	*2 150,110
Operating profit	62,959	74,360
Non-operating income		
Interest income	18	86
Dividend income	380	397
Income from recycling	199	238
Share of profit of entities accounted for using equity method	825	862
Foreign exchange gains	362	696
Other	437	456
Total non-operating income	2,224	2,739
Non-operating expenses		
Interest expenses	41	55
Donations	619	955
Provision of allowance for doubtful accounts	—	150
Other	5	7
Total non-operating expenses	665	1,168
Ordinary profit	64,517	75,931
Extraordinary income		
Gain on sale of non-current assets	*3 707	—
Gain on sale of investment securities	119	11
Other	12	—
Total extraordinary income	839	11
Extraordinary losses		
Loss on retirement of non-current assets	*4 26	*4 94
Impairment losses	245	85
Loss on valuation of investment securities	190	1,923
Other	2	—
Total extraordinary losses	464	2,103
Profit before income taxes	64,892	73,840
Income taxes - current	17,542	21,277
Income taxes - deferred	(738)	(1,663)
Total income taxes	16,803	19,613
Profit	48,089	54,226
Profit attributable to non-controlling interests	640	744
Profit attributable to owners of parent	47,448	53,481

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Profit	48,089	54,226
Other comprehensive income		
Valuation difference on available-for-sale securities	585	(1,539)
Deferred gains or losses on hedges	(10)	206
Remeasurements of defined benefit plans, net of tax	(689)	1,088
Share of other comprehensive income of entities accounted for using equity method	91	105
Total other comprehensive income	* (22)	* (138)
Comprehensive income	48,066	54,087
(Breakdown)		
Comprehensive income attributable to owners of parent	47,424	53,284
Comprehensive income attributable to non-controlling interests	641	802

## (iii) Consolidated Statements of Changes in Equity

I Fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,374	16,254	288,660	(140)	315,149
Changes during period					
Dividends of surplus			(23,700)	—	(23,700)
Profit attributable to owners of parent			47,448	—	47,448
Reversal of revaluation reserve for land			(871)	—	(871)
Purchase of treasury shares			—	(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	22,876	(0)	22,876
Balance at end of period	10,374	16,254	311,537	(141)	338,025

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,835	(26)	(6,141)	200	3,371	4,239	3,343	322,732
Changes during period								
Dividends of surplus								(23,700)
Profit attributable to owners of parent								47,448
Reversal of revaluation reserve for land								(871)
Purchase of treasury shares								(0)
Net changes in items other than shareholders' equity	588	(8)	871	88	(693)	847	494	1,342
Total changes during period	588	(8)	871	88	(693)	847	494	24,218
Balance at end of period	7,424	(35)	(5,269)	289	2,678	5,087	3,838	346,950

II Fiscal year ended December 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,374	16,254	311,537	(141)	338,025
Changes during period					
Dividends of surplus			(25,596)	—	(25,596)
Profit attributable to owners of parent			53,481	—	53,481
Purchase of treasury shares			—	(2)	(2)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	27,885	(2)	27,883
Balance at end of period	10,374	16,254	339,422	(143)	365,909

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	7,424	(35)	(5,269)	289	2,678	5,087	3,838	346,950
Changes during period								
Dividends of surplus								(25,596)
Profit attributable to owners of parent								53,481
Purchase of treasury shares								(2)
Net changes in items other than shareholders' equity	(1,532)	168	—	74	1,093	(197)	609	412
Total changes during period	(1,532)	168	—	74	1,093	(197)	609	28,296
Balance at end of period	5,891	133	(5,269)	363	3,771	4,889	4,447	375,247



## (iv) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	64,892	73,840
Depreciation	7,934	8,434
Impairment losses	245	85
Increase (decrease) in allowance for doubtful accounts	22	307
Interest and dividend income	(398)	(484)
Interest expenses	41	55
Share of loss (profit) of entities accounted for using equity method	(825)	(862)
Loss on retirement of non-current assets	26	94
Loss (gain) on sale of non-current assets	(707)	—
Loss (gain) on sale of investment securities	(116)	(11)
Loss (gain) on valuation of investment securities	190	1,923
Decrease (increase) in trade receivables	(2,875)	(45,839)
Decrease (increase) in inventories	6,595	(36,182)
Increase (decrease) in trade payables	6,357	54,477
Other, net	6,841	(1,712)
Subtotal	88,221	54,124
Interest and dividends received	726	818
Interest paid	(39)	(55)
Income taxes paid	(17,258)	(17,176)
Net cash provided by (used in) operating activities	71,649	37,711
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,990)	(3,217)
Proceeds from sale of property, plant and equipment	1,672	—
Purchase of software	(6,356)	(8,869)
Purchase of investment securities	(2,407)	(28)
Proceeds from sale of investment securities	129	20
Payments into time deposits	(10,000)	—
Other, net	(521)	146
Net cash provided by (used in) investing activities	(21,473)	(11,949)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(100)
Proceeds from long-term borrowings	1,700	—
Repayments of long-term borrowings	(1,700)	—
Dividends paid	(23,691)	(25,595)
Other, net	(147)	(195)
Net cash provided by (used in) financing activities	(23,839)	(25,891)
Effect of exchange rate change on cash and cash equivalents	3	1
Net increase (decrease) in cash and cash equivalents	26,340	(127)
Cash and cash equivalents at beginning of period	203,274	229,615
Cash and cash equivalents at end of period	* 229,615	* 229,488

[Notes to consolidated financial statements]

(Matters concerning going concern assumption)

Not applicable.

(Significant matters providing the basis for the preparation of consolidated financial statements)

1. Matters concerning the scope of consolidation

Number of consolidated subsidiaries: 4

Names of consolidated subsidiaries

OSK Co., LTD.

Networld Corporation

Alpha Techno Co., LTD.

Alpha Net Co., LTD.

Otsuka Auto Service Co., LTD. and three other subsidiaries have been excluded from the scope of consolidation as they are all small in scale, and their aggregate total assets, net sales, profit/loss (amount corresponding to the equity interest) and retained earnings (amount corresponding to the equity interest), etc. all have an immaterial impact on the consolidated financial statements.

2. Matters concerning application of the equity method

Number of affiliates accounted for using the equity method: 3

Names of companies, etc.

Otsuka Information Technology Corp.

LION OFFICE PRODUCTS CORP.

RO Holdings, Co., Ltd.

As for affiliates accounted for using equity method whose fiscal year-ends are different from the consolidated fiscal year-end, the Company uses their most recent financial statements closest to the consolidated fiscal year-end and makes necessary adjustments to reflect any significant transaction which occurred between their closing dates and the consolidated fiscal year-end in applying the equity method.

Otsuka Auto Service Co., LTD. and three other unconsolidated subsidiaries and Otsuka Business Service Co., LTD. and two other affiliates have been excluded from the scope of the application of the equity method and are not accounted for using the equity method, as they are all small scale of each subsidiary and they do not have any material impact on consolidated financial statements in terms of each company's profit/loss (amount corresponding to the equity interest) and retained earnings (amount corresponding to the equity interest), etc. and have no significance as a whole, even if they are excluded from the scope of the application of the equity method.

3. Matters concerning fiscal years, etc. of consolidated subsidiaries

The fiscal year-end of all consolidated subsidiaries is the same as the consolidated fiscal year-end.

#### 4. Matters concerning accounting policies

##### (1) Valuation standards and methods for significant assets

###### (i) Securities

###### Available-for-sale securities

Securities other than stocks, etc. that do not have a market price

Securities other than stocks, etc. that do not have a market price are recognized at fair value.

(Unrealized gains/losses on securities are directly charged to net assets, while cost of sales is determined by the moving-average method.)

Stocks, etc. that do not have a market price

Stocks, etc. that do not have a market price are stated at cost, determined by the moving-average method.

Investments in limited partnerships and similar entities (investments deemed to be securities prescribed under Article 2, Paragraph 2 of the “Financial Instruments and Exchange Act”)

The net amount equivalent to the Company’s partnership investment gain or loss under the equity method was recognized based on the latest available financial statements of the corresponding limited partnerships.

###### (ii) Derivatives

Derivatives are recognized at fair value.

###### (iii) Inventories

Inventories held for ordinary sales purposes

Inventories are stated at cost (carrying value of inventories on the balance sheet is stated by writing down the carrying value based on a decrease in profitability).

Merchandise

Primarily, moving-average method

Work in process

Specific identification method

Raw materials and supplies

Primarily, moving-average method

##### (2) Depreciation methods for significant depreciable assets

###### (i) Property, plant and equipment (excluding leased assets)

Declining-balance method

However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.

Estimated useful lives of assets are principally as follows:

Buildings and structures	15 to 50 years
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Other	4 to 10 years
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###### (ii) Intangible assets (excluding leased assets)

Software to be sold

Development costs of computer software to be sold are amortized based on the estimated sales revenue in the amount corresponding to the sales amount for the current fiscal year with the minimum amount amortized by the straight-line method over the useful life within 3 years.

Software for internal use

Software for internal use is amortized based on the straight-line method over the estimated useful life of the asset, which is 5 years.

###### (iii) Leased assets

Finance leased assets, which do not transfer ownership of the assets at the end of the lease term

Depreciation of finance leased assets, which do not transfer ownership of the assets at the end of the lease term, is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

(3) Basis for recognition of significant allowance and provisions

(i) Allowance for doubtful accounts

To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

(ii) Provision for bonuses

To provide for employees' bonus payments, an estimated amount to be paid in respect of the fiscal year is provided.

(iii) Provision for retirement benefits for directors (and other officers)

To provide for expenditure of retirement benefits for directors, the payment amount required as of the balance sheet date is recorded based on internal rules.

(4) Accounting methods for retirement benefits

(i) Method to attribute expected benefit to periods of service

Retirement benefit obligations for employees are attributed to each period by the benefit formula basis over the estimated years of service.

(ii) Method of recording actuarial gains and losses and prior service costs

Prior service cost is amortized as incurred by the straight-line method over certain periods (11 years), which are shorter than the average remaining years of service of the employees.

Actuarial gain or loss is amortized from the following year in which the gain or loss is recognized by the straight-line method over certain periods (mainly 12 years), which are shorter than the average remaining years of service of the employees.

(5) Basis for recognition of significant revenues and expenses

The Company and its consolidated subsidiaries consider "selecting and making a proposal on products and services according to challenges faced by a customer by capitalizing on knowledge accumulated within the Company Group to provide an environment in which they can be utilized by the customer" as a basic value added in carrying out its businesses. With this thinking as a basis for recognizing revenues, revenues are recognized in each segment of the System Integration business encompassing business areas from building to launching information systems, and the Service and Support business covering the business area of providing support after the system launch, as follows.

(i) System Integration Business

With respect to the sales of SI-related products that are included in the System Integration Business, we identify procuring copiers, PCs, servers, software, etc. from suppliers and providing to customers as performance obligations, and recognize revenues when the control of a relevant asset is transferred to the customer. However, for domestic sales transactions of goods shipped from the distribution centers of the Company and its consolidated subsidiaries, revenue is recognized at the time of shipment because the period between shipment of such assets and the transfer of control to the customer is a normal period of time. Certain transactions of SI-related products involve those that grant customers with a right of return. Revenue is not recognized for the portion of products that are expected to be returned when recognizing revenue, and refund liabilities are recognized in the amount of consideration that one consolidated subsidiary has received or expect to receive for that portion. For the right to recover products from customers when settling refund liabilities, returned assets are recognized for products to be returned. For certain transactions where other parties are involved, it is judged that the performance obligations of the Company and its consolidated subsidiaries are to make arrangements for the provision of a product or service by such other parties and that we engage in the transactions as an agent. Accordingly, revenues are recognized at a net amount.

With respect to consigned software development included in the System Integration Business, performance obligations are identified for each of the following four phases—1. requirements definition, 2. design, 3. construction, and 4. operation setup and migration—and contracts are entered into in phases, subject to passing an acceptance inspection. In phases 2. design and 3. construction, the asset value increases as the obligations under a contract are performed, and the customer acquires greater control of the relevant asset as its value increases. Accordingly, revenues are recognized based on the degree of completion. In measuring the degree of completion, the input method based on the percentage of costs actually incurred to the estimated total costs as of the end of the period is used. However, for short-duration contracts among those that fall under the above, revenues are recognized when performance obligations are fully satisfied.

For composite contracts as represented by contracts where SI-related products are customized to customers'

specifications, since products or services provided are not unique to the Company and its consolidated subsidiaries, and customers can purchase such products individually or combine with other resources easily, it is judged that they are individual performance obligations. Accordingly, revenues are recognized at specific points of time as described above.

(ii) Service and Support Business

For the sales of supplies (chiefly “tanomail” business (a mail-order service that quickly delivers everything from consumables such as copy paper and toner to stationery and office supplies)) included in the Service and Support Business, the procurement of office equipment-related consumables and stationery products from suppliers and the provision to customers are identified as performance obligations. Those transactions are mostly sales transactions in Japan for which shipment is made from the Company’s distribution centers, and revenues are recognized at the time of shipment since the period from the shipment of a relevant asset to the transfer of control to a customer is within a normal range. Further, with regards to points granted in accordance with the points system operated by the Company, points granted are identified as performance obligations and revenues are deferred with estimated number of points to be forfeited and other factors taken into account.

As for maintenance transactions, etc. included in the Service and Support Business, the provision of maintenance and support as service for equipment and software, etc. installed in the System Integration Business is identified as performance obligations. Performance obligations are satisfied over a certain period of time in some of those transactions, and according to the volume of service provided in other transactions. Revenues are recognized according to those terms. However, for certain services such as copier maintenance and telecommunication where other parties are involved, it is judged that the performance obligations of the Company and its consolidated subsidiaries are to make arrangements for the provision of a service by such other parties and that we engage in the transactions as an agent. Accordingly, revenues are recognized at a net amount.

(6) Significant foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates in effect at the balance sheet date, and the differences arising from the translation are recognized as gains/losses in the consolidated statements of income.

(7) Significant hedge accounting

(i) Hedge accounting method

Deferral hedge accounting method, in principle

(ii) Hedging instruments and hedged items

Hedging instruments: Forward foreign exchange contracts

Hedged items: Forecasted transactions denominated in foreign currencies

(iii) Hedge policy

Derivatives are utilized based on internal rules for the purpose of hedging its exposure to fluctuations in foreign exchange rates.

(iv) Evaluation of hedging effectiveness

The Group assesses their hedging effectiveness by comparing the cumulative changes in fair value of hedging instruments with the cumulative changes in fair value of hedged items based on the fluctuation amounts, etc. of the two. The effectiveness assessment is omitted when the substantial terms and conditions of the hedging instruments and hedged items are the same, and the market fluctuations are expected to be completely offset.

(8) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows are composed of cash in hand, bank deposits which can be withdrawn on demand and short-term investments with an original maturity of three months or less that are readily convertible to cash and which represent a minor risk of fluctuation in value.

(Significant accounting estimates)

There are no accounting estimates that have a risk of significantly impacting the consolidated financial statements for the next fiscal year.

(Accounting standards, etc. not yet adopted)

“Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)

“Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)

“Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These accounting standards and implementation guidance prescribe the classifications of income taxes in the case where other comprehensive income is taxed, and the treatment of tax effects related to the sale of shares, etc. of subsidiaries in the case where the group taxation regime is applied.

(2) Scheduled date of adoption

The Group expects to adopt these accounting standards and implementation guidance from the beginning of the fiscal year ending December 31, 2025.

(3) Impact of the adoption of accounting standards, etc.

The Group is currently evaluating the impact of the adoption of these accounting standards and implementation guidance on the consolidated financial statements.

“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)

“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

Other amendments to related accounting standards, implementation guidance, practical solutions, and transferred guidance

(1) Overview

The accounting standard and implementation guidance prescribe the accounting treatment of leases to be aligned with international accounting standards, requiring a lessee to record assets and liabilities for all leases, etc.

(2) Scheduled date of adoption

The Group expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending December 31, 2028.

(3) Impact of the adoption of accounting standards, etc.

The Group is currently evaluating the impact of the adoption of the accounting standard and implementation guidance on the consolidated financial statements.

(Consolidated balance sheets)

- \*1. Amounts of receivables arising from contracts with customers and contract assets, included in notes and accounts receivable - trade, and contract assets, were as follows:

	(Millions of yen)	
	As of December 31, 2023	As of December 31, 2024
Notes receivable	4,515	6,293
Accounts receivable	149,758	192,968
Contract assets	995	1,690

- \*2. Principal items related to unconsolidated subsidiaries and affiliates were as follows:

	(Millions of yen)	
	As of December 31, 2023	As of December 31, 2024
Investment securities (stock)	8,400	9,035
Investment securities (investments in capital)	217	217

- \*3. Pursuant to the “Act on Revaluation of Land” (No. 34 on March 31, 1998), and “Act on Partial Amendment to the Act on Revaluation of Land” (No. 19 on March 31, 2001), the Company revalued land used for business activities. The amount of revaluation difference, net of deferred tax assets for land revaluation or deferred tax liabilities for land revaluation, was recorded as “Revaluation reserve for land” under net assets in the accompanying consolidated balance sheets.

The revaluation method is stipulated in Article 3, Paragraph 3 of the “Act on Revaluation of Land”

The Company revalued land using the land price stipulated in Article 2, Item 4 of the “Order for Enforcement of Act on Revaluation on Land” (No. 119, March 31, 1998), and the property tax assessment value provided in Article 2, Item 3 for land without land price after making reasonable adjustments for land shape and so on.

The date of land revaluation: December 31, 2001

	(Millions of yen)	
	As of December 31, 2023	As of December 31, 2024
Differences between year-end fair value and carrying value after land revaluation	1,174	1,328

- \*4. December 31, 2023 and 2024 were bank holidays, and notes matured at the balance sheet date were accounted for as if they were settled on the maturity dates.

	(Millions of yen)	
	As of December 31, 2023	As of December 31, 2024
Notes receivable	478	498

(Consolidated statements of income)

\*1. Revenues arising from contracts with customers

The Group does not distinguish between revenues arising from contracts with customers and other revenues. The amount of revenues arising from contracts with customers is presented in “Notes to consolidated financial statements, (Revenue recognition), 1. Disaggregation of revenues arising from contracts with customers” in the consolidated financial statements.

\*2. Total research and development expenses were as follows:

(Millions of yen)		
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Research and development expenses included in general and administrative expenses and manufacturing costs for the current fiscal year	1,566	2,258

\*3. Gain on sale of non-current assets were as follows:

(Millions of yen)		
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Buildings and structures	454	—
Land	252	—
Other property, plant and equipment	1	—
Total	707	—

\*4. Loss on retirement of non-current assets were as follows:

(Millions of yen)		
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Buildings and structures	8	59
Other property, plant and equipment	15	34
Software	1	0
Total	26	94



## (Consolidated statements of comprehensive income)

\* Reclassification adjustments and tax effects related to other comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Valuation difference on available-for-sale securities		
Amount arising during the year	853	(2,206)
Reclassification adjustments	(0)	(11)
Amount before tax effect	852	(2,218)
Tax effect	(266)	679
Valuation difference on available-for-sale securities	585	(1,539)
Deferred gains or losses on hedges		
Amount arising during the year	103	708
Reclassification adjustments	(118)	(410)
Amount before tax effect	(14)	297
Tax effect	4	(91)
Deferred gains or losses on hedges	(10)	206
Remeasurements of defined benefit plans		
Amount arising during the year	(319)	2,270
Reclassification adjustments	(676)	(700)
Amount before tax effect	(995)	1,569
Tax effect	305	(481)
Remeasurements of defined benefit plans	(689)	1,088
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	90	105
Reclassification adjustments	1	0
Share of other comprehensive income of entities accounted for using equity method	91	105
Total other comprehensive income	(22)	(138)

## (Consolidated statements of changes in equity)

## I Fiscal year ended December 31, 2023

## 1. Items related to shares issued

(Thousands of shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares in the current fiscal year	Decrease in the number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	190,002	—	—	190,002

## 2. Items related to treasury shares

(Thousands of shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares in the current fiscal year	Decrease in the number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	401	0	—	401

(Note) The 0 thousand shares increase in the number of treasury shares of common shares is due to the purchase of shares of less than one unit.

## 3. Items related to share acquisition rights

Not applicable.

## 4. Items related to dividends

## (1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 29, 2023 Annual General Meeting of Shareholders	Common shares	23,700	125.00	December 31, 2022	March 30, 2023

## (2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 27, 2024 Annual General Meeting of Shareholders	Common shares	25,596	Retained earnings	135.00	December 31, 2023	March 28, 2024

## II Fiscal year ended December 31, 2024

## 1. Items related to shares issued

(Thousands of shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares in the current fiscal year	Decrease in the number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	190,002	190,002	—	380,004

(Note) The Company implemented a two-for-one stock split of its common shares with an effective date of April 1, 2024. The increase in the number of issued commons shares is due to the stock split.

## 2. Items related to treasury shares

(Thousands of shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares in the current fiscal year	Decrease in the number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	401	401	—	803

(Note) The Company implemented a two-for-one stock split of its common shares with an effective date of April 1, 2024. The increase in the numbers of treasury shares for its common shares is the result of an increase of 401 thousand of shares due to the stock split and an increase of 0 thousand of shares due to the purchase of shares of less than one unit.

3. Items related to share acquisition rights

Not applicable.

4. Items related to dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 27, 2024 Annual General Meeting of Shareholders	Common shares	25,596	135.00	December 31, 2023	March 28, 2024

(2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the following fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 27, 2025 Annual General Meeting of Shareholders	Common shares	30,336	Retained earnings	80.00	December 31, 2024	March 28, 2025

(Note) The Company implemented a two-for-one stock split of its common shares with an effective date of April 1, 2024. Accordingly, dividend per share whose record date falls in the current fiscal year is stated after the stock split. Dividend per share whose record date falls in the current fiscal year that does not reflect the stock split, is 160.00 yen.

(Consolidated statements of cash flows)

\* Reconciliation of cash and cash equivalents at the end of the year to the items reported in the consolidated balance sheets

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash and deposits	228,692	228,136
Time deposits with deposit terms of more than three months	(40)	(40)
Trust beneficiary interests included in other current assets with investment terms of three months or less	963	1,392
Cash and cash equivalents	229,615	229,488

(Lease transactions)

1. Finance lease transactions (as a lessee)

The disclosure is omitted because finance lease transactions were immaterial.

2. Operating lease transactions (as a lessee)

Future minimum lease payments under non-cancelable operating leases

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Due within one year	1,330	1,639
Due after one year	8,921	8,506
Total	10,251	10,145

(Financial instruments)

1. Financial instruments

(1) Policy for financial instruments

The Group manages temporary surplus through low-risk financial instruments, and raise working capital through bank loans.

(2) Types of financial instruments, related risk and risk management

Trade receivables, including “trade notes and accounts receivable,” are exposed to customer credit risk. The Group works to promptly identify and reduce credit risk by monitoring and analyzing the creditworthiness of each customer, as well as managing due dates and balances.

“Investment securities” are mainly the securities of entities with which the Group has operational relationships. Although listed securities are exposed to risk of market price fluctuations, the Group regularly monitors and analyze the fair value and the issuers' financial status to reduce potential impairment risk.

Trade payables, including “trade notes and accounts payable,” “electronically recorded obligations,” are mostly due within three months. “Short-term borrowings” and “long-term borrowings” are financed mainly for working capital.

“Trade notes and accounts payable,” “electronically recorded obligations,” “borrowings,” “income taxes payable,” and other monetary payables are exposed to liquidity risk. The Group reduces liquidity risk relating to these payables by developing a cash flow plan.

Derivative transactions are forward foreign exchange contracts entered into by one of the consolidated subsidiaries. The execution and management of such transactions are subject to internal rules that stipulate transaction authority.

2. Fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheets, fair value and their difference were as follows:

I As of December 31, 2023

(Millions of yen)

	Carrying value	Fair value	Difference
(1) Investment securities (*2)			
(i) Available-for-sale securities	14,020	14,020	—
(ii) Investments in affiliates	1,593	4,510	2,916
Total assets	15,614	18,531	2,916
(2) Long-term borrowings	1,700	1,704	4
Total liabilities	1,700	1,704	4
Derivative transactions (*3)			
Derivative transactions to which hedge accounting is not applied	[9]	[9]	—
Derivative transactions to which hedge accounting is applied	[61]	[61]	—
Total derivative transactions	[71]	[71]	—

- (\*1) “Cash and deposits,” “notes and accounts receivable - trade,” “notes and accounts payable - trade,” “electronically recorded obligations - operating,” “short-term borrowings” and “income taxes payable” are omitted, because they are cash and their fair value approximates their carrying value due to their short maturities.

- (\*2) Stocks, etc. that do not have a market price are not included in “(1) Investment securities.” The carrying value of these financial instruments on the consolidated balance sheet was as follows:

(Millions of yen)

Category	As of December 31, 2023
Unlisted stocks, etc.	10,669

In addition, descriptions on investments in partnerships and other similar entities which are recorded at a net amount corresponding to the equity interest on the consolidated balance sheet were omitted pursuant to Paragraph 24-16 of “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the “Implementation Guidance on Fair Value Measurement”). The carrying value of such investments on the consolidated balance sheet was ¥22 million.

- (\*3) Net receivables and payables arising from derivative transactions are shown on a net basis, with the amount in brackets representing a net liability position.

## II As of December 31, 2024

(Millions of yen)

	Carrying value	Fair value	Difference
(1) Investment securities (*2)			
(i) Available-for-sale securities	12,217	12,217	—
(ii) Investments in affiliates	1,829	5,563	3,733
Total assets	14,046	17,780	3,733
(2) Long-term borrowings	1,700	1,684	(15)
Total liabilities	1,700	1,684	(15)
Derivative transactions (*3)			
Derivative transactions to which hedge accounting is not applied	45	45	—
Derivative transactions to which hedge accounting is applied	235	235	—
Total derivative transactions	281	281	—

- (\*1) “Cash and deposits,” “notes and accounts receivable - trade,” “notes and accounts payable - trade,” “electronically recorded obligations - operating,” “short-term borrowings” and “income taxes payable” are omitted, because they are cash and their fair value approximates their carrying value due to their short maturities.
- (\*2) Stocks, etc. that do not have a market price are not included in “(1) Investment securities.” The carrying value of these financial instruments on the consolidated balance sheet was as follows:

(Millions of yen)

Category	As of December 31, 2024
Unlisted stocks, etc.	8,749

In addition, descriptions on investments in partnerships and other similar entities which are recorded at a net amount corresponding to the equity interest on the consolidated balance sheet were omitted pursuant to Paragraph 24-16 of Implementation Guidance on Fair Value Measurement. The carrying value of such investments on the consolidated balance sheet was ¥18 million.

- (\*3) Net receivables and payables arising from derivative transactions are shown on a net basis, with the amount in brackets representing a net liability position.

(Notes)

1. Scheduled repayment of monetary receivables after the consolidated balance sheet date is as follows:

I As of December 31, 2023

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	228,692	—	—	—
Notes receivable	4,515	—	—	—
Accounts receivable	149,758	—	—	—
Total	382,966	—	—	—

II As of December 31, 2024

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	228,136	—	—	—
Notes receivable	6,293	—	—	—
Accounts receivable	192,968	—	—	—
Total	427,397	—	—	—

2. Scheduled repayment of long-term borrowings and other interest-bearing debt after the consolidated balance sheet date is as follows:

I As of December 31, 2023

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	4,400	—	—	—	—	—
Long-term borrowings	—	—	1,700	—	—	—

II As of December 31, 2024

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	4,300	—	—	—	—	—
Long-term borrowings	—	1,700	—	—	—	—

### 3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

#### (1) Financial instruments measured at fair value

##### I As of December 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	14,020	—	—	14,020
Total assets	14,020	—	—	14,020
Derivative transactions (*)				
Currency-related transactions	—	[71]	—	[71]
Total derivative transactions	—	[71]	—	[71]

(\*) Net receivables and payables arising from derivative transactions are shown on a net basis, with the amount in brackets representing a net liability position.

##### II As of December 31, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	12,217	—	—	12,217
Total assets	12,217	—	—	12,217
Derivative transactions (*)				
Currency-related transactions	—	281	—	281
Total derivative transactions	—	281	—	281

(\*) Net receivables and payables arising from derivative transactions are shown on a net basis, with the amount in brackets representing a net liability position.

#### (2) Financial instruments other than those measured at fair value

##### I As of December 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	4,510	—	—	4,510
Total assets	4,510	—	—	4,510
Long-term borrowings	—	1,704	—	1,704
Total liabilities	—	1,704	—	1,704



II As of December 31, 2024

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	5,563	—	—	5,563
Total assets	5,563	—	—	5,563
Long-term borrowings	—	1,684	—	1,684
Total liabilities	—	1,684	—	1,684

(Note) A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

Listed stocks are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of forward foreign exchange contracts is measured using value quoted by counterparty financial institutions, and is classified as Level 2.

Long-term borrowings

The fair value of long-term borrowings is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

(Securities)

1. Trading securities

Not applicable.

2. Held-to-maturity debt securities

Not applicable.

3. Available-for-sale securities

I As of December 31, 2023

(Millions of yen)

	Class	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	(1) Stocks	13,793	3,563	10,229
	(2) Debt securities			
	(i) Government bonds / local government bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	227	126	100
	Subtotal	14,020	3,690	10,330
Securities whose carrying value does not exceed their acquisition cost	(1) Stocks	—	—	—
	(2) Debt securities			
	(i) Government bonds / local government bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		14,020	3,690	10,330

(Note) Unlisted stocks (carrying value of ¥3,645 million on the consolidated balance sheet) and investments in partnerships and other similar entities which are recorded at a net amount corresponding to the equity interest on the consolidated balance sheet (carrying value of ¥22 million on the consolidated balance sheet) are not included in “available-for-sale securities” in the above table, because they are stocks, etc. that do not have a market price.

(Millions of yen)

	Class	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	(1) Stocks	10,957	1,677	9,279
	(2) Debt securities			
	(i) Government bonds / local government bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	221	129	91
	Subtotal	11,178	1,807	9,371
Securities whose carrying value does not exceed their acquisition cost	(1) Stocks	1,038	1,902	(864)
	(2) Debt securities			
	(i) Government bonds / local government bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	1,038	1,902	(864)
Total		12,217	3,710	8,506

(Note) Unlisted stocks (carrying value of ¥1,326 million on the consolidated balance sheet) and investments in partnerships and other similar entities which are recorded at a net amount corresponding to the equity interest on the consolidated balance sheet (carrying value of ¥18 million on the consolidated balance sheet) are not included in “available-for-sale securities” in the above table, because they are stocks, etc. that do not have a market price.

4. Available-for-sale securities sold during the fiscal year

I Fiscal year ended December 31, 2023

(Millions of yen)

Class	Sales amount	Total gains on sales	Total losses on sales
(1) Stocks	129	119	2
(2) Debt securities			
(i) Government bonds / local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	129	119	2

II Fiscal year ended December 31, 2024

(Millions of yen)

Class	Sales amount	Total gains on sales	Total losses on sales
(1) Stocks	20	11	—
(2) Debt securities			
(i) Government bonds / local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	20	11	—

5. Securities impaired

In the previous fiscal year, impairment losses of ¥190 million were recognized for available-for-sale securities. In the current fiscal year, impairment losses of ¥1,923 million were recognized for available-for-sale securities.

For securities other than stocks, etc. that do not have a market price, the ones whose fair value as of the year-end are 50% or less of the acquisition costs which are considered as not recoverable are impaired in the amounts of fallen value and more than 50% but less than 70% are impaired in required amounts in consideration of the recoverability.

In addition, for stocks, etc. that do not have a market price, those whose substantial value as of the year-end are 50% or less of the acquisition costs due to the worsening of the issuers' financial situation are impaired except in the case that there is sufficient evidence to support the recoverability.

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

Currency-related transactions

I As of December 31, 2023

(Millions of yen)

Category	Type of transactions	Contractual value or notional principal amount	Over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts Buy U.S. dollar	1,271	—	(9)	(9)
Total		1,271	—	(9)	(9)

II As of December 31, 2024

(Millions of yen)

Category	Type of transactions	Contractual value or notional principal amount	Over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward foreign exchange contracts Buy U.S. dollar	1,668	—	45	45
Total		1,668	—	45	45

2. Derivative transactions to which hedge accounting is applied

Currency-related transactions

I As of December 31, 2023

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Main hedged items	Contractual value or notional principal amount	Over one year	Fair value
Deferred hedge accounting	Forward foreign exchange contracts Buy U.S. dollar	Forecasted transactions denominated in foreign currencies	3,092	—	(61)
Total			3,092	—	(61)

II As of December 31, 2024

(Millions of yen)

Hedge accounting method	Type of derivative transactions	Main hedged items	Contractual value or notional principal amount	Over one year	Fair value
Deferred hedge accounting	Forward foreign exchange contracts Buy U.S. dollar	Forecasted transactions denominated in foreign currencies	14,556	6,255	235
Total			14,556	6,255	235

(Retirement benefits)

1. Retirement benefit plans

The Company and its consolidated subsidiaries have defined contribution pension plans, agreement-type corporate pension plans and lump-sum plans as retirement benefit plans. Of the consolidated companies as of December 31, 2024, four have enrolled in defined contribution pension plans, three in agreement-type corporate pension plans and five in lump-sum plans.

The Company and its consolidated subsidiaries that have the lump-sum retirement benefit plans calculate their retirement benefit liability and retirement benefit expenses using the simplified method.

One consolidated subsidiary participates in the multi-employer pension plan. Because it is not possible to reasonably calculate the amount of plan assets corresponding to the company's contribution, it is accounted for in the same way as the defined contribution plans.

The Group may pay additional benefits upon employees' retirement.

2. Defined benefit pension plans

(1) Changes in retirement benefit obligations (excluding plans that apply the simplified method)

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Balance at the beginning of the year	52,253	53,188
Service costs	2,233	2,237
Interest costs	367	375
Actuarial loss (gain)	302	(2,241)
Retirement benefits paid	(1,968)	(2,114)
Balance at the end of the year	53,188	51,446

(2) Changes in plan assets

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Balance at the beginning of the year	46,572	46,889
Actuarial gain (loss)	(16)	28
Contribution paid by the employer	2,209	2,454
Retirement benefits paid	(1,875)	(1,988)
Balance at the end of the year	46,889	47,384

(3) Changes in retirement benefit liability of the plans that apply the simplified method

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Balance at the beginning of the year	679	662
Retirement benefit expenses	99	94
Retirement benefits paid	(116)	(123)
Balance at the end of the year	662	633

(4) Reconciliation between the funded status of the plans and the amounts recognized as retirement benefit liability in the consolidated balance sheets at the end of the fiscal years

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Funded retirement benefit obligations	49,937	48,085
Plan assets	(46,889)	(47,384)
	3,047	700
Unfunded retirement benefit obligations	3,914	3,994
Total net retirement benefit liability and asset	6,961	4,695
Retirement benefit liability	6,961	4,695
Total net retirement benefit liability and asset	6,961	4,695

(Note) Plans to which simplified methods are applied are included.

## (5) Components of retirement benefit expenses

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Service costs	2,233	2,237
Interest costs	367	375
Amortization of actuarial differences	(679)	(704)
Amortization of prior service costs	2	3
Retirement benefit expenses calculated by the simplified method	99	94
Additional benefits for employees' retirement	16	4
Retirement benefit expenses	2,040	2,012

## (6) Remeasurements of defined benefit plans included in other comprehensive income

Components of items (before tax) were as follows:

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Prior service costs	2	3
Actuarial differences	(998)	1,566
Total	(995)	1,569

## (7) Remeasurements of defined benefit plans included in accumulated other comprehensive income

Components of items (before tax) were as follows:

(Millions of yen)

	As of December 31, 2023	As of December 31, 2024
Unrecognized prior service costs	30	27
Unrecognized actuarial differences	(3,852)	(5,418)
Total	(3,821)	(5,391)

## (8) Items for plan assets

## (i) Major components of plan assets

The ratios of the major types of assets to the total plan assets were as follows:

	As of December 31, 2023	As of December 31, 2024
Cash and deposits	86 %	86 %
Life insurance general accounts	14 %	14 %
Total	100 %	100 %

## (ii) Method of determining the long-term expected rate of return on plan assets

Current and target asset allocations, and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return on plan assets.

## (9) Items related to actuarial assumptions

The major actuarial assumptions (indicated as a weighted average)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Discount rate	0.7 %	1.2 %
Long-term expected rate of return on plan assets	0.0 %	0.0 %
Projected rate of salary increase	7.1 %	7.1 %

(Note) Projected rate of salary increase is calculated based on a point-based plan.

3. Defined contribution pension plans

Required contributions to defined contribution pension plans of the Company and its consolidated subsidiaries for the previous and current fiscal years were ¥831 million and ¥848 million, respectively.

4. Multi-employer pension plan

Required contributions to the multi-employer pension plan which was treated in the same way as the defined contribution pension plans for the previous and current fiscal years were ¥28 million and ¥29 million, respectively.

(1) The most recent funded status related to multi-employer pension plan

	(Millions of yen)	
	As of March 31, 2023	As of March 31, 2024
Plan assets	55,007	58,726
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve	53,285	57,004
Difference	1,721	1,721

(2) The contribution ratio of the Group to the multi-employer pension plan

Previous fiscal year: 1.5% (As of March 31, 2023)

Current fiscal year: 1.4% (As of March 31, 2024)

(3) Supplementary information

The main factor of the difference shown in (1) above is general reserve (previous fiscal year: ¥1,721 million, current fiscal year: ¥1,721 million).

The ratio in (2) above does not represent the actual ratio borne by the Group.



(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	As of December 31, 2023	As of December 31, 2024
Deferred tax assets		
Allowance for doubtful accounts	67	161
Accrued enterprise taxes	759	923
Provision for bonuses	1,374	1,613
Refund liabilities	—	8,256
Retirement benefit liability	2,133	1,438
Provision for retirement benefits for directors	197	188
Impairment losses	1,174	1,131
Software development costs	2,405	2,802
Unrealized profit from non-current assets	350	349
Other	3,084	3,979
Subtotal	11,547	20,844
Less: Valuation allowance	(122)	(102)
Total deferred tax assets	11,424	20,742
Deferred tax liabilities		
Returned assets	—	(8,109)
Valuation difference on available-for-sale securities	(3,275)	(2,595)
Other	(123)	(239)
Total deferred tax liabilities	(3,398)	(10,944)
Net deferred tax assets	8,026	9,797

(Note) Refund liabilities are included in “Other” of “Current liabilities” on “the Consolidated Balance Sheets.” Returned assets are included in “Other” of “Current assets” on “the Consolidated Balance Sheets.”

2. A reconciliation of the material differences between the effective statutory tax rates and actual effective tax rates

	As of December 31, 2023	As of December 31, 2024
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Permanent difference such as entertainment expenses	0.3%	0.4%
Share of loss (profit) of entities accounted for using equity method	(0.4)%	(0.4)%
Tax credits	(4.9)%	(4.3)%
Other	0.3%	0.3%
Actual effective tax rate	25.9%	26.6%

(Asset retirement obligations)

The disclosure is omitted because asset retirement obligations were immaterial.

(Investment and rental properties)

The disclosure is omitted because investment and rental properties were immaterial.

(Revenue recognition)

1. Disaggregation of revenues arising from contracts with customers

I Fiscal year ended December 31, 2023

(Millions of yen)

	Reportable segment		Total
	System Integration Business	Service and Support Business	
SI-related products	572,117	—	572,117
Consigned software, etc.	58,068	—	58,068
Supply	—	185,487	185,487
Maintenance, etc.	—	161,697	161,697
Revenues arising from contracts with customers	630,185	347,185	977,370
Other revenues	—	—	—
Net sales to external customers	630,185	347,185	977,370

(Note) “SI-related products” represent the sale of computers, copiers, communications equipment, software, and others.

“Consigned software, etc.” include the provision of consigned software development, network construction, and transport and installation work.

“Supply” represents the sale of office supplies and stationery products.

“Maintenance, etc.” include the provision of hardware and software maintenance, telephone support and outsourcing services.

II Fiscal year ended December 31, 2024

(Millions of yen)

	Reportable segment		Total
	System Integration Business	Service and Support Business	
SI-related products	671,323	—	671,323
Consigned software, etc.	60,389	—	60,389
Supply	—	196,268	196,268
Maintenance, etc.	—	179,686	179,686
Revenues arising from contracts with customers	731,712	375,955	1,107,668
Other revenues	—	—	—
Net sales to external customers	731,712	375,955	1,107,668

(Note) “SI-related products” represent the sale of computers, copiers, communications equipment, software, and others.

“Consigned software, etc.” include the provision of consigned software development, network construction, and transport and installation work.

“Supply” represents the sale of office supplies and stationery products.

“Maintenance, etc.” include the provision of hardware and software maintenance, telephone support and outsourcing services.

2. Information that provides a basis for understanding revenues arising from contracts with customers

Useful information in understanding revenue is as presented in “Notes to consolidated financial statements, (Significant matters providing the basis for the preparation of consolidated financial statements), 4. Matters concerning accounting policies, (5) Basis for recognition of significant revenues and expenses.”

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the current fiscal year expected to be recognized in and after the following fiscal year

(1) Balances, etc. of contract assets and liabilities

(Millions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Receivables arising from contracts with customers (beginning balance)	151,484	154,273
Receivables arising from contracts with customers (ending balance)	154,273	199,261
Contract assets (beginning balance)	920	995
Contract assets (ending balance)	995	1,690
Contract liabilities (beginning balance)	16,139	16,443
Contract liabilities (ending balance)	16,443	17,762
Refund liabilities (beginning balance)	—	761
Refund liabilities (ending balance)	761	26,964

(Note) Refund liabilities are included in “Other” under “Current liabilities” on the consolidated balance sheets.

Contract assets are rights to consideration received in exchange for the satisfied portion of performance obligations in consigned software development included in the System Integration Business at the beginning and end of the current fiscal year, excluding receivables arising from contracts with customers. Once the performance obligation is fully satisfied, conditions other than the passage of time are resolved, and the corresponding contract asset amount transfers to receivables arising from contracts with customers.

Contract liabilities are the portion of consideration received from customers in excess of the amount already recognized as revenue in transactions in which maintenance and support is provided as a service, primarily included in the Service and Support Business. Upon provision of these services, the performance obligation is satisfied and the contract liabilities transfer to revenue.

Refund liabilities arise when SI-related products are sold with a right of return in the System Integration Business. Refund liabilities are recognized in the amount of consideration that one consolidated subsidiary has received or expect to receive for the portion estimated to be returned when recognizing revenue. Upon resolving the uncertainty about the amount of consideration, the refund liabilities are transferred to revenue.

The amount of revenues that was included in the balance of contract liabilities at the beginning of the period out of the amount recognized during the fiscal year ended December 31, 2023 is ¥10,708 million.

The amount of revenues that was included in the balance of contract liabilities at the beginning of the period out of the amount recognized during the fiscal year ended December 31, 2024 is ¥11,476 million.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries have applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations. As there are no contracts with an original expected duration of one year or more, the disclosure is omitted. There are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are periodically examined by the Board of Directors for the purpose of deciding the allocation of business resources and evaluating the operating results.

The Company's main businesses are "System Integration," whose business fields encompass the construction of information systems and their cutover, and "Service and Support," which has support following the cutover of systems as its business field.

Therefore, the Company is composed of two reportable segments, "System Integration Business" and "Service and Support Business."

The details of the two segments are as follows. The "System Integration Business" provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. The "Service and Support Business" provides customers with services such as distributing supplies, hardware and software maintenance, telephone support and outsourcing to comprehensively support the installed systems and their business operations.

2. Basis of measurement of reportable segment net sales, segment profit or loss, segment assets and other items

The accounting method used for the Group's reported business segments is substantially the same as that provided in "Significant matters providing the basis for the preparation of consolidated financial statements." Also, segment profit is equivalent to operating profit. Inter-segment transactions are based on prevailing market prices.

3. Information concerning net sales, profit or loss, assets and other items by reportable segment

I Fiscal year ended December 31, 2023

(Millions of yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	System Integration Business	Service and Support Business			
Net sales					
Net sales to external customers	630,185	347,185	977,370	—	977,370
Inter-segment sales/transfers	97	609	706	(706)	—
Total	630,282	347,794	978,077	(706)	977,370
Segment profit	57,581	15,836	73,418	(10,458)	62,959
Segment assets	200,886	128,871	329,758	232,047	561,805
Other items					
Depreciation (Note 3)	4,235	3,078	7,314	619	7,934
Investments in affiliates accounted for using equity method	1,593	6,669	8,263	—	8,263
Increase in property, plant and equipment and intangible assets	4,844	5,248	10,092	253	10,346

(Notes) 1. Details of the adjustment are as follows.

- (1) The adjustment for segment profit of ¥(10,458) million primarily includes companywide expenses not allocated to the reportable segments of ¥(10,432) million. Companywide expenses consist mainly of expenses related to administrative operations that are not attributable to any reportable segments.
  - (2) The adjustment for segment assets of ¥232,047 million primarily includes companywide assets of ¥233,496 million. Companywide assets consist mainly of surplus funds (cash and deposits and investment securities) of the parent company that do not belong to any reportable segment and assets related to the administrative division of the parent company.
  - (3) The adjustment for depreciation under other items of ¥619 million is primarily depreciation expenses related to companywide assets. The adjustment of ¥253 million for increase in property, plant and equipment and intangible assets is primarily an increase related to companywide assets.
2. Segment profit is reconciled with operating profit in the consolidated statements of income.
  3. Depreciation under other items includes the relevant amount of long-term prepaid expenses.

II Fiscal year ended December 31, 2024

(Millions of yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	System Integration Business	Service and Support Business			
Net sales					
Net sales to external customers	731,712	375,955	1,107,668	—	1,107,668
Inter-segment sales/transfers	83	742	826	(826)	—
Total	731,796	376,697	1,108,494	(826)	1,107,668
Segment profit	65,900	20,382	86,283	(11,922)	74,360
Segment assets	304,348	135,225	439,573	234,330	673,903
Other items					
Depreciation (Note 3)	4,711	3,182	7,893	541	8,434
Investments in affiliates accounted for using equity method	1,829	7,068	8,897	—	8,897
Increase in property, plant and equipment and intangible assets	6,764	5,063	11,827	259	12,087

(Notes) 1. Details of the adjustment are as follows.

- (1) The adjustment for segment profit of ¥(11,922) million primarily includes companywide expenses not allocated to the reportable segments of ¥(11,909) million. Companywide expenses consist mainly of expenses related to administrative operations that are not attributable to any reportable segments.
  - (2) The adjustment for segment assets of ¥234,330 million primarily includes companywide assets of ¥236,252 million. Companywide assets consist mainly of surplus funds (cash and deposits and investment securities) of the parent company that do not belong to any reportable segment and assets related to the administrative division of the parent company.
  - (3) The adjustment for depreciation under other items of ¥541 million is primarily depreciation expenses related to companywide assets. The adjustment of ¥259 million for increase in property, plant and equipment and intangible assets is primarily an increase related to companywide assets.
2. Segment profit is reconciled with operating profit in the consolidated statements of income.
  3. Depreciation under other items includes the relevant amount of long-term prepaid expenses.

[Related information]

I Fiscal year ended December 31, 2023

1. Products and services

The disclosure is omitted because similar information is disclosed in segment information.

2. Geographical area

(1) Net sales

The disclosure is omitted because net sales to external customers in Japan constituted more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Not applicable because all property, plant and equipment are located in Japan.

3. Major customers

The disclosure is omitted because there was no external customer whose net sales were 10% or more of net sales in the consolidated statements of income.

II Fiscal year ended December 31, 2024

1. Products and services

The disclosure is omitted because similar information is disclosed in segment information.

2. Geographical area

(1) Net sales

The disclosure is omitted because net sales to external customers in Japan constituted more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Not applicable because all property, plant and equipment are located in Japan.

3. Major customers

The disclosure is omitted because there was no external customer whose net sales were 10% or more of net sales in the consolidated statements of income.

[Impairment losses on non-current assets by reportable segment]

The disclosure is omitted because impairment losses on non-current assets by reportable segment is immaterial.

[Amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

[Gain on negative goodwill by reportable segment]

Not applicable.

[Related party transactions]

Not applicable.

(Per share information)

		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net assets per share	(Yen)	904.83	977.84
Basic earnings per share	(Yen)	125.13	141.04

(Notes) 1. Diluted earnings per share is not stated, as there are no dilutive shares which have dilutive effect.

2. The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2024. Accordingly, net assets per share and basic earnings per share stated above are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

3. Basis for calculating net assets per share was as follows:

		As of December 31, 2023	As of December 31, 2024
Net assets	(Millions of yen)	346,950	375,247
Amounts deducted from total net assets	(Millions of yen)	3,838	4,447
(Non-controlling interests)	(Millions of yen)	[3,838]	[4,447]
Net assets attributable to common stock	(Millions of yen)	343,112	370,799
Number of shares of common stock outstanding used for calculation of net assets per share	(Thousands of shares)	379,201	379,201

4. Basis for calculating basic earnings per share was as follows:

		Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Profit attributable to owners of parent	(Millions of yen)	47,448	53,481
Amount not attributable to common shareholders	(Millions of yen)	—	—
Profit attributable to owners of parent related to common stock	(Millions of yen)	47,448	53,481
Weighted-average number of shares of common stock outstanding	(Thousands of shares)	379,201	379,201
Outline of dilutive shares which were not included in calculation of diluted earnings per share because there was no dilutive effect		<p>[An affiliate accounted for using the equity method] LION OFFICE PRODUCTS CORP. The first stock option Number of stock options 27,176 units [Common stock 2,717,600 shares]</p>	<p>[An affiliate accounted for using the equity method] LION OFFICE PRODUCTS CORP. The first stock option Number of stock options 27,068 units [Common stock 2,706,800 shares]</p>

(v) Consolidated Supplementary Statements

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed consolidated detailed schedule of borrowings]

(Millions of yen, unless otherwise specified)

Category	Beginning balance	Ending balance	Average interest rate (%)	Repayment term
Short-term borrowings	4,400	4,300	1.17	—
Current portion of long-term borrowings	—	—	—	—
Current portion of lease obligations	883	666	—	—
Long-term borrowings (excluding current portion)	1,700	1,700	0.54	2026
Lease obligations (excluding current portion)	1,204	861	—	2026 to 2029
Other interest-bearing debt	—	—	—	—
Total	8,188	7,528	—	—

- (Notes)
1. The annual average interest rate represents the weighted-average rate applicable to the ending balance.
  2. The annual average interest rate is not presented for lease obligations because the amounts in the consolidated balance sheets include the amounts corresponding to interest paid from total lease payment.
  3. The total amount of annual repayments of long-term borrowings and lease obligations (excluding current portions) over a period of five years after the consolidated balance sheet date is as follows:

(Millions of yen)

Category	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	1,700	—	—	—
Lease obligations	430	272	132	26

[Annexed consolidated detailed schedule of asset retirement obligations]

The disclosure is omitted because the balance of asset retirement obligations as of the beginning and end of the current fiscal year was not more than 1% of the total balance of liabilities and net assets as of the beginning and end of the current fiscal year.

(2) Others

Semi-annual information, etc. for the current fiscal year

	Six months ended June 30, 2024	Fiscal year ended December 31, 2024
Net sales (Millions of yen)	569,722	1,107,668
Profit before income taxes (Millions of yen)	39,778	73,840
Profit attributable to owners of parent (Millions of yen)	26,930	53,481
Basic earnings per share (yen)	71.02	141.04

(Note) The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2024. Accordingly, basic earnings per share stated above are calculated on the assumption that the stock split was implemented at the beginning of the current fiscal year.



## VI. Outline of Share-related Administration of the Filing Company

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	March
Record date	December 31
Record date of dividends	June 30 December 31
Number of shares per unit	100 shares
Purchase of shares of less than one unit	
Handling office	(Special account) Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	(Special account) Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Liaison offices	—
Purchase fee	Amounts separately determined as amounts equivalent to commissions for the brokerage of shares
Method of public notice	Public notices of the Company are issued electronically. However, in the event where a public notice cannot be issued electronically due to an accident or other unavoidable circumstances, a public notice will be posted in the Nikkei. The Company's website is as follows: <a href="https://www.otsuka-shokai.co.jp/corporate/ir/stocks/public_notice/index.html">https://www.otsuka-shokai.co.jp/corporate/ir/stocks/public_notice/index.html</a>
Special benefits for shareholders	Not applicable.

(Note) Shareholders of the Company may not, with respect to shares constituting less than one unit they hold, exercise any rights other than those listed below:

- 1 The rights set forth in each item of Article 189, Paragraph 2 of the Companies Act.
- 2 The right to make a demand pursuant to Article 166, Paragraph 1 of the Companies Act.
- 3 The right to receive allotment of shares for subscription and allotment of subscription rights to shares for subscription in proportion to the number of shares held by the shareholder.

## VII. Reference Information on the Filing Company

### 1. Information on the Parent Company of the Filing Company

The Company does not have a parent company as provided for in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

Between the beginning of the current fiscal year and the date of filing of this Annual Securities Report, the following documents have been filed.

(1) Annual securities report, accompanying documents and confirmation letter thereof

For the 63rd fiscal year (from January 1, 2023 to December 31, 2023):

filed with the Director-General of the Kanto Local Finance Bureau on March 27, 2024

(2) Internal control report and accompanying documents thereof

Filed with the Director-General of the Kanto Local Finance Bureau on March 27, 2024

(3) Quarterly securities report and confirmation letter thereof

For the first quarter of the 64th fiscal year (from January 1, 2024 to March 31, 2024):

filed with the Director-General of the Kanto Local Finance Bureau on May 13, 2024

(4) Semi-annual securities report and confirmation letter thereof

For the six months ended June 30, 2024 of the 64th fiscal year (from January 1, 2024 to June 30, 2024):

filed with the Director-General of the Kanto Local Finance Bureau on August 8, 2024

(5) Extraordinary securities report

Extraordinary securities report as provided for in Article 19, Paragraph 2, Item 9-2 (results of exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs

Filed with the Director-General of the Kanto Local Finance Bureau on March 29, 2024

Part 2 Information on the Filing Company's Guarantor, etc.

Not applicable.

The following is an English translation of the Independent Auditor's Report and Internal Control Audit Report as required by the Financial Instruments and Exchange Act of Japan.  
Ernst & Young ShinNihon LLC has not audit and makes no warranty as to the accuracy or otherwise of the translation of the consolidated financial statements and other financial information included in this translation of the Annual Securities Report.

## Independent Auditor's Report and Internal Control Audit Report

March 27, 2025

The Board of Directors  
OTSUKA CORPORATION

Ernst & Young ShinNihon LLC  
Tokyo Office, Japan

Designated Engagement Partner	Certified Public Accountant	Munetake Kamiyama
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Designated Engagement Partner	Certified Public Accountant	Hideaki Keyaki
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### <Consolidated Financial Statements Audit>

#### *Opinion*

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of OTSUKA CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2024, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows for the year then ended, significant matters providing the basis for the preparation of consolidated financial statements, notes to the consolidated financial statements, and consolidated supplementary statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Accounting treatment for direct delivery transactions involving multiple companies in the System Integration Business	
Description of Key Audit Matters	Auditor's Response
<p>As described in “Segment Information” in the notes to consolidated financial statements of OTSUKA CORPORATION (the “Company”) and its consolidated subsidiaries, consolidated net sales were ¥1,107,668 million, of which System Integration Business sales were ¥731,712 million for the fiscal year ended December 31, 2024. The business fields of the System Integration Business encompass the construction of information systems and their cutover to end users.</p> <p>Based on the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 on March 31, 2020) and others, the Company and its consolidated subsidiaries identify performance obligations and recognize revenue when a performance obligation is satisfied. If the Company's performance obligation is to arrange for goods or services to be provided by the other party, the Company will act as an agent.</p> <p>The System Integration Business of the Company and a certain consolidated subsidiary typically involves determining the specifications of the goods for customers, the delivery date and the delivery location, and is responsible for selecting a manufacturer or distributor designated by the manufacturer (the “regular suppliers”) and delivering the goods to customers.</p> <p>Some of those transactions involve multiple companies and the related goods themselves are delivered directly from a supplier to the final customer without going through the Company or the consolidated subsidiary concerned. These transactions may include goods that have been purchased from non-regular suppliers in exceptional circumstances. In that case, the Company or the consolidated subsidiary must take into consideration the nature of each transaction, confirm the existence of the transaction, identify its own roles in the commercial flow of the transaction, identify the performance obligation, and accordingly assess whether it is a principal or an agent. When it is an agent, revenue is recognized at the net amount of consideration received from the customer less the amount paid to suppliers.</p> <p>If the commercial flow of a transaction is complex and the role of the Company or the consolidated subsidiary in the transaction is highly customized, management's judgment is necessary to determine whether the Company is primarily responsible for fulfilling the promise to provide the services, etc., whether it has inventory risk, or the right to determine the sales price, and depending on such judgment, the amount of revenue recorded might differ significantly from the actual amount that should be recognized.</p> <p>Based on the above, we determined that the accounting treatment for direct delivery transactions involving multiple companies in the System Integration Business was highly significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the accounting treatment for direct delivery transactions involving multiple companies in the System Integration Business included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the following internal controls in the purchasing department.</p> <ul style="list-style-type: none"> <li>- Control to ensure orders are only placed with suppliers registered in the purchasing system</li> <li>- Control to ensure the reasonableness of placing orders with non-regular suppliers</li> </ul> <p>We tested the design and operating effectiveness of the following internal controls in the accounting department.</p> <ul style="list-style-type: none"> <li>- Control to understand the nature of the transaction, identify the role of the Company or the consolidated subsidiary in the commercial flow of the transaction, and assess whether it is a principal or an agent for direct delivery transactions over a certain monetary threshold.</li> <li>- Control to account for agent transactions on a net basis based on exhaustively aggregated amounts.</li> </ul> <p>(2) Substantive procedures</p> <ul style="list-style-type: none"> <li>- We inquired with the sales department about direct delivery transactions that met certain criteria and understood the nature of the transaction and the role of the Company or the consolidated subsidiary in the commercial flow of the transaction. Then we examined the rationality of the commercial flow of the transaction, normality in gross profit margin, and whether the Company or the consolidated subsidiary is primarily responsible for fulfilling the promise to provide the goods, etc., and has any inventory risk or the right to determine the sales price. Also, we examined evidence such as negotiation documents between the Company or the consolidated subsidiary and their customers to confirm the consistency of information acquired from our inquiries.</li> <li>- In order to examine the accuracy of the recorded amount, we compared the amount over a certain monetary threshold with transaction supporting documents such as contracts.</li> <li>- With regard to agent transactions over a certain monetary threshold, we compared the amount with aggregate data, which are supporting documents for journal entries.</li> </ul>

### *Other Information*

Other information comprises the information included in the annual securities report, excluding the consolidated financial statements, non-consolidated financial statements, and accompanying audit reports. The management is responsible for preparing and disclosing the other information. Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, while also paying our attention to whether the other information otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### *Responsibilities of Management, Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected and applied depend on the auditor's judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities

or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by audit standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstructive factors.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### <Internal Control Audit>

##### *Opinion*

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of OTSUKA CORPORATION and its consolidated subsidiaries (the Group) as of December 31, 2024.

In our opinion, the internal control report referred to above, which states that the internal control over financial reporting of the Group as at December 31, 2024 is effective, presents fairly, in all material respects, the result of management's assessment on internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

##### *Basis for Opinion*

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards for internal control over financial reporting are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Responsibilities of Management, the Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Internal Control Report*

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

##### *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting*

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control and to issue an auditor's report that includes our independent opinion on the internal control report.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The audit procedures for the audit of internal control over financial reporting are selected and

performed at the discretion of the auditor based on the significance of the effect on the reliability of financial reporting.

- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments of internal control over financial reporting that the management presents.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the results of assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision, and review of the audit the internal control report. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit of internal control over financial reporting, the results of audit of internal control over financial reporting, significant deficiencies in internal control that we identify during our audit that must be disclosed and results of their correction, and other matters required by auditing standards for internal control over financial reporting.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the internal control, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, any measures taken to eliminate obstructive factors or safeguards put in place to reduce obstructive factors to an acceptable level.

<Information regarding fees>

The fees for the audits of the financial statements of the Company and its subsidiaries and other services provided by us and other EY member firms are presented in paragraph (3) titled “Status of audits” in Section 4 “Corporate Governance” included in Item IV “Information about Reporting Company” in Part 1 of the accompanying Annual Securities Report.

*Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan*

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

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(Notes) 1. The original audit report is separately kept by OTSUKA CORPORATION (the company filing the Annual Securities Report).

2. XBRL data is excluded from the scope of audit.



[Cover page]

[Document title]	Internal Control Report
[Clause of stipulation]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	March 27, 2025
[Company name]	Kabushiki Kaisha Otsuka Shokai
[Company name in English]	OTSUKA CORPORATION
[Title and name of representative]	Yuji Otsuka, President & Chief Executive Officer
[Title and name of chief financial officer]	Not applicable.
[Address of head office]	2-18-4 Iidabashi, Chiyoda-ku, Tokyo, Japan
[Place for public inspection]	Osaka Northern Sales Dept., OTSUKA CORPORATION (6-14-1 Fukushima, Fukushima-ku, Osaka City)  Kanagawa Sales Dept., OTSUKA CORPORATION (3-3 Kinkocho, Kanagawa-ku, Yokohama City)  Keiyo Sales Dept., OTSUKA CORPORATION (2-340 Katsushikacho, Funabashi City, Chiba Prefecture)  Northern Kanto Sales Dept., OTSUKA CORPORATION (1-195-1 Sakuragicho, Omiya-ku, Saitama City)  Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1. [Matters concerning the basic framework for internal control over financial reporting]

Yuji Otsuka, President & Chief Executive Officer, is responsible for establishing and operating internal control over financial reporting of the Company on a consolidated basis and has established and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control aims at achieving its objectives to a reasonable extent with all of its basic components organically connected and functioning as a whole. Therefore, there is a possibility that misstatements in financial reporting may not be completely prevented or detected by internal control over financial reporting.

2. [Matters concerning the scope, record date, and procedures for assessment]

The assessment of internal control over financial reporting was performed with a record date of December 31, 2024, which is the end of the fiscal year under review. The assessment was performed in accordance with generally accepted standards for assessment of internal control over financial reporting.

In conducting this assessment, we first assessed internal controls that may have a material impact on our entire financial reporting on a consolidated basis (hereinafter referred to as “company-wide controls”), and in light of the results thereof, we selected business processes to be assessed. In the assessment of these business processes, we assessed the effectiveness of internal controls by analyzing the selected business processes, identifying key controls that may have a material impact on the reliability of the financial reporting, and assessing the establishment and operation of these key controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, its consolidated subsidiaries, and affiliates accounted for using equity method from the perspective of the materiality that may affect the reliability of the financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts. Considering the results of the assessment of company-wide controls conducted for the Company and one of its consolidated subsidiaries, we reasonably determined the scope of assessment of internal control over business processes. Note that the other three consolidated subsidiaries and three affiliates accounted for using equity method were deemed to be immaterial from the perspective of quantitative and qualitative materiality and were therefore not included in the scope of assessment of company-wide controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business locations selected in descending order on the basis of their previous fiscal year’s net sales (excluding consolidated intercompany transactions), and the Company, whose combined net sales reached approximately two-thirds of the consolidated net sales, was selected as a “significant business location.” For the selected significant business location, we assessed business processes leading to net sales, accounts receivable - trade, and inventories as accounts that are closely associated with the business objectives of the Company. Furthermore, in the scope that encompasses the significant business location and the other business locations, business processes relating to (i) a business or operation dealing with high-risk transactions, (ii) significant accounts involving estimates and forecasts, and (iii) those requiring special attention with a greater likelihood of misstatements such as nonroutine or irregular transactions were added to the scope of assessment as business processes having greater materiality, taking into account their impact on the financial reporting.

3. [Matters concerning the results of the assessment]

As a result of the assessment described above, as of the end of the fiscal year under review, we concluded that the Company’s internal control over financial reporting on a consolidated basis was effective.

4. [Additional notes]

No additional notes to report.

5. [Special notes]

No special notes to report.