# Annual Securities Report

(The English translation of the "Yukashoken-Houkokusho")

Fiscal Year Ended May 20, 2024

**ASKUL Corporation**

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| [Document title] | Annual Securities Report |
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| [Filed to] | Director-General of the Kanto Local Finance Bureau |
| [Filing date] | July 30, 2024 |
| [Fiscal year] | 61st fiscal year (from May 21, 2023 to May 20, 2024) |
| [Company name] | ASKUL Corporation |
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| [Telephone number] | +81-3-4330-5130 |
| [Name of contact person] | Tsuguhiro Tamai, Director and CFO |
| [Place for public inspection] | Tokyo Stock Exchange, Inc.<br>(2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo) |

# Part I Company Information

# I. Overview of Company

## 1. Key financial data

(1) Key financial data of the group

| Term | | 57th fiscal year | 58th fiscal year | 59th fiscal year | 60th fiscal year | 61st fiscal year |
|---|---|---|---|---|---|---|
| Fiscal year ended | | May 2020 | May 2021 | May 2022 | May 2023 | May 2024 |
| Net sales | (millions of yen) | 400,376 | 422,151 | 428,517 | 446,713 | 471,682 |
| Ordinary profit | (millions of yen) | 8,656 | 13,850 | 14,270 | 14,448 | 16,677 |
| (Profit attributable to owners of parent) | (millions of yen) | 5,652 | 7,758 | 9,206 | 9,787 | 19,139 |
| Comprehensive income | (millions of yen) | 5,720 | 7,740 | 9,255 | 10,056 | 19,598 |
| Net assets | (millions of yen) | 52,825 | 59,203 | 57,271 | 66,876 | 81,336 |
| Total assets | (millions of yen) | 174,146 | 190,107 | 188,024 | 227,506 | 243,062 |
| Net assets per share | (yen) | 513.69 | 573.57 | 582.43 | 658.20 | 808.88 |
| Basic earnings per share | (yen) | 55.39 | 75.83 | 90.83 | 100.43 | 196.47 |
| Diluted earnings per share<br>Basic earnings per share | (yen) | 55.14 | 75.68 | 90.77 | 100.36 | 196.36 |
| Capital adequacy ratio | (%) | 30.1 | 30.9 | 30.2 | 28.2 | 32.2 |
| Rate of return on equity | (%) | 11.2 | 14.0 | 15.9 | 16.2 | 26.9 |
| Price-earnings ratio | (times) | 29.88 | 23.51 | 15.96 | 18.89 | 11.52 |
| Cash flows from operating activities | (millions of yen) | 16,609 | 15,998 | 17,952 | 20,131 | 16,887 |
| Cash flows from investing activities | (millions of yen) | (6,055) | (9,079) | (10,748) | (22,929) | (11,537) |
| Cash flows from financing activities | (millions of yen) | (4,761) | (3,919) | (14,674) | 10,232 | (9,828) |
| Cash and cash equivalents at end of period | (millions of yen) | 63,260 | 66,259 | 58,789 | 66,223 | 61,744 |
| Number of employees<br>(In addition, average number of temporary employees) | (persons) | 3,550<br>(1,654) | 3,297<br>(1,915) | 3,380<br>(1,923) | 3,574<br>(2,057) | 3,687<br>(2,071) |

(Notes) 1. The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the fiscal year ended May 20, 2022. Accordingly, the above figures from the fiscal year ended May 20, 2022 indicates the amounts after the application of the said Accounting Standard, etc.

2. Significant increase in profit attributable to owners of parent for the fiscal year ended May 20, 2024 is due to the recording of compensation for damage income.

3. The Company conducted a 2-for-1 stock split of common stock on May 21, 2021. "Net assets per share," "Basic earnings per share" and "Diluted earnings per share" are calculated on the assumption that the said stock split was implemented at the beginning of the fiscal year ended May 20, 2020.

4. A provisional accounting treatment regarding the business combination was finalized in the fiscal year ended May 20, 2021, and the figures for the fiscal year ended May 20, 2020 have been based on the finalized provisional accounting treatment.

(2) Key financial data of the submitting company

| Term | | 57th fiscal year | 58th fiscal year | 59th fiscal year | 60th fiscal year | 61st fiscal year |
|---|---|---|---|---|---|---|
| Fiscal year ended | | May 2020 | May 2021 | May 2022 | May 2023 | May 2024 |
| Net sales | (millions of yen) | 349,105 | 368,188 | 371,659 | 383,096 | 389,626 |
| Ordinary profit | (millions of yen) | 7,480 | 12,299 | 12,047 | 13,724 | 15,422 |
| Profit | (millions of yen) | 4,919 | 8,125 | 8,281 | 9,774 | 19,069 |
| Capital | (millions of yen) | 21,189 | 21,189 | 21,189 | 21,189 | 21,233 |
| Total number of shares issued | (thousand shares) | 55,259 | 51,259 | 97,518 | 97,518 | 97,564 |
| Net assets | (millions of yen) | 52,101 | 58,855 | 55,950 | 62,634 | 76,576 |
| Total assets | (millions of yen) | 158,479 | 173,554 | 168,179 | 200,660 | 213,298 |
| Net assets per share | (yen) | 510.28 | 574.30 | 574.17 | 642.69 | 791.45 |
| Dividends per share [Interim dividend per share] | (yen) | 38.00 (19.00) | 49.00 (19.00) | 31.00 (15.00) | 34.00 (16.00) | 36.00 (18.00) |
| Basic earnings per share | (yen) | 48.20 | 79.43 | 81.70 | 100.30 | 195.75 |
| Diluted earnings per share Basic earnings per share | (yen) | 48.18 | 79.31 | — | — | — |
| Capital adequacy ratio | (%) | 32.9 | 33.9 | 33.3 | 31.2 | 35.9 |
| Rate of return on equity | (%) | 9.7 | 14.6 | 14.4 | 16.5 | 27.4 |
| Price-earnings ratio | (times) | 34.34 | 22.45 | 17.75 | 18.91 | 11.56 |
| Payout ratio | (%) | 39.4 | 30.8 | 37.9 | 33.9 | 18.4 |
| Number of employees (In addition, average number of temporary employees) | (persons) | 812 (67) | 771 (67) | 847 (65) | 897 (62) | 917 (62) |
| Total shareholder return [Index compared: TOPIX Total Return Index] | (%) (%) | 113.1 (98.7) | 123.5 (127.8) | 103.0 (129.5) | 135.6 (153.3) | 162.7 (200.8) |
| Highest stock price | (yen) | 3,665 | 4,715 | 1,924 | 1,904 | 2,440 |
| Lowest stock price | (yen) | 2,105 | 3,005 | 1,299 | 1,388 | 1,770 |

(Notes) 1. The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., effective the beginning of the fiscal year ended May 20, 2022. Accordingly, the above figures from the fiscal year ended May 20, 2022 indicates the amounts after the application of the said Accounting Standard, etc.

2. Significant increase in profit for the fiscal year ended May 20, 2024 is due to the recording of compensation for damage income.

3. The Company conducted a 2-for-1 stock split of common stock on May 21, 2021. "Net assets per share," "Basic earnings per share" and "Diluted earnings per share" are calculated on the assumption that the said stock split was implemented at the beginning of the fiscal year ended May 20, 2020.

4. The dividend per share of ¥34 for the fiscal year ended May 20, 2023 includes ¥2 to commemorate the 30th anniversary.

5. The dividend per share for the fiscal year ended May 20, 2024 is a proposal to be resolved at the Annual General Meeting of Shareholders to be held on August 8, 2024.

6. Diluted earnings per share for the fiscal year ended May 20, 2022, the fiscal year ended May 20, 2023, and the fiscal year ended May 20, 2024 are not stated because there were no dilutive shares.

7. Highest stock price and lowest stock price are prices on the Tokyo Stock Exchange (First Section) on and before April 3, 2022, and prices on the Tokyo Stock Exchange (Prime Market) on and after April 4, 2022.

## 2. History

ASKUL Business Division, the predecessor of ASKUL Corporation, was established in March 1993 as a new distribution business division of PLUS Corporation to engage in catalog sales of office supplies targeting small and medium-sized offices. On May 21, 1997, it spun off into a separate company from PLUS Corporation, a manufacturer of office supplies, to clarify its position as a mail-order service company.

| Month and Year | Description of Business |
|---|---|
| November 1963 | Established PLUS Engineering Co., Ltd. as a 100% subsidiary of PLUS Corporation for the manufacture of office supplies and equipment. Located the Head Office in Chiyoda-ku, Tokyo, and Iwanoki Factory in Kita-Katsushika-gun, Saitama Prefecture. |
| October 1986 | Saitama Silver Seiko Ltd. in Iruma-shi, Saitama Prefecture, changed its trade name to PLUS Engineering Co., Ltd. The former PLUS Engineering Co., Ltd. became a dormant company after transferring its business to the new PLUS Engineering Co., Ltd. |
| March 1993 | ASKUL operations launched (commenced by the ASKUL Business Division of PLUS Corporation). |
| | Changed the trade name to Links Co., Ltd. and the operating purpose to sale and purchase, leasing and management of real estate. |
| February 1997 | Changed the trade name to ASKUL Corporation with the purpose of providing a next-day delivery service for office supplies and related items. |
| March 1997 | Started accepting orders over the Internet. |
| May 1997 | Commenced operations as ASKUL Corporation, headquartered in Bunkyo-ku, Tokyo, after taking over operations of ASKUL Business Division from PLUS Corporation.<br>Established Tokorozawa Distribution Center in Iruma-gun, Saitama Prefecture. |
| March 1998 | Launched same-day deliveries of Internet orders (limited to 23 wards of Tokyo). |
| July 1999 | Established the Tokyo Center in Koto-ku, Tokyo, and relocated the Tokorozawa Distribution Center to the new distribution center to strengthen the delivery service system in eastern Japan (excluding Hokkaido). |
| September 2000 | Established the Fukuoka Center in Kasuya-gun, Fukuoka Prefecture, to strengthen the delivery service system in Kyushu. |
| November 2000 | Listed on the JASDAQ Market. |
| January 2001 | Established an “e-tailing center” in the Tokyo Center, and relocated the Head Office (business office) from Bunkyo-ku, Tokyo, to the e-tailing center in Koto-ku, Tokyo. |
| April 2001 | Established the Yokohama Center in Kawasaki-shi, Kanagawa Prefecture, to strengthen logistics in the Kanto region. |
| April 2002 | Established the ASKUL DCM Center (Koto-ku, Tokyo) to streamline import operations and warehouse operations. |
| November 2002 | Established ASKUL e-Pro Service Corporation (changed the trade name to SOLOEL Corporation in January 2009 and is currently a consolidated subsidiary). |
| September 2003 | Launched the new ASKUL ARENA (currently, SOLOEL ARENA) service, an integrated online procurement system for corporate customers. |
| December 2003 | Added the supply-demand adjustment business support system function to the SYNCHROMART system, which is designed to share marketing information with suppliers in real time. |
| January 2004 | Published ASKUL Medical & Care Catalog, a catalog of supplies for medical and nursing care facilities. |
| March 2004 | Obtained ISO 14001 Certification for the environmental management system in the principal business offices, including the Head Office (e-tailing center) and five distribution centers nationwide. |
| April 2004 | Listed on the First Section of the Tokyo Stock Exchange. |
| September 2004 | Established the Nagoya Center as a logistics base in the Tokai and Hokuriku Regions in Tokai-shi, Aichi Prefecture. |
| April 2005 | Achieved BS7799-2:2002 certification, the international standards for information security management systems, and ISMS certification criteria (Ver. 2.0), the domestic standards for information security management systems, for the principal business offices. |
| May 2005 | Acquired all outstanding shares of BUSINESSMART Corporation, ASKUL’s agent (distribution agent) (currently a consolidated subsidiary). |
| November 2005 | Published ASKUL for Medical Professionals, a specialized catalog of medical supplies for medical facilities. |

| Month and Year | Description of Business |
|---|---|
| September 2006 | Established Osaka DMC in Osaka-shi, Osaka, and transferred the former Osaka Center to the new distribution center. |
| December 2006 | Established ASKUL (Shanghai) Trading Co., Ltd., a Chinese local corporation, in Shanghai, China (the company was dissolved upon completion of liquidation procedures in January 2014). |
| August 2007 | Established Sendai DMC in Sendai-shi, Miyagi Prefecture, and transferred the former Sendai Center to the new distribution center. |
| March 2009 | PLUS Corporation changed from the parent company to another affiliated company due to partial sale of shareholdings in the Company when the Company implemented a tender offer for treasury shares. |
| April 2009 | Acquired all the outstanding shares of Bizex Corporation, which takes on part of the Company's delivery and logistics operations (Bizex Corporation changed the trade name to ASKUL LOGIST Corporation in May 2016 and is currently a consolidated subsidiary of the Company). |
| November 2009 | Established ASMARU Corporation to strengthen the online mail-order business for individual customers (the company was dissolved due to an absorption-type merger with the Company as the surviving company implemented on February 21, 2013). |
| February 2010 | ASMARU Corporation succeeded Pochitto ASKUL, an online mail-order business for individual customers, via a simplified absorption-type company split |
| November 2010 | Acquired shares of AlphaPurchase Co., Ltd. to expand product lineups (currently a consolidated subsidiary). |
| March 2011 | The e-tailing center, the Company's Head Office (business office), and Sendai DMC, the Company's distribution center, were damaged by the Great East Japan Earthquake. |
| September 2011 | Head Office relocated to "live market center" in Koto-ku, Tokyo. |
| May 2012 | Entered into a business and capital alliance with Yahoo Japan Corporation (currently LY Corporation) to have a vertical start-up of the B-to-C online mail-order business, and issued new shares through third-party allocation to Yahoo Japan Corporation (currently another affiliated company). |
| November 2012 | Launched LOHACO service, a shopping website for general consumers. |
| July 2013 | Established ASKUL Logi PARK Tokyo Metropolitan, the Company's distribution center, in Iruma-gun, Saitama Prefecture (in the wake of the fire that occurred on February 16, 2017, the Group decided to return to "Management not holding onto assets" and divested the facility on November 20, 2017, and began renting it as ASKUL Miyoshi Center on February 2020). |
| July 2014 | PLUS Corporation changed from another affiliated company due to sale of part of its shareholdings in the Company. |
| August 2014 | Acquired all outstanding shares of Shouri Co., Ltd., a company engaged in the mail-order business selling alcoholic beverages, and implemented an absorption-type merger with the Company as the surviving company in the same month. |
| August 2015 | Acquired all outstanding shares of TSUMAGOI MEISUI Corporation, a company engaged in the manufacture and sale of drinking water (currently a consolidated subsidiary). |
| September 2015 | Acquired shares of ecohai Co., Ltd. to achieve differentiation in delivery services (the company was excluded from the scope of consolidation following a partial transfer of its shares in July 2020). |
| October 2015 | Published ASKUL for MRO Supplies, a catalog of indirect materials for manufacturing factories and construction sites. |
| December 2015 | Established ASKUL Logi PARK Fukuoka in Fukuoka-shi, Fukuoka Prefecture, and transferred the former Fukuoka Center to the new distribution center. |
| May 2016 | Established ASKUL Logi PARK Yokohama in Yokohama-shi, Kanagawa Prefecture, and transferred the former Yokohama Center to the new distribution center. |
| April 2017 | Established ASKUL Value Center Hidaka, the Company's distribution center, in Hidaka-shi, Saitama Prefecture. |
| April 2017 | Established Shinsuna Center, the Company's new distribution center, in Koto-ku, Tokyo. |
| July 2017 | Acquired all outstanding shares of charm Co., Ltd., a major e-commerce company selling pet supplies (currently a consolidated subsidiary). |
| September 2017 | Established ASKUL Value Center Kansai, the Company's distribution center, in Suita-shi, Osaka. |
| February 2020 | Established ASKUL Miyoshi Center, the Company's distribution center, in Iruma-gun, Saitama Prefecture. |

| Month and Year | Description of Business |
|---|---|
| September 2021 | Established ASKUL Tokyo Distribution Center (DC), the Company's distribution center, in Edogawa-ku, Tokyo. |
| April 2022 | Transferred from the First Section of the Tokyo Stock Exchange to the Prime Market due to the revision of the market classifications of the Tokyo Stock Exchange. |
| December 2022 | AlphaPurchase Co., Ltd., the Group's consolidated subsidiary, listed on the Tokyo Stock Exchange Standard Market. |
| February 2023 | Acquire 85% of the shares of AP67 Co., Ltd., which owns FEED Corporation, a core company that operates FEED Dental mail-order service for the dental industry, as well as other affiliated companies (currently a consolidated subsidiary). |
| June 2024 | Established ASKUL Kanto DC, the Company's distribution center, in Ageo-shi, Saitama. |

## 3. Description of business

The ASKUL Group (hereinafter, the “Group”) is comprised of the Company and 13 consolidated subsidiaries and is mainly engaged in the E-commerce business. The positioning of the Company and its affiliated companies in the Group’s businesses in relation to the business segments is as follows. The following classification of business is the same as that in the segment reporting.

<E-commerce business>

The E-commerce business deals with sales of OA & PC supplies, stationery, office supplies, office furniture, foods, alcoholic beverages, pharmaceuticals, cosmetics, MRO supplies(Note), pet goods, and other products. The Group operates businesses through two sales channels: B-to-B business and B-to-C business.

Our primary B-to-B business provides next-day delivery (same-day delivery to some areas) of office and workplace supplies for orders received via the Internet or fax. This service is provided based on our unique business model featuring a sales system (hereinafter, the “ASKUL system”) whereby ASKUL places sales agents (hereinafter, the “Agent”) of the ASKUL system between the Company and customers who conduct new customer development activities and credit management operations, including collection of payments. The Company directly receives purchase order information from customers and delivers the purchased items to customers. However, customers’ bills are collected through the Agent. (See the figure in the next page.) Under this system, the Agent earns the difference between the selling price to customers and the wholesale price offered from the Company as profit, while the Company can reduce the cost of acquiring new customers and collecting bills. The ASKUL Group’s businesses are supported by the above-described Agent as well as many other partner companies, such as suppliers of merchandise, transport companies, information system development and operating companies. The ASKUL Group divides and complements roles with such partner companies according to the functions offered by each company. By strategically collaborating with each other as partners in this manner, we eliminate the loss of time and reduce cost.

With regard to consolidated subsidiaries, ASKUL LOGIST Corporation is building a green platform for the provision of logistics and delivery services that will differentiate itself from competitors as an environmentally-friendly company. AlphaPurchase Co., Ltd. is working on the expansion of product lineups centering on MRO supplies such as consumables and repair supplies used routinely in a company. The Group is thus endeavoring to improve its product lineups and service offerings to its customers, and is aiming to create a value chain that will realize a functional business model and social optimization in the Group as a whole. SOLOEL Corporation provides agency services for the purchase of products in the vast indirect material market to customers, in an effort to reduce the purchase cost of indirect materials and stably supply indirect materials, further challenging to expand business. FEED Corporation operates medical-related mail-order business, such as the operation of FEED Dental, which is widely recognized by dental clinics nationwide, and has strengths in its wide range of specialty products, including cost-effective dental materials and supplies, as well as overseas products.

Regarding the B-to-C business, we launched services using the LOHACO online mail-order website for general consumers on November 20, 2012, with the purpose of deploying a next-day delivery service (same-day delivery to some areas) of office and workplace supplies to offices, which we had previously provided through the B-to-B Business. By combining its expertise and human resources with those of LY Corporation, with which the Company has a business and capital alliance, the Company has strived to develop an e-commerce business (electronic commerce business conducted through the Internet) that is superior to other B-to-C online mail-order business operators in all respects including price, product quality, and delivery. charm Co., Ltd., the Group’s consolidated subsidiary, has strengths in the wide variety of pet and gardening merchandise offered. ASKUL, through collaborations with other Group companies, is working to expand pet supply product lineups on the LOHACO site and satisfy the needs of consumers with diverse lifestyles in an effort to expand sales.

(Note) MRO is an acronym for Maintenance, Repair and Operations, and the term “MRO supplies” denotes indirect materials including consumables and repair supplies for use at factories, construction sites, and others.

(Principal affiliated companies) ASKUL LOGIST Corporation, AlphaPurchase Co., Ltd., charm Co., Ltd., BUSINESSMART Corporation, SOLOEL Corporation, AP67 Co., Ltd., FEED Corporation

<Logistics business>

In the Logistics business, we provide logistics and small-cargo transportation services targeting enterprises, such as contracting of storage, logistics, and delivery of mail-order merchandise from manufacturers, etc., through consolidated subsidiary ASKUL LOGIST Corporation by leveraging its know-how cultivated through the E-commerce business.

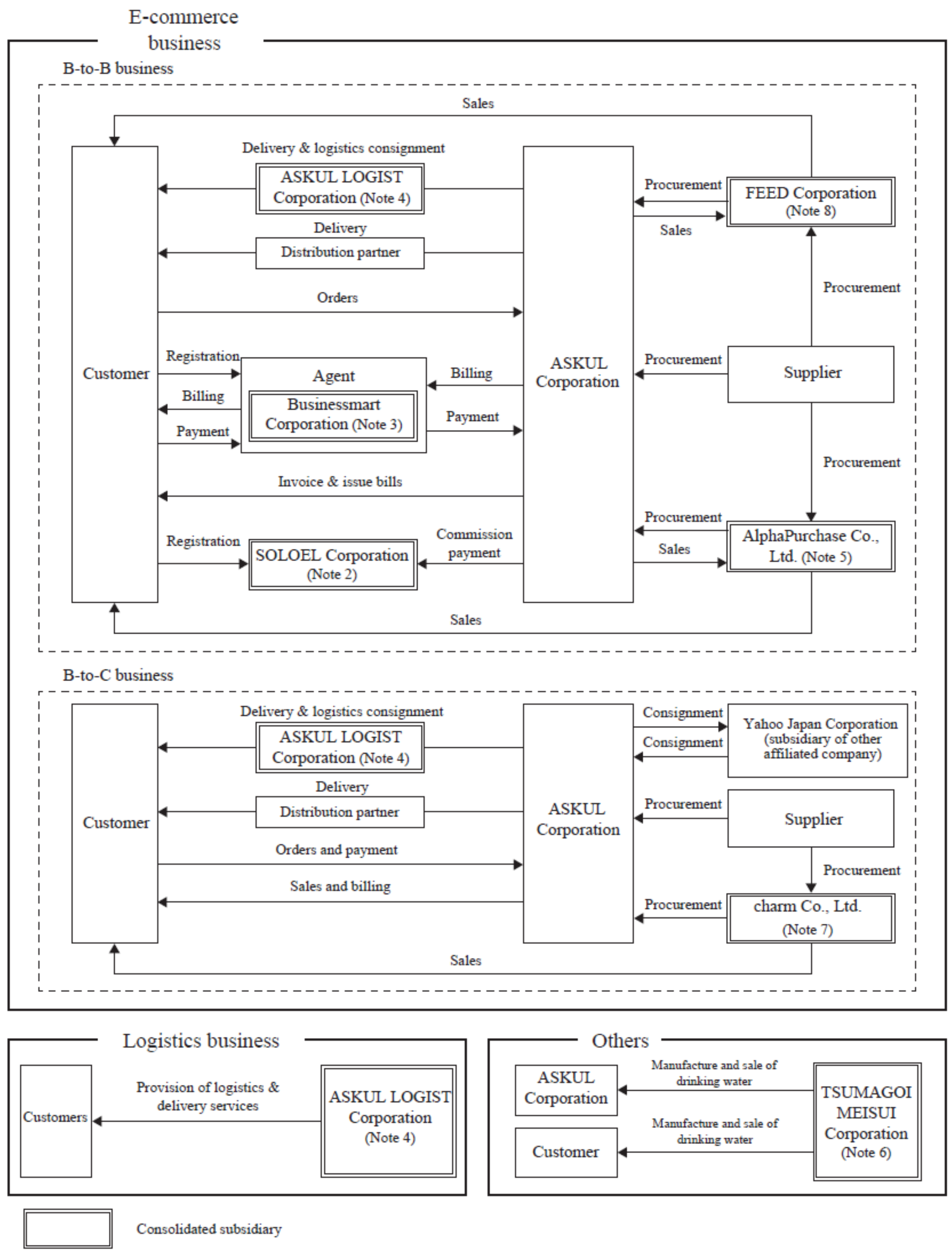
(Principal affiliated companies) ASKUL LOGIST Corporation

<Others>

TSUMAGOI MEISUI Corporation, which was converted into a consolidated subsidiary of the Company through acquisition of shares in August 2015, is engaged in the manufacture and sale of drinking water.

(Principal affiliated company) TSUMAGOI MEISUI Corporation

The Group's business structure described above is summarized in the diagram below.



(Notes) 1. The ASKUL Group is comprised of the Company and 13 consolidated subsidiaries, and is engaged primarily in the E-commerce business.

2. The Company established ASKUL e-Pro Service Corporation (currently SOLOEL Corporation) as a 100% subsidiary in November 2002 to accumulate know-how in adapting to change in corporate purchases through the use of a new electronic procurement system. The company also provides sales agency services for SOLOEL Enterprise, which supports optimization of indirect material purchases for ultra-large corporations.

3. The Company acquired all outstanding shares of BUSINESSMART Corporation, which is its agent (distribution agent), in May 2005 and converted it into a wholly-owned subsidiary. This acquisition will enable the Company to get involved in operation of agents, and the Company will deploy know-how in operation of agents accumulated through serving as an agent itself to other agents, with the purpose of exploring new agent functions and further improving customer satisfaction.

4. The Company acquired all outstanding shares of Bizex Corporation (currently ASKUL LOGIST Corporation), which was established through an incorporation-type company split implemented in April 2009 by PLUS Logistics Corporation, a wholly-owned subsidiary of PLUS Corporation, and succeeded the following businesses from PLUS Logistics Corporation: (1) part of the logistics business (business contracted by the Company related to warehouse management in the Company’s distribution center) and (2) Bizex business (business related to delivery), and converted it into a wholly-owned subsidiary. The purpose is to improve customer satisfaction and achieve streamlining by reducing logistics costs through enhancing the Company’s strength of one-stop shopping functions. This can be done by gaining direct reach to customers in logistics services, which the Company previously outsourced to partner companies.

5. The Company acquired 78.8% of the shares of AlphaPurchase Co., Ltd. in November 2010 (the ownership ratio of voting rights is 62.8% as of May 20, 2024), and converted it into a consolidated subsidiary. The purpose is to contribute to the earnings growth of the ASKUL Group by realizing synergistic effects that are expected through mutually complementary customer bases and range of products held by the Company and AlphaPurchase Co., Ltd.

6. The Company acquired shares of TSUMAGOI MEISUI Corporation, a company engaged in the manufacture and sale of drinking water, in August 2015.

7. In July 2017, the Company acquired all shares of charm Co., Ltd., which is a commerce retailer specializing in pets and gardening products. The aim is to also offer products handled by charm Co., Ltd. on the LOHACO site and satisfy the diverse needs of customers, while contributing to the earnings growth of the B-to-C business

8. In February 2023, the Company acquired 85% of the shares of AP67 Co., Ltd., which owns FEED Corporation, a core company that operates FEED Dental mail-order service for the dental industry, as well as other affiliated companies, and converted it into a consolidated subsidiary. The purpose is to maximize group-wide synergies, such as expanding sales channels by leveraging the customer bases held by the Company and FEED Corporation, and work to increase corporate value as infrastructure companies that support a wider range of workplaces

4. Subsidiaries and other affiliated companies

| Name | Address | Capital (millions of yen) | Description of main businesses | Ratio of voting rights held (or indirectly held) (%) | Relationships |
|---|---|---|---|---|---|
| (Parent companies of other affiliated companies)<br>SoftBank Group Corp.<br>(Note 3) | Minato-ku, Tokyo | 238,772 | Holding company | (45.3)<br>[45.3] | - |
| Softbank Group Japan Corporation | Minato-ku, Tokyo | 188,798 | Holding company | (45.3)<br>[45.3] | - |
| SoftBank Corp.<br>(Note 3) | Minato-ku, Tokyo | 214,393 | Telecommunications industry | (45.3)<br>[45.3] | - |
| A Holdings Corporation | Minato-ku, Tokyo | 100 | Holding company | (45.3)<br>[45.3] | - |
| (Other affiliated company)<br>LY Corporation<br>(Note 3, 5) | Chiyoda-ku, Tokyo | 248,144 | Internet advertising business<br>E-commerce business<br>Membership service business<br>Business management of group companies | (45.3) | Payment agency, etc. |
| (Consolidated subsidiaries)<br>ASKUL LOGIST Corporation<br>(Note 4) | Koto-ku, Tokyo | 90 | E-commerce business<br>Logistics business | 100.0 | Sublease of logistics warehouses<br>Logistics outsourcing of products, etc. |
| AlphaPurchase Co., Ltd.<br>(Note 3) | Minato-ku, Tokyo | 558 | E-commerce business | 62.8 | Purchase of products<br>Sale of products, etc.<br>Concurrent appointment of officers |
| charm Co., Ltd. | Oura-machi, Oura-gun, Gunma | 10 | E-commerce business | 100.0 | Purchase of products<br>Loan guarantees<br>Concurrent appointment of officers |
| BUSINESSMART Corporation | Koto-ku, Tokyo | 93 | E-commerce business | 100.0 | Agent of the Company |
| TSUMAGOI MEISUI Corporation | Agatsuma-gun Tsumagoi-mura, Gunma | 80 | Other | 100.0 | Purchase of products, etc.<br>Lending funds<br>Loan guarantees<br>Concurrent appointment of officers |
| SOLOEL Corporation | Koto-ku, Tokyo | 80 | E-commerce business | 100.0 | Sales agency services, etc.<br>Concurrent appointment of officers |
| AP67 Co., Ltd. | Nishi-ku, Yokohama-shi, Kanagawa | 100 | E-commerce business | 85.0 | Lending funds<br>Concurrent appointment of officers |
| FEED Corporation | Nishi-ku, Yokohama-shi, Kanagawa | 43 | E-commerce business | 100.0<br>[100.0] | Concurrent appointment of officers, etc. |
| Five other companies | - | - | - | - | - |

(Notes) 1. Figures in brackets under the ratio of voting rights held (or indirectly held) column are the ratio of voting rights indirectly held which are included in the figures above.
2. Ratios of voting rights indirectly held are calculated excluding treasury shares.
3. These companies submit an annual securities report.
4. These companies are specified subsidiaries.
5. On October 1, 2023, Z Holdings Corporation, the Company's other affiliated company, reorganized its group structure centering on LINE Corporation and Yahoo Japan Corporation, its wholly owned subsidiaries, with Z Holdings Corporation as the surviving company, and changed its corporate name to LY Corporation.
6. The name of the relevant reportable segment is stated in the "Description of main businesses" column for the consolidated subsidiaries.

## 5. Employees

(1) Information about the Group

As of May 20, 2024

| Name of segment | Number of employees (persons) |
|---|---|
| E-commerce business<br>Logistics business | 3,645 (2,071) |
| Other | 42 (-) |
| Total | 3,687 (2,071) |

(Notes) 1. For employees engaged in either the E-commerce business or the Logistics businesses, it is not possible to clearly distinguish the number of employees by reportable segment. Therefore, the stated number of employees is the total of both businesses.

2. The number of employees indicates people under employment (excluding those seconded from the Group to outside the Group and including those seconded from outside the Group to the Group). The annual average number of temporary employees is shown separately in parenthesis.

(2) Status of the submitting company

As of May 20, 2024

| Number of employees (persons) | Average age (years old) | Average years in employment (years) | Average annual salary (yen) |
|---|---|---|---|
| 917(62) | 41.3 | 9.6 | 7,893,155 |

(Notes) 1. All employees are engaged in the E-commerce business.

2. The number of employees indicates people in under employment (excluding those seconded from the Group to outside the Group and including those seconded from outside the Group to the Group). The annual average number of temporary employees is shown separately in parenthesis.

3. Average annual salary includes bonuses. The Company has adopted the annual salary system.

(3) Information about labor unions

While no labor unions have been organized at the Group, the Group has maintained a smooth worker-employer relationship.

(4) Ratio of female workers in management positions, ratio of male workers who have taken childcare leave, and difference in pay between male and female workers

1) Submitting company

| Current fiscal year | | | | |
|---|---|---|---|---|
| Ratio of female workers in management positions (%) (Note 1) | Ratio of male workers who have taken childcare leave (%) (Note 2) | Difference in pay between male and female workers (%) (Note 1) | | |
| | | All workers | Regular permanent workers | Part-time or fixed-term workers |
| 21.1 | 66.7 | 83.7 | 83.9 | 75.8 |

(Notes) 1. Calculated pursuant to provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. The ratio of workers taking childcare leave, etc., is calculated under Article 71-4, Item 1 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 of 1991) pursuant to provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).

2) Consolidated subsidiaries

| Current fiscal year | | | | | |
|---|---|---|---|---|---|
| Name | Ratio of female workers in management positions (%) (Note 1, 3) | Ratio of male workers who have taken childcare leave (%) (Note 2, 3) | Difference in pay between male and female workers (%) (Note 1, 3) | | |
| | | All workers | All workers | Regular permanent workers | Part-time or fixed-term workers |
| ASKUL LOGIST Corporation | - | 35.0 | 68.9 | 71.5 | 106.9 |
| charm Co., Ltd. | 12.1 | 100 | 69.6 | 78.3 | 97.8 |
| AlphaPurchase Co., Ltd. | 25.8 | 100 | - | - | - |
| FEED Corporation | 18.5 | - | - | - | - |

(Notes) 1. Calculated pursuant to provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).

2. The ratio of workers taking childcare leave, etc., is calculated under Article 71-4, Item 1 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 of 1991) pursuant to provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

3. The figures for the consolidated subsidiaries that are not made public as defined in the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015) and the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991) are omitted.

4. The ratio of female workers in management positions is subject to aggregation as of the end of the most recent fiscal year of each consolidated subsidiary. The ratio of male workers who have taken childcare leave and the difference in pay between male and female workers are subject to aggregation as of the end of the most recent fiscal year of each consolidated subsidiary.

## II. Overview of Business

### 1. Management policy, business environment, issues to address

Forward-looking statements in this document are based on the Group's judgments as of the date of submission of the Annual Securities Report (July 30, 2024).

(1) Management Policy and Medium- to Long-Term Management Strategy

Since our founding in 1992, ASKUL has pioneered in developing the total office support service that delivers products and services needed in offices in a swift and reliable manner, and to the diverse needs of SMEs and medium-scale large corporations alike, evolving its products, services, and systems while listening to customer feedback on what types of products and services they require in their office environments. This has led to the realization of steady growth.

In addition, e-commerce (business of commerce conducted via the Internet and other electronic means) is rapidly penetrating the general consumer market. Seeing this trend as an excellent opportunity for growth, the Group launched the LOHACO service, an Internet mail-order site for general consumers, on November 20, 2012.

The business environment surrounding the Group has changed dramatically mainly due to the shift to new lifestyles caused by new COVID-19 infections and the rapid evolution of technology with the e-commerce market scale and conversion rate continuing to expand. Competition has also intensified, and in order to survive this intensifying competition, the Group formulated a medium-term management plan for four years from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025.

The three basic policies of the Medium-Term Management Plan are "sustainable management," "maximization of customer value," and "transformation to a high-profit model," and through the practice of ethical e-commerce, which considers environmental conservation and solutions to social issues, the Company will realize solutions to environmental issues in an integrated manner with its business operations. Guided by these policies, the Company will leverage its advantages including the Group's customer base, big data, highly automated logistics base that enables same-day or next-day deliveries across Japan, and original product development capabilities accumulated over many years, and will strive to transform itself from an office supplies mail-order company into an infrastructure company that supports all workplaces and lifestyles with the Group's collective effort.

(2) Target management indicators

In the fiscal year ending May 20, 2025, the final year of the Medium-Term Management Plan, the Group has planned to achieve consolidated net sales of ¥550.0 billion, an operating profit ratio of 5.0%, and return on equity (ROE) of 20.0%.

The planned figures of the Medium-Term Management Plan have not been achieved due to an increase in amortization from increased investment in the new ASKUL website (system) and not achieving the planned opening effects of SOLOEL ARENA website, low utilization rates of newly-introduced products due to a disproportionate emphasis on product expansion (number of items), not achieving the sales plan for LOHACO due to the prioritization of profitability, and increased fixed costs due to the launch of ASKUL Kanto DC. However, on the other hand, growth has accelerated as a result of setting high targets in the plan, and both sales and operating profit have reached record highs.

The Group plans to formulate and announce a new Medium-term Management Plan during the fiscal year ending May 20, 2025. The Group will continue to pursue its mission of "transformation from an office supplies mail-order company" and promote entry into areas other than product sales with the aim of becoming an infrastructure company that supports all workplaces and lifestyles, by focusing on the three themes listed in "(3) Issues to address" below.

For the fiscal year under review (the fiscal year ended May 20, 2024), expansion and increase in sales of living supplies and MRO products, which are our main area of focus, made up for a decline in special demand for COVID-19 countermeasure products and a drop in demand for office products. The Company also strived to further streamline logistics and to improve the revenue structure of LOHACO. As a result, net sales was ¥471.6 billion, the operating profit to net sales ratio was 3.6%, and ROE was 26.9%

For the fiscal year ending May 2025, the Group aims to achieve record-high net sales and operating profit by absorbing the increase in fixed costs for platform construction including ASKUL Kanto DC and core system replacement. The ASKUL business will increase the growth rate by improving the accuracy of each measure through data-driven approaches and achieve high growth rates in both sales and operating profit. The LOHACO business will maintain profitability and achieve regrowth through enhancement of product lineups, improvement and evolution of user interface and user experience, and collaboration in sales promotion with LY Corporation.

As a result, net sales are forecasted at ¥500.0 billion, the operating profit to net sales ratio at 3.6%, and ROE at 13.9%.

(3) Issues to address

The Group will focus on the following three themes in the next fiscal year (the fiscal year ending May 20, 2025).

(1) Increase the growth rate by improving the accuracy of each measure through data-driven approaches

In the ASKUL business, the Group will promote digital transformation in merchandising to accelerate the speed of product adoption, pricing and other operations through data-driven decision making, and enhance product lineups by launching a marketing lab and utilizing data in collaboration with suppliers.

The Group will also review customer acquisition methods and measures to improve retention rates by strengthening customer acquisition methods targeting potential blue-chip customers through the use of data and by implementing retention measures after registration, and improve sales promotion accuracy through recommendation engine optimization, etc., while developing the website through search algorithm optimization and functional improvement based on customer feedback to enhance user interface and user experience.

(2) Transitioning to a base strategy that enables same-day delivery for products ordered with high-frequency (LDC) and next-day delivery for long-tail products (WDC)

Aiming to improve delivery efficiency by consolidating inventories of long-tail products, the Group plans to start operation of the ASKUL Kanto DC at the beginning of the fiscal year ending May 2026. As a large-scale distribution center in eastern Japan, it will consolidate inventories of long-tail products in order to deliver a variety of products in a single box, thereby increasing unit sales price per box and decreasing the ratio of shipment expenses to net sales. In addition, by switching the shipping point for long-tail products from AVC Kansai to this center, the Group aims to shorten the delivery distance to customers in eastern Japan to realize "come tomorrow" service (next-day delivery) for long-tail products as well.

Furthermore, by centralizing deliveries to distribution centers into the ASKUL Kanto DC, the Group will shorten physical transportation distances, leading to reducing the environmental burden of our suppliers and delivery partners.

(3) Shift in financial strategies toward discontinuous growth

The Group will continue to maintain and improve our sound financial structure to support further growth investments (including discontinuous growth investments such as M&As), while at the same time enhancing shareholder returns and improving capital efficiency. The Group will establish a capital allocation policy to implement aggressive M&As and set a growth investment limit of 100.0 billion yen to achieve discontinuous growth.

2. Approach and initiatives on sustainability

The Group's approach on sustainability and our initiatives are as follows.

Forward-looking statements in this document are based on the Group's judgments as of the date of submission of the Annual Securities Report (July 30, 2024).

1. Overall sustainability

(1) Governance

With the aim of fulfilling our social responsibilities, achieving sustainable growth, and enhancing corporate value over the medium to long term, and complementing the governance function of the Board of Directors, the Group established the Sustainability Committee chaired by the Director in charge of risk management.

The Sustainability Committee deliberates and decides on issues and policies related to sustainability and ESG, and monitors the Risk and Compliance Committee, the Occupational Health and Safety Committee, the Quality Management Committee, and the Information Disclosure Committee.

In the engagement, consideration, and promotion of sustainability issues such as addressing material issues (important issues) and ESG measures, the Company strives to improve effectiveness by seeking collaboration between each division of the Company and the Group, as well as between the Management Meeting and each related organization.

○ CSR/ESG/Sustainability Promotion Structure


In addition, for the purpose of building appropriate corporate governance, ensuring management transparency, and enhancing the corporate value of the Group, the "Nomination and Compensation Committee," "Special Committee," and "Independent Outside Officer Meeting" have been established as structures to deliberate and consider each issue.

The activities of each committee are reported to the Board of Directors on a regular basis, and matters of particularly high importance are submitted or reported to the Board of Directors as needed in striving to ensure proper monitoring through providing the necessary and appropriate guidance and advice.

For an overview of the corporate governance system, including the above, please refer to "IV. Status of the Submitting Company, 4. Status of Corporate Governance, etc. (1) Overview of Corporate Governance, 2) Corporate Governance system."

(2) Strategy

The Group has formulated Our Purpose and Our Values as our foundations for achieving sustainable growth, and has positioned our corporate philosophy from the time of our founding of "Advancing forward for our customers" as Our DNA, and established and announced these ideals as the ASKUL WAY.

In conjunction with this, we have also formulated the Basic Sustainability Policy as a guideline for activities to realize a sustainable society and have identified material issues (important issues) that we must continue to focus on and promote initiatives to address.

The Basic Sustainability Policy at the Company is as follows:

○ Basic Sustainability Policy

We, the ASKUL Group, strive with a shared sense of purpose to contribute to the realization of a sustainable society through the growth of the Group, as a company that supports the tomorrow of our workplaces, daily lives, and our planet.

・Material Issues (Important Issues) Identification Process

In identifying material issues (important issues), we first identified and categorized issues while referring to international guidelines with consideration for the Company’s Purpose, Values, and internal policies. Following this step, through interviews with stakeholders, we organized and evaluated issues along two axes, “importance for stakeholders” and “importance for ASKUL,” and furthermore, identified and decided material issues (important issues) based on discussions by management in a resolution passed by the Board of Directors.

・Identified Material Issues (Important Issues)

We disclose the Company’s material issues (important issues) following deliberations by the Board of Directors and having ascertained their appropriateness at the Sustainability Committee, after receiving and evaluating opinions of all officers, including outside directors, and discussions at Management Meetings.

Of the 13 issues that were identified and selected, 3 issues are positioned at the “foundation” to be organized as prerequisites for our corporate activities, while the other 10 issues have been collected and organized into 5 themes based on the content of measures for each issue, their relationships to other issues, and future promotion structures.

The material issues (important issues) of the Company are as follows.

<table>
<tr><th colspan="3">Material issues (important issues)</th></tr>
<tr><td>Digital transformation</td><td>Service reform via digital transformation</td><td>1) Create the best customer experience<br>2) Build innovative value chains</td></tr>
<tr><td>Co-creation</td><td>Innovation via co-creation</td><td>3) Create new value through products and services<br>4) Realize a resource-recycling platform</td></tr>
<tr><td>Environment</td><td>Contribute to the global environment for the next generation</td><td>5) Take on the challenge of realizing a carbon-neutral society<br>6) Conserve biodiversity</td></tr>
<tr><td>Supply chains</td><td>Build responsible supply chains</td><td>7) Realize sustainable procurement<br>8) Fulfill responsibility as a lifeline</td></tr>
<tr><td>Human resources</td><td>Develop human resources to strengthen sustainable corporate activities</td><td>9) Promote diversity where individuals can demonstrate their abilities<br>10) Innovate through personnel who proactively take on new challenges</td></tr>
<tr><td>Foundation</td><td colspan="2">11) Realization of highly transparent governance (including data security)<br>12) Healthy management that allows safe and secure work both physically and mentally<br>13) Maintain and improve a sound financial structure</td></tr>
</table>

(3) Risk management

In order to ensure proper business activities of the Company in accordance with the Companies Act and the Regulations for Enforcement of the Companies Act, the Company shall establish an internal control system to prevent various risks from the perspective of risk management by recognizing the social responsibilities the Company should fulfill, while enhancing corporate governance and at the same time ensuring compliance management.

In addition, the Group works to ensure that risks, including those related to sustainability, that impact future operating results are identified and assessed as “significant risks.” Of these, risks that senior management recognizes as having a particularly significant impact on Group business continuity, based on analysis of social trends and recognition and consideration by senior management, are defined as particularly significant risks, for which the necessary countermeasures are formulated.

・Risk Management Basic Policies and Action Guidelines

1. The Company and the Group manage risks by addressing all matters with the potential of impeding sustainable Group growth; compliance with laws, regulations, social norms, and internal rules, including ethical behavior guidelines; and our ability to conduct business appropriately, achieve sustainable growth, and enhance corporate value over the medium to long term.
2. In the event specific risks were to occur, the Company, Group officers, and employees will place the highest priority on human life and physical safety, comply with laws and ethics, and act with moral integrity and honesty.

・Risk Management Operational Structure

| | | |
|---|---|---|
| General Manager | President and Chief Executive Officer (CEO) | Appropriate allocation of management resources necessary for planning, implementing, inspecting, reviewing, and ensuring the execution of internal risk response plans |
| Implementation Manager | Director in charge of risk management | Formulates various risk response plans, oversees plan execution, and coordinates efforts throughout the Company |
| Risk Management Officer | Business units, Group companies | Manages and follows up on risk responses as executive officer of each business unit and project |
| Risk Management | Person in charge of divisions (supervisory divisions) | Promotes various risk responses for each department and project |
| Personnel Involved in Risk Response Activities | Departments (each department) | Implements various risk responses |
| Risk Management Secretariat | Person in charge of CSR | Promotes PDCA within risk management activities |
| Risk and Compliance Committee | | Deliberates, approves, and monitors related matters, regulations, and issues, and submits matters or reports to the Board of Directors or the Sustainability Committee |

At the Group, in line with risk management regulations, risk management officers in each business unit, etc. in charge of business activities identify risks and opportunities that will substantially impact operations in the short- and long-term timeframe at least once a year. In addition to formulating response plans for each situation, the Group regularly monitors plan execution and the identified risks and opportunities are submitted to the Risk Compliance Committee through the Risk Management Secretariat.

Prior to these matters being submitted to the Risk Compliance Committee, the “Companywide risks and opportunities” that have been identified based on the risk management regulations are checked against and integrated with each relevant risk and opportunity by the Risk Management Secretariat. The Risk and Compliance Committee confirms and reviews the implementation status and progress of each division’s response plan at least once a year.

In addition, the results of considerations and the progress of measures, in addition to matters of particularly high importance, are submitted or reported to the Sustainability Committee and the Board of Directors in striving to ensure proper monitoring through providing the necessary and appropriate guidance and advice.

Please refer to “II. Overview of Business, 2. Approach and initiatives on sustainability, 2. Measures for climate change, (3) Risk management” for information on other risks and opportunities related to climate change and “II. Overview of Business, 3. Business risks” for details on the major risks faced by the Company.

(4) Indicators and targets

The Group has established each measure (action plans) and KPI (indicators/targets) in accordance with the identified material issues (important issues) as follows.

Through the Sustainability Committee, each committee, and the Management Meeting, the Company confirms and promotes the progress on approaching each issue while verifying, reviewing, and disclosing our activities based on dialogues with stakeholders and the progress of management plans and business plans.

○ List of Targets and KPIs based on Material Issues (Important Issues)

<table>
<tr><th colspan="2">Material issue</th><th>Goal</th><th>Action plan/KPI (indicators/targets)</th></tr>
<tr><td rowspan="7">Digital transformation</td><td rowspan="3">1) Create the best customer experience</td><td rowspan="2">Refine and evolve existing services</td><td>Customer retention rate: 2 pts. improvement</td></tr>
<tr><td>Improved primary resolution rate of inquiries from 85% to 90%</td></tr>
<tr><td>New service offerings and customer experience evolution</td><td>Evolution of easy and convenient purchasing function through technology</td></tr>
<tr><td rowspan="3">2) Build innovative value chains</td><td rowspan="2">Evolution of the entire value chain</td><td>Realization of a mechanism for zero product shortages caused by ASKUL</td></tr>
<tr><td>Improved delivery quality and achievement of zero delivery delays</td></tr>
<tr><td>Evolution of product information</td><td>Establishment of an open product-information-sharing platform that transcends stakeholder boundaries</td></tr>
<tr><td rowspan="6">Co-creation</td><td rowspan="3">3) Create new value through products and services</td><td>Environment-friendliness of original products</td><td>Establishment of environmental standards and negative lists for original products</td></tr>
<tr><td rowspan="2">Solving of social issues through new services</td><td>Realization of sales platform for products scheduled for disposal by manufacturers; achieved a cumulative reduction in product disposal of one million units</td></tr>
<tr><td>Support for “vulnerable shoppers”; study of support contents (establishment of local commerce services, etc., to cope with depopulation in rural areas)</td></tr>
<tr><td rowspan="3">4) Realize a resource-recycling platform</td><td>Realization and implementation of resource-recycling services</td><td>Establishment and start expansion of resource-recycling services</td></tr>
<tr><td rowspan="2">Zero Waste Challenge</td><td>Achieve zero product waste</td></tr>
<tr><td>Achieved total recycling of packaging materials</td></tr>
<tr><td rowspan="7">Environment</td><td rowspan="5">5) Take on the challenge of realizing a carbon-neutral society</td><td rowspan="3">ASKUL Group 2030 Zero $CO_2$</td><td>Achievement of the 2030 Zero $CO_2$ Challenge</td></tr>
<tr><td>Efforts to absorb $CO_2$ through afforestation, etc.</td></tr>
<tr><td>Provide environment-friendly delivery methods to customers</td></tr>
<tr><td rowspan="2">Reduction of $CO_2$ emissions throughout the supply chain</td><td>Achieved Science Based Targets (Note 2) (reduce greenhouse gas emissions throughout the supply chain to net zero (90% reduction and neutralization of the remainder) by 2050)</td></tr>
<tr><td>Completion of visualization of $CO_2$ emissions produced by products and calculation of contribution to reduction</td></tr>
<tr><td rowspan="2">6) Conserve biodiversity</td><td>Expansion of range of certified products handled</td><td>Expansion of range of certified wood and paper products</td></tr>
<tr><td>Tackling of the problem of marine plastic pollution</td><td>Cooperation with local authorities in collecting marine ocean plastic</td></tr>
</table>

| | | | |
|---|---|---|---|
| Supply chain | 7) Realize sustainable procurement | Supplier surveys and audits | Conducting of CSR surveys of suppliers |
| | | | Implementation of audits at original product contract manufacturing plants |
| | | Non-supplier business partner surveys | Conducting of ASKUL confidence surveys of all business partners |
| | 8) Fulfill responsibility as a lifeline | Expansion of range and stable supply of "lifeline products" | Establishment of stable supply system for "lifeline products" |
| | | Building of resilient logistics networks | Distribution center layouts planned and implemented based on seismic isolation and redundancy |
| | | | Building of resilient supply chains |
| | | Platform-based disaster relief | Signing of disaster relief agreements with local authorities |
| Human resources | 9) Promote diversity where individuals can demonstrate their abilities | Ratio of female managers | 30.0% female manager ratio achieved |
| | | Employment of persons with disabilities | Compliance with and improvement of employment rate of persons with disabilities |
| | | Senior system | Operation of the Second Career Challenge system |
| | 10) Innovate through personnel who proactively take on new challenges | Human resource development that encourages taking on challenges and environmental improvements | Design and operation of internal award schemes |
| | | | Development and implementation of Companywide development plans (including DX personnel development) |
| | | Recruitment and development of DX personnel | 30 DX personnel recruited annually (new graduates and mid-career hires) |
| Foundation | 11) Realization of highly transparent governance (including data security) | Strengthening of Group governance | Zero cases of misconduct or serious legal violations (ongoing) |
| | | Ensuring of information security | Zero serious security incidents (ongoing) |
| | 12) Healthy management that allows safe and secure work both physically and mentally | Improved healthcare | Initiatives toward and promotion of health management |
| | | Strengthening of engagement | Improved employee satisfaction and engagement |
| | 13) Maintain and improve a sound financial structure | Improvement of profitability | Achievement of the Medium-Term Management Plan<br>Consolidated net sales of ¥550.0 billion, an operating profit ratio of 5.0%, and ROE of 20.0% |
| | | Financial base | Building of a strong financial base to support the Medium-Term Management Plan<br>CCC (cash conversion cycle): –20 days |

(Notes) 1. Unless otherwise stated, the scope of targets and KPIs only applicable to ASKUL Corporation.
2. An acronym for the "Science Based Targets," an international initiative that encourages organizations to set science-based greenhouse gas emission reduction targets in order to limit the temperature increase to 2°C above pre-industrial levels.
3. Please refer to the following for details on the latest numerical results, etc. in relation to material issues (important issues).
○ List of Targets and KPIs based on Material Issues (Important Issues)

https://askul.disclosure.site/ja/themes/167#csr_sustainability05 (Japanese only)

https://www.askul.co.jp/corp/assets/pdf/ASKUL_Report_2023E.pdf#page=94 (ASKUL Report 2023, page93-95)

In addition, please refer to the following for other indicators and related data on sustainability and ESG.

○ ESG Data Collection

https://askul.disclosure.site/ja/themes/105 (Japanese only)

2. Measures for climate change

In order to realize the ASKUL Group's Purpose of "Continuously bringing delight to our workplace, life, the planet and tomorrow," the Group realizes that maintaining the entire supply chain, from the procurement of raw materials to the purchase, sales, distribution, and delivery of our products, is the most key management issue that we face, and based on this recognition, we have identified climate change as a significant factor that impacts this management issue. We have therefore committed the Group toward reaching the goals of the Paris Agreement, which pursues efforts to limit the global average temperature increase to 1.5°C above pre-industrial levels, by endeavoring to reduce our $CO_2$ emissions through a variety of initiatives, including converting the electricity used at the Group's distribution centers and other facilities to renewable energy sources and switching our light-duty delivery trucks to electric vehicles (EVs).

In 2016, we declared our commitment to the 2030 Zero $CO_2$ Challenge, a goal to achieve zero $CO_2$ emissions directly and indirectly from our facilities and vehicles by 2030. In 2017, we simultaneously participated in RE100(Note 1) and EV100(Note 2), and in 2019, we became the first Japanese e-commerce business to announce our endorsement of the TCFD (Task Force on Climate-related Financial Disclosure) recommendations. We will continue to make progress on controlling $CO_2$ emissions by analyzing the impact on business and evaluating the risks and opportunities as follows.

・Response to TCFD

Please refer to the following for the disclosure of climate change-related information based on the TCFD Recommendations and the TCFD Index.

○ Disclosure of climate change-related information based on the TCFD Recommendations

https://askul.disclosure.site/ja/themes/174 (Japanese only)

English in ASKUL Report 2023 (excerpt): https://www.askul.co.jp/corp/assets/pdf/ASKUL_Report_2023E.pdf#page=69

○ TCFD Index

https://askul.disclosure.site/ja/themes/106#tcfd (Japanese only)

Furthermore, in 2024, we obtained the SBT certification for our goal of achieving net-zero greenhouse gas emissions (90% reduction and neutralization of the remainder) throughout the supply chain by 2050, and are working on measures to achieve this goal in cooperation with the supply chain.

(1) Governance

1) Monitoring system of the Board of Directors

At the Group, the Environmental Management System (EMS) Manager Meeting, comprising Representative Director, President and CEO, directors, executive officers, and division heads from each business, is held quarterly to confirm the status of climate-related issues and discuss, deliberate, and implement measures aimed at their resolution in accordance with Environmental Management System (EMS) Promotion Structure. Important matters reported on and discussed at EMS Manager Meetings are submitted or reported to the Risk and Compliance Committee and Sustainability Committee, which are subordinate to the Board of Directors, chaired by the Director in charge of risk management, and comprise Representative Director, President and CEO, ASKUL directors, and other members.

The Risk and Compliance Committee mainly discusses, deliberates, and decides on matters related to climate change risk management, while the Sustainability Committee assumes the same responsibilities toward approaching the impact of climate-related issues on the sustainable growth of the Group and action plans, etc. to address these issues. In addition, matters of particularly high importance reported to these committees are submitted or reported to the Board of Directors, which strives to ensure proper monitoring through providing the necessary and appropriate guidance and advice.

2) Roles of management

The Company's Representative Director, President and CEO attends Board of Directors' meetings to discuss management strategies, business plans, and important business operations and takes ultimate responsibility for all responses to climate-related issues as the chief executive officer of the Group.

The process for reporting climate-related issues to the Representative Director, President and CEO includes mainly quarterly EMS Manager Meetings and an annual management review where reports are provided on each relevant policy, plan, and the status of progress. In each reporting process, the Representative Director, President and CEO evaluates the Group's efforts to resolve climate-related issues, ensures that they are in line with business activities Companywide, allocates management resources and establishes systems, and provides the necessary decision-making, guidance, and advice on promoting initiatives and revising the direction of the Company as needed.

(2) Strategy

1) Risks and opportunities of climate change, and the impact on the businesses, strategies, and financial plans of the organization

The Group realizes that maintaining the entire supply chain, from the procurement of raw materials to the purchase, sales, distribution, and delivery of our products, is the most key management issue that we face, and based on this recognition, for each process in this supply chain, we categorize the impacts associated with climate change into transition risks, physical risks and opportunities, and evaluate their importance.

Furthermore, while performing these evaluations, in addition to our business strategies and the status of the development of the infrastructure of the Company, we also provide sufficient consideration for external factors such as the international political and social trends or changes in legal regulations.

2) Scenario analyses

Based on the SSP scenarios modeled in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), the Group calculates the financial impact of each of the risks and opportunities judged to be of high importance in the previous paragraph as of 2030 using scientific-based and other methods to formulate business strategies to mitigate "risks" and enhance "opportunities" based on the following two climate-related scenarios.

・4°C scenario (SSP5-8.5)

Scenario in which countries fail to introduce new political policies and measures and greenhouse gas emissions remain uncontrolled

・1.5°C or less scenario (SSP1-1.9)

Scenario in which countries introduce appropriate political policies and measures in order to reach the goals of the Paris Agreement and limit the temperature increase to 1.5°C or less

The results of the Company's scenario analyses were as follows. While the physical risks are not expected to materialize to a significant extent as of 2030, these results show that policies and regulations as well as changes in customer preferences, etc. are expected to have a substantial impact on the Group's business.

The impact on business of climate change continues to change with each passing moment due to global trends toward decarbonization and technological innovation, and we will continue to take social trends such as this into account as we strive to identify financial impacts on a regular basis and reflect these considerations in the Group's business strategies, including risk management plans and medium-term management plans.

| Risks and opportunities | | | Impact on business | Assumed annual impact on finances in 2030 | |
|---|---|---|---|---|---|
| | | | | 4°C | 1.5°C or less |
| Transition risks | Policies and regulations | Taxation | $CO_2$ emissions tax on distribution centers, delivery vehicles, etc. with the introduction of carbon price taxation | - | Impact |
| | Products and services | Changing customer preferences | Progress on lower product costs due to emphasis on price over environmental performance | Major impact | - |
| | Technologies | Proliferation of low-carbon technologies | Higher vehicle procurement costs due to high vehicle prices from stalling development and proliferation of EVs | - | Impact |
| Physical risks | Chronic | Higher average temperatures, changing precipitation and weather patterns | Higher electricity costs required for cooling and refrigeration of distribution centers, offices, delivery vehicles, etc. | Impact | Impact |
| | | | Higher product prices in line with forest resource scarcity caused by wildfires, outbreaks of damage-causing insects, vegetation changes, etc. | Impact | Impact |
| | Acute | Intensification of extreme weather events | Higher product purchase prices from obtaining substitute products, etc., due to supplier damage | Impact | Impact |
| | | | Higher delivery costs, insurance fees, etc. due to increased delivery delays, accidents, and other events | Impact | Impact |
| Opportuni-ties | Products and services | Changing customer preferences | Increasing demand for products with low carbon emissions throughout the product life cycle | - | Major impact |
| | | Expansion of circular economy | More business opportunities from expansion of collection services to meet social demand for circular economy | - | Major impact |
| | Technologies | Proliferation of low-carbon technologies | Operating cost benefits of being cheaper than internal combustion engine vehicles materialize as a result of lower vehicle prices due to proliferation of EVs | - | Impact |

(3) Risk management

At the Group, in line with risk management regulations, risk management officers in each business unit, etc. in charge of business activities identify climate-related risks and opportunities that will substantially impact operations in the short- and long-term timeframe at least once a year. In addition to formulating response plans for each situation, the Group regularly monitors plan execution and the identified climate-related risks and opportunities are submitted to the Risk Compliance Committee through the Risk Management Secretariat.

Prior to these matters being submitted to the Risk Compliance Committee, the “Companywide risks and opportunities” that have been identified based on the risk management regulations are checked against and integrated with the climate change risks and opportunities identified in light of the EMS Secretariat’s short- to long-term time frame by the Risk Management Secretariat. The Risk and Compliance Committee confirms and reviews the implementation status and progress of each division’s response plan at least once a year.

(4) Indicators and targets

The Group has defined $CO_2$ emissions as an indicator to evaluate the impact of the risks and opportunities brought about by climate change on its business strategy.

Our $CO_2$ emissions in the fiscal year ended May 20, 2024 are as follows.

| ($t$-$CO_2$) | | Fiscal year ended May 20, 2020 | Fiscal year ended May 20, 2021 | Fiscal year ended May 20, 2022 | Fiscal year ended May 20, 2023 | Fiscal year ended May 20, 2024 |
|---|---|---|---|---|---|---|
| Conso-lidated | Scope 1 | 3,631 | 3,215 | 3,160 | 2,744 | 2,441 |
| | Scope 2 | 14,614 | 13,115 | 12,108 | 9,017 | 7,387 |
| | Total | 18,245 | 16,331 | 15,269 | 11,761 | 9,828 |
| Non-consoli-dated | Scope 3 | 1,482,614 | 1,417,775 | 1,496,741 | 1,477,835 | 1,445,573 |
| Conso-lidated | Scope 3 | — | — | 1,804,464 | 1,773,588 | 1,807,617 |

Of the above figures, those up to the fiscal year ended May 20, 2023 have received third-party verification by JQA (Japan Quality Assurance Organization). Figures for the fiscal year ended May 20, 2024 have been calculated by the Company, and we intend to conduct third party verification in the near future.

In the 2030 Zero $CO_2$ Challenge, the Group has set targets to convert 100% of the electricity used by the Group to renewable energy sources and switch 100% of the customer delivery vehicles owned or leased by the Group to electric vehicles, aiming to reduce all Scope 1 and Scope 2 emissions to zero by 2030. In addition, we have also set a target to reduce greenhouse gas emissions to net zero (90% reduction and neutralization of the remainder) throughout the supply chain by 2050. This reduction goal obtained the SBT net-zero certification.

The Group is committed to promoting the shift to a decarbonized society through our business activities by integrating the risks and opportunities associated with climate change into our business strategies while managing them in a comprehensive manner.

(Notes) 1. A global business initiative in which participating corporations aim to procure 100% of energy used in business operations from renewable energy sources.
2. A global business initiative in which participating corporations aim to convert all vehicles used for business operations to electric vehicles.

3. Initiatives related to human capital and diversity

As a basic approach and policy to human resources overall in areas such as hiring, development, evaluations, and compensation, the Company has formulated a “Human Resources Policy,” and formulates each policy and implements various measures with it as a base.

The “Human Resources Policy” and the “Approach to Ensuring Diversity” of the Company are each as follows.

○ Human Resources Policy

Based on the shared values of the “ASKUL WAY,” it is our hope that employees will challenge themselves to proactively learn, co-create as diverse individuals, and create new value. We will fairly reward any results and actions.

○ Approach to Ensuring Diversity

We will respect diversity and believe that co-creation which makes use of individual strengths will serve as the source for creating new value. As a first step, we will achieve a 30% female manager ratio, and in areas including hiring, placement, development, evaluations, compensation, and workstyles, we will not discriminate based on age, gender, nationality, religion, race, tribe, beliefs, disability, or gender identity, ensuring diversity by providing equal opportunities.

(1) Governance

The status of risks, issues, and response measures in relation to human capital and diversity are discussed and resolved on through the Sustainability Committee, Occupational Health and Safety Committee and Management Meeting under the supervision of the Board of Directors.

In the Occupational Health and Safety Committee, with the aim of ensuring the safety of employees and staff and promoting their mental health and physical health, as well as improving productivity and heightening morale, through the improvement of the occupational safety and working environment of the Company and the Group, the Occupational Health and Safety Committee works to understand the status of and take measures related to occupational safety and health.

In addition, governance related to sustainability overall, including human capital and diversity, is as stated in "II. Overview of Business, 2. Approach and initiatives on sustainability, 1. Overall sustainability, (1) Governance."

(2) Strategy

The policies for "human resource development to ensure diversity" and "internal environmental improvements" at the Company are as follows.

○ "Policy for human resource development to ensure diversity"

We will develop human resources that allow individuals to be themselves, proactively learn, co-create through exercising diversity, and create true delight in any age.

○ "Policy for internal environmental improvements"

To ensure that each employee is healthy in both mind and body, can maintain high levels of motivation, and demonstrate their abilities to the fullest, we will ascertain their status with a scientific and multifaceted approach using multiple surveys from employees, bolstering our corporate culture while maintaining our internal environment.

Additionally, we have defined the following significant policies for human resource development toward achievement of the Medium-Term Management Plan.

○ "Significant policies for human resource development"

(1) In response to a rapidly changing business society, we will use technology to focus on developing DX human resources that can serve as the management foundation to implement reforms as fast as possible.

(2) By integrating ESG indices into evaluations for managers, we will develop human resources that can contribute to realizing our objective of "ethical e-commerce."

(3) We will develop management human resources through multifaceted evaluations, bold personnel placement, and succession planning that integrates training with the objective of developing revolutionary human resources.

The strategies of the submitting company, which operates the main businesses in the Group, are stated since it is difficult to state them applicable to the Group due to differences in the business scale and personnel systems of each company of the Group.

(3) Risk management

Major risks related to human capital and diversity are included in overall sustainability management. For more information, please refer to "II. Overview of Business, 2. Approach and initiatives on sustainability, 1. Overall sustainability, (3) Risk management."

(4) Indicators and targets

| Item | Indicator | Target | Target year | Achievement |
|---|---|---|---|---|
| Human resource development | Ratio of persons who have taken DX training (Note 3) | 30% | Fiscal year ending May 20, 2025 | 25.2% |
| Ensure diversity | Ratio of female managers | 30% | Fiscal year ending May 20, 2025 | 21.1% |
| Internal environmental improvements | Wellness performance score (Note 4) | 83% | Fiscal year ending May 20, 2025 | 79.6% |
| | Employee engagement score (Note 5) | 70 points | Fiscal year ending May 20, 2025 | 65.4 points |

(Notes) 1. Results subject to aggregation are for the fiscal year under review or as of the end of the recent fiscal year under review.

2. Since not all companies in the Group implement various initiatives, including human resource development, as well as management of indicators and targets, both indicators and targets are stated for the submitting company. Going forward, we will consider setting and disclosing certain group-wide indicators and targets.

3. Percentage (%) of persons among the number of employees as of May 20, 2024 who have taken and completed ASKUL's designated DX training (excluding retirees).

4. Average performance (%) when performance in a healthy state is 100%.

5. Status of engagement (interactive relationships and connections between employees and companies) quantified on a scale out of 100 points. Calculated based on expected and actual values from responses to regular employee questionnaires on business execution, human resource evaluations, human resource development, personnel placement, working environments, corporate culture, etc.

## 3. Business risks

Among matters related to the overview of business and financial information stated in the Annual Securities Report, primary risks recognized by the management as those that may have a significant impact on the financial position, operating results, and cash flows of the consolidated companies are as follows.

At the Group, risks that impact future management performance are identified and assessed as significant risks. Of these, risks that are recognized as having a particularly significant impact on Group business continuity are defined as particularly significant risks, for which the necessary countermeasures are formulated.

This section contains forward-looking statements that are based on the Group's judgments as of the date of submission of the Annual Securities Report (July 30, 2024).

### 1. Particularly significant risks

#### (1) Risk to employee and customer life, body, and health

The Group aims to eliminate work-related injuries and accidents in adherence to our fundamental commitment to protecting the safety and security of our employees as the highest priority for the sustainable growth of the Group by maintaining and managing the equipment and vehicles at our offices and distribution centers, and by providing thorough safety training for the employees who operate them. In order to prevent threats to the physical and mental health of employees from the outbreak of workplace accidents or long working hours, we conduct thorough disaster prevention measures in our buildings and facilities and strive to manage working hours in an appropriate manner. However, the loss of employee life or health as a result of unforeseen accidents, sudden disasters, the rapid spread of infectious diseases, or long working hours due to unforeseen circumstances may cause the loss of human resources in addition to incurring expenses in the aftermath of these incidents. In that event, the Group's financial results may also be affected.

In addition, in the E-commerce business, the Group's primary business, the Group sells a wide variety of private brand products, including foods and beverages, hygiene and medical supplies, stationery, and household goods. The Group has established a unit in charge of product quality management to select and manage suppliers and products in an effort to maintain quality standards. Furthermore, after the launch, we will consolidate information on customer feedback through our customer service desk and strive to utilize information for further quality improvement. However, if health hazards, contamination by foreign substances, or errors in product labeling caused by private brand products negatively affect the lives, bodies, or health of our customers, we may lose customer trust and the Group's financial results may be affected.

#### (2) Risk in business continuity and supply chain fragmentation

1) Risk of natural disasters, etc.

The Group provides due consideration to our experience with the disasters following in the wake of the Great East Japan Earthquake, and seeks to prepare for the affects of climate change in recent years due to global warming such as increasingly more powerful typhoons and frequent instances of heavy rainfall as well as the occurrence of earthquakes and other large-scale natural disasters, and the potentially extensive power outages and suspensions of public transportation services that may be caused as a result. In response to these situations, the Group strives to enact sufficient risk diversification measures by establishing multiple order centers, contact centers, and distribution centers. Furthermore, in light of the expansion of our business, bases, systems, etc., as well as changes both inside and outside the Group, we review our business continuity plan on an ongoing basis. However, given that the probability of natural disasters occurring remains high, there is the risk that multiple offices and facilities, etc. of the Group may simultaneously suffer extensive damage from a natural disaster that is more widespread and serious than anticipated, such as a Nankai Trough earthquake in particular, leading to difficulties in maintaining service continuity. In that event, the Group's financial results may be affected. If a widespread and serious natural disaster such as this were to occur, it could potentially cause serious damage to not only the offices and facilities, etc. of the Group, but to the suppliers and delivery subcontractors who comprise the Group's supply chain, and the impact could extend for a prolonged period of time. In addition, with the expansion of the Group's suppliers overseas, the global logistics network is susceptible to disruptions or delays due to political instability or other factors, and this impact could also extend for a prolonged period of time. In that event, the Group's financial results may be affected.

In particular, there are concerns about the impact of climate change in various aspects which include not only the maintenance of this supply chain, but also from the perspectives of policies and regulations as well as changes in customer preferences. The Group recognizes the impact of climate change as a material risk for management and has identified efforts to approach this development as an opportunity for business growth. Measures for climate change are stated in "II. Overview of Business, 2. Approach and initiatives on sustainability, 2. Measures for climate change."

In addition, the Company's head office functions are concentrated in one location due to the features of the operations involved in the E-commerce business and from the perspective of business scale. Although efforts to accommodate remote work at the Company are progressing in line with workstyle reforms in recent years, the Group's financial results may be affected if access to the head office functions are lost for a prolonged period of time due to a large-scale natural disaster or other event.

In regard to fires and other disasters outside of natural disasters, in the wake of the fire that occurred at ASKUL Logi PARK Metropolitan in February 2017, we are working to prevent recurrence by conducting regular inspections of fire-preventing equipment, etc. and strengthening our distribution center management system. In the unlikely event of a disaster, etc. such as this, the Group's financial results may be affected.

2) Risk to the continuity of business consignment to partner companies

The E-commerce business, the Group's primary business, is supported by a number of partner companies, such as suppliers; firms that develop, maintain, and operate information systems; delivery companies; subcontractors for business operations; and; agents that play a unique role in the B-to-B business. The Group's fundamental policy is based on the concept of a value chain in which participants fulfill their functions, share roles, complement each other, collaborate strategically as partners, eliminate duplicate operations and functions, and minimize wasted time and money so that maximum value is delivered to customers. The Group makes every effort to maintain good relationships with the partner companies that support its business model. Nevertheless, if advancing business models and changing markets lead to the review of a partner's role or the revision or abolition of a contractual relationship which results in a partner withdrawing from a particular field, or if it becomes impossible to continue outsourcing operations to a partner company due to changes in its business conditions, management policies and other circumstances, this event may affect the Group's financial results.

(3) Risk of war, economic sanctions, and other changes in global conditions

The Group approaches the procurement of products by requesting its suppliers to build a stable product supply system that meets the Group's selling power and implementing supply chain revisions such as changes that include transitioning to the manufacture of products within Japan. Still, as supply chains continue to be expanding both inside and outside Japan in recent years, the Group may experience affects if we are unable to procure products in a consistent manner or purchase prices rise for some reasons. Such reasons include sharp changes in exchange rates, as well as limited production or increased cost of production due to the rising prices of, or the difficulty in procuring, raw materials caused by changing global economic conditions, changing political regimes in local areas and supply chains, so-called country risk and geopolitical risk presented by regional conflicts and wars or economic sanctions between countries resulting from these such risks, the spread of infectious diseases and occurrence of disasters on a global scale, and environmental issues related to sustainable raw material procurement for relevant products.

In the B-to-B business, the core business of the Group, we sell products primarily to domestic businesses, with customers in a diverse selection of fields, including the manufacturing industry, medical and nursing care facilities, construction industry, and service industry. As such, we believe that a drop in demand attributable to deteriorating performance in certain specific industries will only have a limited impact on the Group's business results. However, the Group's financial results may be affected in the event of a drop in demand due to deteriorating performance in multiple different industries at the same time such as the impact of a nationwide and global-scale infectious disease or demand concentrating around for specific products for a wide range of industries resulting in a tight supply-demand balance that hinders the procurement of products, etc.

Furthermore, the Group is developing its business mainly in Japan, and in the event that the Japanese economy declines as evident in business conditions and consumption trends, the Group's financial results may be affected due the decline in the purchasing power or consumer confidence of customers.

(4) Risks from system failures and cyberattacks

At the Group, the majority of orders are received via the Internet through sites such as ASKUL, SOLOEL ARENA, SOLOEL Enterprise, and LOHACO, and the entire supply chain, including delivery to customers, is built on IT systems.

As the utilization of IT and the digitization of society continues to progress, the Group's exposure to social or technological risk inherent in the Internet and other IT systems is expected to increase. In view of this, in order to provide stable operations to guarantee our customers can use our services with peace of mind at any given time, the Group ensures its servers are strengthened, decentralized and up to date, augments network capacity, duplicates the main system and builds the real-time backup system in preparation for system failures and other troubles, and reinforces network security to protect against unauthorized access and computer viruses.

However, there is the possibility of main system failures, network troubles, incidents caused by unforeseen circumstances, attacks from outside the system, virus infection, information system shutdowns caused by sudden increases in access attempts, or information leakage, destruction, or tampering, and any of these events may present a serious hindrance to the Group's business operations. In the unlikely event that these and similar incidents occur, the Group's financial results may be affected due to reduced social trust, having to pay a large amount of expenses such as compensation for damage claims, or a long-term halt in business operations.

(5) Risks related to large-scale system development, capital investment, and impairment loss after investment

The Group seeks to expand its information processing and shipment capacities as well as renew customer services in line with business growth, and implements continuous capital investment toward large-scale information system development and logistics infrastructure. In each endeavor, we invest the necessary management resources to bring them to fruition over predetermined time periods and within budget after first engaging in thorough preparation and meticulous planning and execution. However, there is the possibility for the schedule to experience significant delays or the unavoidable case in which the completion of these systems or facilities must be abandoned as a result of encountering unforeseen issues. In that event, the dedicated investment expenses may become unrecoverable, and the Group's financial results may be affected due to having to pay a large amount of additional expenses, customer disaffection caused by reduced usability, or loss of public trust as a result of the degradation or suspension of services.

Furthermore, if the faster-than-expected development of IT results in shorter useful lives of software and other investments than originally projected, the Group may need to depreciate the remaining book value of such assets at one time, which may affect its financial results. In addition, before making any capital expenditures, the Group thoroughly examines the return on investment. Nevertheless, if an investment does not generate sufficient returns, or takes longer than planned to generate them, the Group may record impairment loss on noncurrent assets. When impairment loss is recorded based on the results of evaluations on recoverability, it may affect the Group's financial results.

(6) Risks related to employees, etc. leaking personal information and confidential information

The Group possesses confidential information and personal information of customers and business partners, as well as confidential information and personal information of officers and employees, etc. as a result of developing its business. In addition to implementing security measures by establishing a management system for the entire Group, including subcontractors, education is carried out for officers, employees, etc. so this information is not destroyed, falsified, leaked externally, or provided inappropriately to competitors. In addition, to ensure thorough management of information assets, the Group has acquired an information security management system (JIS Q 27001) certification, has established a management system compliant with the requirements of JIS Q 27001, and has established a management system necessary to protect customer information and personal information. Going forward, we aim to continue to strengthen network security and information management. However, due to unforeseen circumstances, in the unlikely event that an officer, employee, or employee of a subcontractor of the Group, including those previously holding said positions, destroys, falsifies, leaks externally, or provides this information inappropriately to competitors, the Group's financial results may be affected due to reduced trust, having to pay a large amount of expenses such as compensation for damages to those who have been harmed, or a long-term halt in business operations.

(7) Reputation risk associated with violations of laws and regulations and failure to adapt to social demands

1) Compliance

The Group is required to comply with various laws and regulations as a result of developing its business. In addition to establishing the "ASKUL Code of Conduct," a common standard for officers and employees, the Group strives to foster a corporate culture that is highly sound, fair, and transparent by promoting the establishment of systems and mechanisms to behave in a way that is based on compliance.

However, even with these measures in place, it may be that it is not possible to completely prevent infringement of relevant regulations and misconduct or wrongdoing by officers and employees. In the event of such an occurrence, the Group's financial results may be affected due to reduced social trust of the Group, claims for a large amount of fees or compensation for damages, etc.

2) Responding to social issues

Presently, every company is required to respond to global social issues such as the environment and human rights, as represented by the SDGs, as a "public institution of society." The Group also established the ASKUL Sustainable Procurement Policy as part of efforts to build a responsible supply chain in actively working to resolve these global social issues through corporate activities.

However, the Group's financial results may be affected due to reduced social trust of the Group in the event of the Group's initiatives consequently being insufficient, or the outcomes not meeting the expectations of customers or society as a whole, because the causes of said global social issues are complicated and the interests of those concerned are complex.

3) Internal control system

As the Group is a listed company, it is necessary to establish and operate an internal control system related to financial reporting based on the Financial Instruments and Exchange Act. The Group recognizes that establishing an effective internal control system is of the utmost importance, and although we have taken initiatives to invest the necessary management resources towards establishment, no matter how much care is taken in the establishment, there are limits due to errors in judgement or negligence, and so there are no guarantees that it will be effective and appropriate. The Group's financial results may be affected in the event of the discovery of a serious deficiency in the internal control system, or with an occurrence of additional costs due to the investment of new resources necessary for improvement.

In addition, the Group's financial results may be affected in the event of the risk of damage to the reputation of the Group in the market, such as when there is a deficiency in the internal control system concerning financial reporting, and an announcement of financial results must be delayed, or furthermore, in the event of legal liability being imposed depending on the severity of the deficiency or the extent of the cause.

(8) Risk involved in inadequate retention or training of human resources

Securing high-quality staff is crucial to the Group businesses where customer relationships are underpinned by labor-intensive operations, such as warehousing at distribution centers and delivery to customers. In addition to hiring and securing outstanding human resources to take on the challenge of further business expansion and the evolution of technology and services, it is important to secure outstanding human resources who possess management abilities such as management strategy and organizational management. Furthermore, it is necessary to continuously promote the development of human resources, as well as appropriately promoting diversity that respects gender, age, race, and nationality. While sufficiently taking diversity into consideration, the Group aims to retain employees by hiring new graduates and mid-career hires with experience for sustainable growth in business, and establishing mechanisms to enhance employee motivation, such as implementing various education programs to develop human resources, together with establishing a working environment that promotes "workstyle reforms."

Although securing and retaining human resources is an important factor for the growth of the Group, the competition to continuously obtain the necessary human resources, including engineers indispensable to promote technology and services, is fierce, and if the necessary human resources are not able to be secured, or if personnel expenses to secure the human resources increases significantly, or the retention rate for human resources decreases, such as when there is increased turnover due to decreased employee satisfaction, the Group's financial results may be affected due to a deterioration in the level of service or a decrease in competitive advantage.

The Company has always valued our ideal of "Advancing forward for our customers" as our unchanging DNA. A human resources evaluation system has been introduced and established that encourages education through group training and on the job training, and challenges to promote and advance forward for this DNA to take root and become culture, and to develop human resources that can challenge to promote and advance forward. Whereas we believe that this "Advancing forward for our customers" DNA has definitively taken root through this, there are those whose human resources value will become obsolete without the skills necessary to respond to rapid changes in the business environment, and the Group's financial results may be affected if the development of human resources that can respond to change becomes stagnant due to the difficulty of establishing a career and reskilling to acquire new skills.

(9) Risks due to delay in business model transformation and failure to adapt to changes in business environment

The Company has continued business thus far by providing services that promise a time where tomorrow will come. We have introduced and established new workstyles and a human resources evaluation system towards transforming new business models that are not limited to this experience with success with the understanding that human resources development that promotes innovation and transformation is important. However, the Group's financial results may be affected with a decrease in the Company's advantage in the market leading to customer disaffection due to a delay in taking on the challenge of transforming business models with the experience of success with the current business model, or due to the evolution of our competitors' services.

In addition, there have been revisions to laws and regulations and changes in systems to respond to the rapid changes in recent social conditions, and although the Group appropriately undertakes updates and reviews to the business models to respond to these revisions and changes, if the responses are not sufficient, or more time is necessary to respond, it will lead to the Group's business models being damaged or the revenue structure deteriorating, or a loss in competitive advantage, where the Group's financial results may be affected.

(10) Risks in mergers and acquisitions (M&As) and business alliances

The Group may make strategic investments such as M&As or enter into business alliances in order to optimize management resources, expand business, and acquire and expand necessary functions. When considering M&As and business alliances, etc., we conduct sufficient preliminary research and make decisions following a defined approval process. In addition, the progress of business and integration process are monitored regularly through communication among senior management and important meetings, in order to mitigate risks. However, if we are unable to generate the expected synergies due to the discovery of risks that were not identified in the preliminary research, unexpected changes in the business environment after the acquisition, or failure of post-merger integration (PMI), an impairment loss on goodwill, significant additional expenses, or additional investment may be incurred, and the Group's financial results may be affected.

2. Significant risks

(1) Risk of degrading product safety and quality

The Group has established a unit in charge of product quality management to select and manage its products and suppliers in an effort to maintain quality standards. Nevertheless, if product recalls and other negative events occur due to quality problems, the Group's financial results may be affected. In addition, when producing food, beverages, and other merchandise in particular, the Group employs every possible means to provide safe products to customers, in particular by being equipped with sufficient food-hygiene facilities and establishing effective quality-check systems. It is however possible that, in the event of quality defects, errors in product information, and other problems occurring, the Group may have to recall the product or may be exposed to product liability damages, which may affect the Group's financial results.

(2) Risks related to ensuring the accuracy of product information

The number of items sold by the E-commerce business, the Group's primary business, has been increasing at an accelerating pace over the years. We take the utmost care in choosing products and publishing product information on the Internet and in paper catalogs by promoting systemization to avoid mistakes as a result of human error and establishing a management system centered around a unit dedicated to legal compliance. Nevertheless, if there is a serious defect in the product description, we may have to remediate the situation by correcting descriptions, issuing apologies, paying compensation for damages, and rectifying legal violations. In that event, the Group's financial results may be affected.

(3) Regulatory control under the applicable laws and regulations on business operations

The Group is subject to all relevant laws and regulations, including the Consumer Contract Act, the Act on Specified Commercial Transactions, and the Act against Unjustifiable Premiums and Misleading Representations as an online mail-order business operator in the E-commerce business; the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical

Devices as an operator engaged in the sale of pharmaceuticals, etc.; and the Act on the Protection of Personal Information and the Act on Regulation of Transmission of Specified Electronic Mail through other business activities. In addition, the Group offers a diverse range of products, including supplies for health and nursing care facilities; specialized items for medical institutions; and pharmaceuticals, health foods, and alcoholic beverages for general consumers. The sale and management of some of these products are governed by the applicable laws and regulations. The Group has completed the required procedures, such as obtaining licenses and permits and making registrations and notifications. The Group has also obtained licenses and permits and made registrations and notifications as required by laws in other fields. These include license for ordinary construction business, license for specific construction business, registration for first class consigned freight forwarding business, license for general motor truck transportation business, notification for light motor truck transportation business, and registration for warehousing business. Furthermore, due to the structure of our business, we engage in diverse transactions with many business partners and are subject to other laws and regulations relating to general business activities, including the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors.

In addition to providing employees with the necessary education and awareness activities on this variable selection of laws and regulations, we also ensure an appropriate understanding of legal amendments or new laws and regulations through the regulatory authorities and our business partners, and implement necessary measures in response. However, in the event that the Group fails to comply with regulations due to a lack of understanding on the behalf of the employees in charge or inadequate coordination among internal departments, its operations may be restricted and its financial results may be affected.

(4) Risks related to shipment capacity of distribution centers

In order to accommodate the Group’s expanding product lineup and increasing customer population, the Group carefully formulates and implements facility investment plans to enhance our shipment capacity by installing new distribution centers, etc. with consideration for medium-term sales forecasts. However, capital investments such as these, and large-scale investments in particular, require years to advance through the process from planning to commencing operations, and throughout this period, there is the possibility that capital investments are delayed or sales growth significantly exceeds forecasts due to unforeseen circumstances. In that event, operations may be hindered by extended delays in the delivery of products to customers due to prolonged demand that extends beyond our shipping capacity, which may affect the Group’s financial results as customers are lost as a result.

(5) Risks related to new challenges presented by competitors

E-commerce, a major component of the Group’s business model, is considered to be a realm of business with high potential for even new companies to instantly expand their share in the market due to the rapid advancement of technological innovation and the relative ease of fund procurement as a growing industry in addition to having relatively few physical and geographical constraints in terms of brick-and-mortar stores, etc. Although the Group is focused on adapting to these technological innovations and advancing our business model in a continuous manner by hiring and training engineers and other specialists within the Group and collaborating with progressive external partners, competition may intensify due to challenges presented by new competitors or the rise of existing competitors. In the event that these situations materialize, they may affect the Group’s financial results.

(6) Business and capital alliance agreement with LY Corporation

Since the conclusion of the business and capital alliance agreement of April 27, 2012, ASKUL and LY Corporation have respected one another’s independence in business operations and shared each other’s resources in a spirit of equal partnership. Such resources include their abilities to attract visitors, customer bases, suppliers, settlement systems, Internet service systems, Internet service design technology, logistics and delivery facilities, and capabilities to manage logistics and delivery operations, along with the associated know-how and personnel. To achieve the ambitious goal of providing the best e-commerce experience to customers, the two companies have launched and grown LOHACO, the B-to-C business ASKUL operates, at a pace never before seen in the e-commerce industry.

On May 19, 2015, the two companies renewed the business and capital alliance agreement. This was based on their belief that the best way for LOHACO to make a leap forward and raise profitability is to take their relationship of trust nurtured over the previous three years to the next level and thereby enhance the partnership.

In the event that ASKUL intends to take an action diluting voting rights of shares in the Company(Note) on and after the date of the renewed agreement, the Company shall notify in writing LY Corporation of its intention to take such an action and the terms and conditions thereof, and shall carry out, in a proper and timely manner, all the measures necessary to maintain the ratio of voting rights of the shares in the Company held by LY Corporation immediately prior to the action diluting voting rights taken. Moreover, in the event that, as a result of the Company's exercise of subscription rights to shares or of other potential common shares, or conversion of them into shares (hereinafter "the Exercise of Subscription Rights to Shares, Etc."), the ratio of voting rights of the shares in the Company held by LY Corporation at the time immediately after the Exercise of Subscription Rights to Shares, Etc., (i) has decreased by one-hundredth or more from the ratio of voting rights of the shares in the Company held by LY Corporation and its subsidiaries at the time of completing the treasury stock acquisition of August 27, 2015, and (ii) has decreased by one-hundredth or more from the ratio of voting rights of the shares in the Company held by LY Corporation and its subsidiaries at the time of the aforementioned measures last carried out, the Company shall notify in writing LY Corporation of such situations and shall take all the steps necessary to restore such ratio to, or maintain, the ratio of voting rights of the shares in the Company held by LY Corporation and its subsidiaries at the time of completing the treasury stock acquisition of August 27, 2015. Therefore, if such measures or steps are taken, voting rights of shares in the Company may be diluted.

In the event that, on and after the date of the renewed agreement, LY Corporation wishes to acquire or have a third party acquire additional shares in the Company (including an acquisition conducted in a way that will enable LY Corporation or said third party to indirectly own shares in the Company by acquiring shares or equities in another third party who holds shares in the Company [provided that such another third party shall be limited to an entity whose shareholding in the Company is reasonably recognizable through a list of the principal shareholders contained in an annual securities report or a quarterly statement]), LY Corporation shall give advance written notice to the Company and implement said acquisition in accordance with a written agreement between LY Corporation and the Company.

Furthermore, in the event that the ratio of voting rights of the shares in the Company held by LY Corporation and companies becoming its subsidiaries after the agreement renewal (hereinafter "the LY Corporation Group") has increased by one-hundredth or more from the aggregate ratio of voting rights of the shares in the Company held by the LY Corporation Group at the time of completing the treasury stock acquisition of August 27, 2015, LY Corporation shall promptly sell or have a third party sell its shares in the Company through market transactions and other means, or shall take other steps necessary to restore the aggregate ratio of voting rights of the shares in the Company held by the LY Corporation Group to the aggregate ratio of voting rights of the shares in the Company held by LY Corporation at the time of completing said treasury stock acquisition. However, the provisions of the foregoing sentence shall not apply where the aggregate ratio of voting rights of the shares in the Company held by the LY Corporation Group has increased as a result of a transaction conducted in accordance with the written agreement between LY Corporation and the Company stipulated above, of the Company's acquisition of treasury stock, or of factors other than actions taken by the LY Corporation Group. The developments described above, among other things, may affect the share price and other indicators.

(Note) An "action diluting voting rights" shall refer to any acts that may dilute voting rights of shares in the Company. (Such acts shall include the issuance of shares for subscription, the disposal of treasury stock, reorganization accompanied by the issuance of shares, and other actions that actually dilute voting rights, as well as actions that may dilute voting rights in the future, such as the issuance of subscription rights to shares, of class shares convertible to shares with voting rights, and of other potential common shares; provided, however, that the following shall be excluded: the issuance of shares in the Company and the resultant delivery of treasury stock upon exercise of the subscription rights to shares already issued, or the Company's sale of treasury stock it owns to a shareholder who holds shares in the Company in a number less than one unit and submits a demand for the sale of shares less than one unit in accordance with Paragraph 1, Article 194 of the Companies Act and Article 10 of the Company's Articles of Incorporation.)

## 4. Management analysis of financial position, operating results, and cash flows

(1) Overview of operating results, etc.

The following is an overview of the financial position, operating results, and cash flows (hereinafter, the “Operating Results, etc.”) of the Group (the Company and its consolidated subsidiaries) for the fiscal year under review.

1) Financial position and operating results

During the fiscal year under review (from May 21, 2023 to May 20, 2024), the Japanese economy is expected to continue its gradual recovery, as the normalization of economic activity has led to an upturn in business activity and consumer consumption behaviors, and the employment and income environment at major companies has improved ahead of others. On the other hand, rising prices of raw materials and energy due to Russia's invasion of Ukraine and other factors, as well as rising import prices due to the depreciation of the yen, has led to an increase in domestic prices, affecting household and corporate activities.

Under these circumstances, the Group has positioned the fiscal year ended May 20, 2024 as the year in which it would accomplish its most important mission of “changing the trajectory of profit growth curve” while continuing to “change the trajectory of sales growth curve” achieved in the previous fiscal year. In order to achieve the performance targets set forth in the Medium-term Management Plan (from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025), the Group has taken aggressive measures that will lead to the growth of the Group, in addition to expanding the number of products handled, including aggressive investment in advertising and sales promotion in the B-to-B business and transitioning customers to the new ASKUL website, which began full-scale operation.

In addition, as the Company aims to realize ethical e-commerce, we changed the threshold for free delivery(Note) for orders placed after 6:00 p.m. on October 31, 2023 for ASKUL and SOLOEL ARENA, our B-to-B business, in order to contribute to solving the so-called Logistics 2024 issue. By encouraging customers to purchase in bulk whenever possible, we have promoted efforts to realize a sustainable society through the reduction of environmental and labor burdens throughout the supply chain.

As a result, the financial performance of the Group for the fiscal year under review reached record highs in both net sales and profits, with net sales of 471,682 million yen, a 5.6% increase year-on-year, operating profit of 16,953 million yen, a 16.0% increase year-on-year, ordinary profit of 16,677 million yen, up 15.4% year-on-year, and due to the recording of an extraordinary income of 11,862 million yen as compensation for damages received from the finalization of a lawsuit claiming damages related to ALP Metropolitan fire, profit attributable to owners of parent of 19,139 million yen, a 95.6% increase year-on-year, resulting in an increase in both sales and profits.

Operating results by segment are outlined below.

<E-commerce business>

In the B-to-B business, the mainstay business of the Group, we offer a wide range of products to meet the needs of all customers working in the workplace, including living supplies related merchandise such as bottled beverages and daily consumables, products related to COVID-19 such as antigen test kits, and MRO products such as bags and packing materials. Although sales of COVID-19-related products such as antigen test kits and disinfectants declined due to the completion of measures against infectious disease with a decrease in the number of cases of infections, sales of Living Supplies category products such as PET bottled beverages and daily consumables increased steadily partly due to the recovery in daily life activities.

Despite the impact of a decline in special demand for products related to COVID-19 and the failure to achieve the planned number of orders, the increase due to higher unit prices resulting from price revisions for some of the mainstay products and other factors contributed to the increase in net sales for both of our services: ASKUL, a service for small and medium-sized enterprises, and SOLOEL ARENA, a service for mid-tier and large companies.

In addition, the performance of subsidiaries contributed to significant sales growth as the business results of FEED Corporation, a business subsidiary of AP67 Co., Ltd., that became a consolidated subsidiary at the end of the previous fiscal year, contributed throughout the fiscal year under review and AlphaPurchase Co., Ltd., a consolidated subsidiary, continued to perform well.

As a result, net sales in the B-to-B business grew by 35,275 million yen from a year earlier to 409,143 million yen, a 9.4% increase year-on-year.

Furthermore, the Company is expanding sales of long-tail products to achieve the Medium-term Management Plan. As a measure to achieve this, in the fiscal year under review, we introduced automated transfer robots to our large distribution center in the Kansai area (AVC Kansai) and have promoted the improvement of facilities to increase storage and shipping efficiency in the Kansai area. For the next fiscal year and beyond, we will improve the utilization rate of long-tail products by enhancing our procurement and merchandising capabilities for long-tail products in demand by customers to lead into the expansion of net sales.

As for the other mission, migration of customers of SOLOEL ARENA to the new ASKUL website, the migration plan for the new ASKUL website has been revised to prioritize customer support after the transition, and plan to complete the migration during the fiscal year ending May 20, 2025.

In the B-to-C business, net sales decreased as planned at the beginning of the period due to a campaign method change resulting from cost optimization in the commerce business of LY Corporation (formerly Z Holdings Corporation). In the fiscal year under review, by integrating the B-to-B and B-to-C businesses, we have promoted sales of large-volume products, etc. with high-cost performance handled in the B-to-B business via LOHACO and lowered costs of operations through organizational and functional integration. We have also enhanced our profitability to continuously generate operating profit, such as improving customer convenience through the merger of LOHACO by ASKUL (LOHACO Main Store) and LOHACO Yahoo! Store.

As a result, LOHACO sales decreased 10,016 million yen from a year earlier to 36,160 million yen, down 21.7% year-on-year. Consequently, net sales of the B-to-C business in total also decreased 10,022 million yen from a year earlier to 53,230 million yen, a 15.8% decrease year-on-year.

Accordingly, net sales of the E-commerce business, combining the two businesses above, stood at 462,374 million yen, a 5.8% increase year-on-year. Gross profit-net increased substantially to 116,944 million yen, up 9.7% year-on-year, as the gross profit margin improved due to an increase in sales of Living Supplies category and price revisions for some products.

Regarding selling, general and administrative expenses, the unit sales price per box increased and the ratio of shipment expenses to net sales decreased, due to the impact of price revisions for some main products and the revision of the free shipping threshold, which encouraged customers to purchase in bulk. On the other hand, the ratio of selling, general and administrative expenses to net sales increased by 0.6 points year-on-year due to an increase in amortization of software, depreciation and amortization of goodwill resulting from operating the new ASKUL website and ASKUL Tokyo DC respectively and making FEED Corporation and other companies subsidiaries, as well as the implementation of TV commercials aimed at improving the awareness of the service name and handling of strategic products in the B-to-B business, and an increase in internet advertising in conjunction with such TV commercials, one of the key measures for the fiscal year under review. As a result, selling, general and administrative expenses were 99,846 million yen, and operating profit was 17,097 million yen, a 14.4% increase year-on-year.

<Logistics business>

Net sales of the contracted business of logistics that ASKUL LOGIST Corporation received from outside the Group progressed generally on par with the level of the previous year. Despite operating loss due to soaring personnel expenses and other expenses, profitability improved year-on-year due to price revisions and other factors, and the Company will work to further improve productivity.

As a result, net sales in the fiscal year under review were 8,558 million yen, a 1.6% decrease year-on-year, and operating loss was 146 million yen, as opposed to an operating loss of 324 million yen a year earlier.

<Other>

Net sales of bottled water of TSUMAGOI MEISUI Corporation progressed steadily. Both sales and profit increased, although they fell short of the plan at the beginning of the period due to a temporary decline in production and sales volumes caused by malfunctions in the production line in the second half of the fiscal year under review.

As a result, net sales for the fiscal year under review were 1,951 million yen, a 2.4% increase year-on-year, and operating profit was 29 million yen, up 124.7% year-on-year.

(Note) The standard amount per order for which the Company bear the basic delivery fee.

The financial position is outlined below.

(Assets)

Total assets stood at 243,062 million yen at the end of the fiscal year under review, an increase of 15,556 million yen from the end of the preceding fiscal year. This was mainly due to decreases of 4,478 million yen in cash and deposits mainly resulting from the inclusion of 8,444 million yen in electronically recorded obligations-operating, for which the settlement date is the last day of the consolidated fiscal year, in the balance at the end of the preceding fiscal year, since the last day of the preceding fiscal year was a holiday for financial institutions, while accounts receivable-other increased 13,570 million yen as a result of the finalization of a judgment in a lawsuit claiming damages for the fire at the ALP Metropolitan, construction in progress increased 6,139 million yen due to capital investments related to ASKUL Kanto DC, and trade receivables and contract assets increased 1,924 million yen due to increased sales.

(Liabilities)

Total liabilities stood at 161,725 million yen at the end of the fiscal year under review, an increase of 1,095 million yen from the end of the preceding fiscal year. This was primarily due to increases of 4,742 million yen in income taxes payable due to increased profit, 4,463 million yen in notes and accounts payable - trade due to increased purchases, and 2,565 million yen in accounts payable - other, while electronically recorded obligations - operating decreased 7,675 million yen, and long-term borrowings (including current portion) decreased 3,122 million yen.

(Net assets)

Net assets stood at 81,336 million yen at the end of the fiscal year under review, an increase of 14,460 million yen from the end of the preceding fiscal year. The primary factors behind the rise were an increase of 15,629 million yen in retained earnings mainly due to recognition of profit attributable to owners of parent of 19,139 million yen as opposed to dividend payments of 3,509 million yen and an increase of 1,715 million yen in treasury shares (decrease in net assets) mainly due to the acquisition of treasury stock implemented from March 2024 as part of new shareholder return policy.

Consequently, the capital adequacy ratio was 32.2% (28.2% at the end of the preceding fiscal year).

2) Cash flows

Cash and cash equivalents (hereinafter “funds”) stood at 61,744 million yen at the end of the fiscal year under review, a decrease of 4,478 million yen from the end of the preceding fiscal year. The status of each cash flow and the factors behind changes in the fiscal year under review are as follows.

(Cash flows from operating activities)

Net funds provided by operating activities were 16,887 million yen, (compared to 20,131 million yen in the previous fiscal year). This was mainly due to profit before income taxes of 28,431 million yen, and a total of 10,563 million yen for depreciation and amortization of software, goodwill, and customer-related intangible assets, as opposed to compensation for damage income of 11,862 million yen, a payment of income taxes of 4,886 million yen and a decrease of 3,212 million yen in trade payables.

(Cash flows from investing activities)

Net funds used in investing activities were 11,537 million yen, (compared to 22,929 million yen in the previous fiscal year). This was mainly due to expenditures of 6,172 million yen for the purchase of property, plant and equipment, and 5,266 million yen for the purchase of software.

(Cash flows from financing activities)

Net funds used in financing activities were 9,828 million yen, (proceeds of 10,232 million yen in the previous year). This was mainly due to repayments of long-term borrowings of 10,122 million yen, dividends paid of 3,509 million yen, repayments of lease liabilities of 2,915 million yen and purchase of treasury shares of 1,749 million yen, despite proceeds from long-term borrowings of 7,000 million yen and proceeds from sale and leaseback transactions of 1,480 million yen.

3) Production, purchasing, and sales

a. Production results

The following table shows production results by reportable segment for the fiscal year under review.

| Name of segment | Production output (millions of yen) | Year-over-year (%) |
|---|---|---|
| Other (Note 1) | 1,365 | +2.3 |
| Total | 1,365 | +2.3 |

(Notes) 1. “Other” represents business segments that do not fall under the Reporting Segment for engaging in the manufacture of drinking water.
2. Amounts are based on the cost of production.
3. The E-commerce business and the Logistics business do not engage in production operations and are therefore not applicable.

b. Purchasing results

The following table shows purchasing results by reportable segment for the fiscal year under review.

| Name of segment | Purchase amount (millions of yen) | Year-over-year (%) |
|---|---|---|
| E-commerce business | 345,801 | +4.2 |
| Other (Note 1) | 138 | (8.6) |
| Total | 345,940 | +4.2 |

(Notes) 1. “Other” represents business segments that do not fall under the Reporting Segment for engaging in the manufacture of drinking water.
2. Inter-segment transactions are offset and eliminated.
3. Amounts are based on purchase prices.
4. The Logistics business is omitted, because its main business is the provision of logistics and small-cargo transportation services.

c. Sales results

The following table shows sales results by reportable segment for the fiscal year under review.

| Name of segment | Sales amount (millions of yen) | Year-over-year (%) |
|---|---|---|
| E-commerce business | 462,374 | +5.8 |
| Logistics business | 8,558 | (1.6) |
| Other (Note 1) | 749 | (15.8) |
| Total | 471,682 | +5.6 |

(Notes) 1. “Other” represents business segments that do not fall under the Reporting Segment for engaging in the manufacture of drinking water.
2. Inter-segment transactions are offset and eliminated.

(2) Analysis and examination of Operating Results, etc. from management perspective

Understanding, analysis, and examination of the Group’s Operating Results, etc. from management perspective are as follows.

Forward-looking statements in this document are based on judgments as of the end of the fiscal year under review.

1) Important accounting policies and estimates

Consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. The important accounting policies adopted in the preparation of consolidated financial statements are stated in “V. Financial Information, 1. Consolidated financial statements, etc., (1) Notes to the consolidated financial statements (Important matters forming the basis of preparation of consolidated financial statements).” In preparing the consolidated financial statements, the Company uses accounting estimates as necessary to record assets and liabilities as of the end of the reporting period and revenues and expenses during the period. These accounting estimates contain inherent uncertainties and may differ from the actual results.

Important accounting estimates used in the preparation of the consolidated financial statements are as follows. Of the important accounting estimates used in the preparation of the consolidated financial statements to the fiscal year under review, those that present a risk of significant impact on the consolidated financial statements for the following fiscal year are stated in "V. Financial Information, 1. Consolidated financial statements, etc. (1) Notes to the consolidated financial statements (Important accounting estimates)."

(Impairment loss of non-current assets)

At the Group, when the total amount of undiscounted future cash flows from asset groups with an indication of impairment in non-current assets is less than the carrying amount, their book value is reduced to the recoverable amount and the amount of reduction is recorded as an impairment loss. The Group seeks to ensure careful examination is performed in the identification of any indications of impairment and the recognition and measurement of impairment loss. Nevertheless, if changes occur in the conditions and assumptions that serve as the premise for those expected amounts due to changes in business plans or market conditions, resulting in a reduction of the amounts, this event may require additional impairment.

(Impairment of goodwill and customer-related intangible assets)

The Group equally amortizes goodwill and customer-related assets over the period in which they are effective. The recoverability of these assets is evaluated based on the performance and business plans, etc. of the subsidiaries, and when the initially expected revenue is no longer expected to continue in the future, their book value may be reduced to the recoverable amount and the amount of reduction recorded as an impairment loss.

(Recoverability of deferred tax assets)

Deferred tax assets are recorded after performing a careful estimate of taxable income based on future profit plans and a determination of the recoverability. The recoverability of deferred tax assets is dependent on estimated future taxable income. The reduction of this estimated amount may cause deferred tax assets to be decreased and tax expenses to be recorded.

2) Understanding, analysis, and examination of Operating Results, etc. for the fiscal year under review

a. Operating Results, etc.

Please refer to "(1) Overview of operating results, etc., 1) Financial position and operating results."

b. Analysis of cash flows

Please refer to "(1) Overview of operating results, etc., 2) Cash flows."

3) Factors that have a significant impact on operating results

Although the e-commerce market that the Group belongs to is expected to see continued growth, service competition with competitors is intensifying and the activities of these competitors may have a significant effect on the Group's operating results. In the primary ASKUL business, the Group will promote digital transformation in merchandising to accelerate the speed of product adoption, pricing and other operations through data-driven decision making, and enhance product lineups by launching a marketing lab and utilizing data in collaboration with suppliers. The Group will also review customer acquisition methods and measures to improve retention rates by strengthening customer acquisition methods targeting potential blue-chip customers through the use of data and by implementing retention measures after registration, and improve sales promotion accuracy through recommendation engine optimization, etc., while developing the website through search algorithm optimization and functional improvement based on customer feedback to enhance user interface and user experience. Other factors that have a significant impact on operating results are as stated in "II. Overview of Business, 3. Business risks."

4) Analyses of financial resources for capital and liquidity of funds

The Group's main demand for funds include the new installation and reinforcement of distribution centers, funds for capital investment in renewal, etc. of websites, and acquisition funds, etc. for parties that provide synergistic effects to accelerate the growth of each of our businesses.

Funding involved in funds for capital investment and acquisition funds, etc. are procured by self-financing or through borrowings from financial institutions and lease contracts while taking into consideration factors such as interest costs.

5) Objective indicators for judging the achievement of management policies, strategies, and targets

With the aim of surviving the drastically changing competitive landscape, the Group announced the Medium-Term Management Plan on July 2, 2021, for four years with the fiscal year ending May 20, 2025 as the final year. In the Medium-Term Management Plan, the Company will strive to transform itself from an office supplies mail-order company into an infrastructure company that supports all workplaces and lifestyles, and to these ends, aims to achieve its targets of consolidated net sales of ¥550.0 billion, an operating profit ratio of 5.0%, and ROE of 20.0% as the Company's management targets for the fiscal year ending May 20, 2025. In the fiscal year under review, consolidated net sales were ¥471.6 billion, the operating profit ratio was 3.6%, and ROE was 26.9%.

## 5. Material contracts, etc.

Not applicable.

## 6. Research and development activities

No material facts to report.

## III. Status of Equipment and Facilities

### 1. Overview of Capital Investment, etc.

In the fiscal year under review, capital investment mainly revolved around the construction of a new distribution center and infrastructure investment to improve productivity at distribution centers.

As a result, total capital investment (property, plant and equipment and intangible assets) was ¥13,488 million (including ¥2 million for the estimated amount of restoration related to the application of accounting standards for asset retirement obligations) in the fiscal year under review.

In the E-commerce business, capital investment mainly consisted of ¥5,623 million for the new construction of ASKUL Kanto DC and ¥2,029 million for the facility reinforcement at AVC Kansai.

### 2. Status of Major Equipment and Facilities

Major equipment and facilities of the Group are as follows.

(1) Submitting company

As of May 20, 2024

| Office name (location) | Name of segment | Details of facilities | Book value of equipment and facilities by classification (millions of yen) | | | | | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Buildings and structures | Machinery, equipment and vehicles | Tools, furniture and fixtures | Leased assets | Construction in progress | Software | Other intangible assets | Total | |
| Head office (Koto-ku, Tokyo) | E-commerce business Logistics business | Office | 90 | - | 180 | 0 | - | 14,003 | 1,216 | 15,493 | 892 |
| Osaka DMC Konohana-ku, Osaka-shi, Osaka | E-commerce business | Distribution center | 147 | 224 | 125 | 100 | 85 | 7 | 24 | 715 | - |
| DCM Center (Koto-ku, Tokyo) | E-commerce business | Distribution center | 96 | 122 | 63 | - | - | 16 | - | 297 | 2 |
| Nagoya Center (Tokai-shi, Aichi) | E-commerce business | Distribution center | 34 | 40 | 60 | - | - | 153 | - | 289 | - |
| Sendai DMC (Miyagino-ku, Sendai, Miyagi) | E-commerce business | Distribution center | 113 | 98 | 111 | 4 | - | 110 | - | 439 | - |
| ASKUL Logi PARK Fukuoka (Higashi-ku, Fukuoka-shi, Fukuoka) | E-commerce business | Distribution center | 59 | 330 | 55 | - | - | 17 | - | 463 | - |
| ASKUL Logi PARK Yokohama (Tsurumi-ku, Yokohama-shi, Kanagawa) | E-commerce business | Distribution center | 472 | 179 | 69 | 595 | 0 | 32 | - | 1,350 | - |
| ASKUL Value Center Hidaka (Hidaka-shi, Saitama) | E-commerce business | Distribution center | 0 | 0 | 0 | - | - | - | - | 0 | 4 |
| ASKUL Value Center Kansai (Suita-shi, Osaka) | E-commerce business Logistics business | Distribution center | 1,558 | 458 | 129 | 6,062 | 481 | 89 | - | 8,779 | 15 |
| ASKUL Miyoshi Center (Miyoshi-machi, Iruma-gun, Saitama) | E-commerce business Logistics business | Distribution center | 222 | - | 33 | - | - | 25 | - | 281 | 1 |
| ASKUL Tokyo DC (Edogawa-ku, Tokyo) | E-commerce business | Distribution center | 645 | 112 | 153 | 7,779 | - | 243 | - | 8,934 | 3 |
| ASKUL Kanto DC (Ageo-shi, Saitama) | E-commerce business | Distribution center | - | - | - | - | 5,623 | - | - | 5,623 | - |

(Notes) 1. Other intangible assets include trademark rights, patent rights, and software in progress.
2. The book value is stated as the amount after impairment loss is recognized.
3. All of the above buildings are leased, and the book value of "Buildings and structures" shows buildings, etc. that are located on leased properties. The yearly rent (including subleased properties) is 10,696 million yen.

(2) Domestic subsidiaries

As of May 20, 2024

| Company name | Office name (location) | Name of segment | Details of facilities | Book value of equipment and facilities by classification (millions of yen) | | | | | | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and structures | Machinery, equipment and vehicles | Tools, furniture and fixtures | Land (area $m^2$) | Leased assets | Construction in progress | Software | Other intangible assets | Total | |
| ASKUL LOGIST Corporation | Miyoshi EC Distribution Center (Miyoshi-machi, Iruma-gun, Saitama), etc. | Logistics business | Distribution centers Other | 145 | 410 | 41 | - | 1,334 | - | 225 | 16 | 2,174 | 2,082 |
| TSUMAGOI MEISUI Corporation | Head office factory (Agatsuma-gun Tsumagoi-mura, Gunma), etc. | Other (Note 2) | Production Facilities, etc. | 942 | 89 | 11 | 112 (22,113.64) | 948 | 0 | - | 1 | 2,107 | 42 |

(Notes) 1. Other intangible assets include the total of trademark rights, patent rights, right to use water facilities, software in progress, and goodwill.

2. “Other” represents business segments that do not fall under the Reporting Segment for engaging in the manufacture of drinking water.

## 3. Plan for New Installation, Disposal, etc. of Facilities

(1) New installation of major facilities

| Company name | Office name (location) | Name of segment | Details of facilities | Planned investment amount | | Funding method | Start date | Scheduled completion date | Capacity to be increased after completion |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Total amount (millions of yen) | Amount already paid (millions of yen) | | | | |
| Submitting company | ASKUL Kanto DC (Ageo-shi, Saitama) | E-commerce business | Construction of new distribution center | 18,000 | 5,623 | Self-financed and finance lease | December 2023 | Beginning of the fiscal year ending May 20, 2026 | (Note) |

(Note) As it is difficult to state the capacity to be increased after completion, this information has been omitted.

(2) Disposal of major facilities, etc.

Not applicable.

# IV. Status of the Submitting Company

## 1. Status of Shares, etc.

(1) Total number of shares, etc.

1) Total number of shares

| Class | Total number of authorized shares (shares) |
|---|---|
| Common stock | 169,440,000 |
| Total | 169,440,000 |

2) Issued shares

| Class | As of the end of the fiscal year (shares) (May 20, 2024) | As of the submission date (shares) (July 30, 2024) | Stock exchange on which the Company is listed | Details |
|---|---|---|---|---|
| Common stock | 97,564,700 | 97,564,700 | Tokyo Stock Exchange Prime Market | Number of shares per unit: 100 shares |
| Total | 97,564,700 | 97,564,700 | - | - |

(2) Status of share acquisition rights, etc.

1) Details of the stock option plan

Not applicable.

2) Details of the rights plan

Not applicable.

3) Status of other share acquisition rights, etc.

Not applicable.

(3) Status of exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of shares issued and the amount of common stock, etc.

| Date | Changes in the total number of shares issued (shares) | Balance of the total number of shares issued (shares) | Changes in common stock (millions of yen) | Balance of common stock (millions of yen) | Changes in legal capital surplus (millions of yen) | Balance of legal capital surplus (millions of yen) |
|---|---|---|---|---|---|---|
| March 31, 2021 (Note 1) | (4,000,000) | 51,259,400 | - | 21,189 | - | 13,669 |
| May 21, 2021 (Note 2) | 51,259,400 | 102,518,800 | - | 21,189 | - | 13,669 |
| May 16, 2022 (Note 1) | (5,000,000) | 97,518,800 | - | 21,189 | - | 13,669 |
| October 31, 2023 (Note 3) | 45,900 | 97,564,700 | 43 | 21,233 | 43 | 13,713 |

(Notes) 1. The decrease was due to the cancelation of treasury stock.
2. The increase was due to a 2-for-1 stock split of common stock.
3. The increase was due to issuance of new shares as restricted stock compensation.
Issue price ¥1,915
Paid-in capital ¥957.5
Allottees 120 employees of the Company, including Vice Executive Officers and General Managers

(5) Status by type of shareholders

As of May 20, 2024

| Classification | Status of shares (the number of shares per unit: 100 shares) | | | | | | | | Status of shares less than one unit (shares) |
|---|---|---|---|---|---|---|---|---|---|
| | Government and local municipalities | Financial institutions | Financial instruments business operators | Other corporations | Foreign corporations, etc. | | Individuals and others | Total | |
| | | | | | Other than individuals | Individuals | | | |
| Number of shareholders (persons) | - | 17 | 22 | 261 | 222 | 133 | 36,443 | 37,098 | - |
| Number of shares held (units) | - | 95,393 | 16,549 | 543,731 | 197,584 | 167 | 121,962 | 975,386 | 26,100 |
| Percentage of shares held (%) | - | 9.78 | 1.70 | 55.75 | 20.26 | 0.02 | 12.50 | 100.00 | - |

(Note) 810,475 shares of treasury stock are included as 8,104 units in the item of “Individuals and others” and as 75 shares in the “Status of shares less than one unit.”

(6) Status of major shareholders

As of May 20, 2024

| Name | Address | Number of shares held (thousand shares) | Percentage of the number of shares held in the total number of shares issued (excluding treasury shares) (%) |
|---|---|---|---|
| LY Corporation | 1-3 Kioicho, Chiyoda-ku, Tokyo | 43,808 | 45.28 |
| PLUS Corporation | 4-1-28 Toranomon, Minato-ku, Tokyo | 10,331 | 10.68 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1-8-1 Akasaka, Minato-ku, Tokyo | 5,698 | 5.89 |
| BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALLSECTOR SUBPORTFOLIO)<br>(Standing proxy: MUFG Bank, Ltd.) | 245 SUMMER STREET, BOSTON, MA, 02210, U.S.A.<br>(2-7-1 Marunouchi, Chiyoda-ku, Tokyo) | 2,905 | 3.00 |
| NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS<br>(Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch) | 50 BANK STREET, CANARY WHARF, LONDON E14 5NT, UK<br>(3-11-1 Nihombashi, Chuo-ku, Tokyo) | 2,242 | 2.32 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account) | 2-2-2 Otemachi, Chiyoda-ku, Tokyo | 1,660 | 1.72 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1-8-12 Harumi, Chuo-ku, Tokyo | 1,609 | 1.66 |
| SSBTC CLIENT OMNIBUS ACCOUNT<br>(Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch) | ONE CONGRESS STREET SUITE 1, BOSTON, MASSACHUSETTS<br>(3-11-1 Nihombashi, Chuo-ku, Tokyo) | 1,462 | 1.51 |
| Shoichiro Iwata | Minato-ku, Tokyo | 1,328 | 1.37 |
| Hidehisa Imaizumi | Minato-ku, Tokyo | 1,233 | 1.27 |
| Total | - | 72,280 | 74.70 |

(Notes) 1. The number of shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) listed above includes all shares related to trust operations.

2. The number of shares held by The Nomura Trust and Banking Co., Ltd. (Trust Account) listed above includes all shares related to trust operations.

3. The number of shares held by Custody Bank of Japan, Ltd. (Trust Account) listed above includes 1,581,000 shares related to trust operations.

4. The above total number of shares does not include 810,000 treasury shares.

5. According to the Large Volume Holding Report (Change Report) submitted by FMR LLC for public inspection as of October 6, 2023, the company held our shares as of September 29, 2023, as shown in the following table. However, FMR LLC is not included in the list of major shareholders above because we were unable to confirm the actual status of its shareholding as of May 20, 2024. The details of the Large Volume Holding Report (Change Report) were as follows.

| Name | Address | Number of shares held (thousand shares) | Holding ratio of share certificates, etc. (%) |
|---|---|---|---|
| FMR LLC | 245 SUMMER STREET, BOSTON, MA, 02210, U.S.A. | 9,655 | 9.90 |

(7) Status of voting rights

1) Issued shares

As of May 20, 2024

| Classification | Number of shares (shares) | Number of voting rights (units) | Details |
|---|---|---|---|
| Shares without voting rights | - | - | - |
| Shares with restricted voting rights (treasury stock, etc.) | - | - | - |
| Shares with restricted voting rights (others) | - | - | - |
| Shares with full voting rights (treasury stock, etc.) | (Treasury shares) Common stock 810,400 | - | Standard shares of the Company with no restricted rights |
| Shares with full voting rights (others) | Common stock 96,728,200 | 967,282 | Standard shares of the Company with no restricted rights |
| Shares less than one unit | Common stock 26,100 | - | Standard shares of the Company with no restricted rights |
| Total number of shares issued | 97,564,700 | - | - |
| Total voting rights held by shareholders | - | 967,282 | - |

2) Treasury stock, etc.

As of May 20, 2024

| Name of shareholder | Address of shareholder | Number of shares held under own name (shares) | Number of shares held under the names of others (shares) | Total number of shares held (shares) | Percentage of the number of shares held in the total number of shares issued (%) |
|---|---|---|---|---|---|
| (Treasury shares) ASKUL Corporation | 3-2-3 Toyosu, Koto-ku, Tokyo | 810,400 | - | 810,400 | 0.83 |
| Total | - | 810,400 | - | 810,400 | 0.83 |

## 2. Status of Acquisition of Treasury Stock, etc.

Class of shares, etc. Acquisition of common stock as stipulated in Article 155, Item 3, Item 7, and Item 13 of the Companies Act

(1) Status of acquisition by resolution at the General Meeting of Shareholders

Not applicable.

(2) Status of acquisition by resolution of the Board of Directors

| Classification | Number of shares (shares) | Total amount of value (millions of yen) |
|---|---|---|
| Status of resolution at the Board of Directors meeting held on March 15, 2024 (Acquisition period: from March 18, 2024 to August 13, 2024) | 2,250,000 | 4,500 |
| Acquired treasury stock before the current fiscal year | - | - |
| Acquired treasury stock during the current fiscal year | 769,800 | 1,749 |
| Total number and value of remaining resolution type of shares | 1,480,200 | 2,750 |
| Ratio of unacquired shares as of the end of the current fiscal year (%) | 65.79 | 61.12 |
| Acquired treasury stock during the current period | 623,500 | 1,372 |
| Ratio of unacquired shares as of the date of submission (%) | 38.08 | 30.62 |

(Note) The amount of acquired treasury stock during the current period does not include the number of shares acquired through the acquisition of treasury stock from July 1, 2024 to the date of submission of the Annual Securities Report.

(3) Details of the acquisition not based on resolution of the General Meeting of Shareholders or the Board of Directors

| Classification | Number of shares (shares) | Total amount of value (millions of yen) |
|---|---|---|
| Acquired treasury stock during the current fiscal year | 1,269 | 0 |
| Acquired treasury stock during the current period | - | - |

(Notes) 1. The treasury stock acquired during the current fiscal year was due to acquisition without contribution under the restricted stock compensation plan and the purchase of shares less than one unit.

2. The amount of acquired treasury stock during the current period does not include the number of shares acquired through the purchase of shares less than one unit from July 1, 2024 to the date of submission of the Annual Securities Report.

(4) Status of the disposition and holding of acquired treasury stock

| Classification | Current fiscal year | | Current period | |
|---|---|---|---|---|
| | Number of shares (shares) | Total amount of disposal value (millions of yen) | Number of shares (shares) | Total amount of disposal value (millions of yen) |
| Acquired treasury stock for which subscribers were solicited | - | - | - | - |
| Acquired treasury stock disposed of for cancelation | - | - | - | - |
| Acquired treasury stock transferred in connection with a merger, share exchange, share issuance, or company split | - | - | - | - |
| Other (disposal of treasury stock as restricted stock compensation) | 23,000 | 33 | - | - |
| Number of treasury stock held | 810,475 | - | 1,433,975 | - |

(Note) The amount of acquired treasury stock during the current period does not include the number of shares acquired through the purchase of shares less than one unit from July 1, 2024 to the date of submission of the Annual Securities Report.

## 3. Dividend Policy

As for the distribution of profits, while maintaining sound cash flow and a stable financial structure, the Company aims to secure internal reserves as investment capital for the growth necessary to enhance corporate value over the medium to long term as well as to improve shareholder returns and capital efficiency. To this end, the Company has set a target total return ratio of 45% and will pay stable dividends to shareholders and systematically acquire treasury stock.

For the fiscal year under review, the Company has recorded an extraordinary income of 11,862 million yen due to the finalization of a lawsuit related to the ALP Metropolitan fire, resulting in a significant increase in profits. On the other hand, in accordance with the above policy, the Company has acquired treasury stock of 2.25 million shares, the maximum total number of shares to be acquired, and 45.0 million yen, the maximum total amount of shares to be acquired.

Accordingly, the Company intends to provide ¥36 per share as the total dividend (an interim dividend of ¥18 and a year-end dividend of ¥18) for the fiscal year under review, in accordance with the initial plan of an increase of ¥2 from the previous fiscal year.

The Company's basic policy on the frequency of dividend payments is to pay dividends twice in each fiscal year, in order to strive to respond to requests from shareholders and enhance shareholder returns.

The distribution of year-end dividends from surplus to shareholders shall be decided by resolution of a shareholders meeting and interim dividends shall be decided by resolution of the Board of Directors.

The Company's Articles of Incorporation stipulate that "the Company may pay interim dividends with the record date of November 20 of each year, by resolution of the Board of Directors."

Dividends from surplus in the current fiscal year are as follows.

| Date of resolution | Total amount of dividends (millions of yen) | Dividends per share (yen) |
|---|---|---|
| Resolution by the Board of Directors on December 15, 2023 | 1,755 | 18 |
| Resolution at the Annual General Meeting of Shareholders August 8, 2024 (planned) (Note) | 1,741 | 18 |

(Note) This is a year-end dividend with a record date of May 20, 2024, and will be submitted as a proposal (proposals to be resolved) at the Annual General Meeting of Shareholders to be held on August 8, 2024. In addition to an interim dividend, the Company plans to pay an annual dividend of ¥36 per share, an increase of ¥2 from the previous period.

## 4. Status of Corporate Governance, etc.

### (1) Overview of Corporate Governance

#### 1) Basic approach to Corporate Governance

In line with the ASKUL WAY, comprising Our Purpose of "Continuously bringing delight to our workplace, life, the planet and tomorrow," Our Values, and Our DNA, the Company listens carefully to customers, shareholders, investors, partners, employees, and all other stakeholders throughout society with the aim of contributing to the resolution of various social issues through the ongoing creation of new, socially significant value.

To this end, the Company will strive to enhance corporate governance through further thorough compliance management and transparent, fair, prompt, and resolute decision-making to achieve sustainable growth and enhance corporate value over the medium to long term.

#### 2) Corporate Governance system

The Company has adopted a system of a company with an Audit & Supervisory Board.

As of the date of submission of the Annual Securities Report, the Company has 10 Directors, four of whom are Outside Directors (four of whom are independent officers). The Board of Directors engages in active and effective discussions on management strategies and business plans for new businesses, as well as on proposals for important business execution and other matters.

As of the date of submission of the Annual Securities Report, the Company has three Audit & Supervisory Board members, two of whom are Outside Audit & Supervisory Board members (two of whom are independent officers). The Audit & Supervisory Board received reports on, discusses, or resolves important matters related to audits.

In addition to the above Board of Directors and Audit & Supervisory Board, the Company has established the following meetings and committees: a. Management Meeting; b. Special Committee; c. Independent Outside Officer Meeting; d. Nomination and Compensation Committee; e. Sustainability Committee; f. Risk and Compliance Committee; g. Occupational Health and Safety Committee; h. Quality Management Committee; and i. Information Disclosure Committee.

a. Management Meeting

Comprised of CEO (Akira Yoshioka, Chairperson), ASKUL Director (Shinichi Hokari), COO (Katsuhiro Kawamura), and CFO (Tsuguhiro Tamai), the Management Meeting examines and submits proposals for business execution to be discussed in accordance with the respective regulations.

b. Special Committee

At the Board of Directors' meeting held on August 4, 2021, the Board of Directors resolved to enhance its supervisory function to appropriately improve corporate governance and ensure management transparency of the Company and the Group. The Special Committee was also established as a permanent advisory body to the Board of Directors for the purpose of protecting the interests of minority shareholders and ensuring fairness and impartiality in important transactions, as well as transactions where the interests of controlling shareholders and major shareholders with an equivalent level of control (dominant shareholders) conflict with those of minority shareholders.

The members of the Special Committee as of the date of submission of the Annual Securities Report are as follows.

| | |
|---|---|
| Outside Director and Independent Officer | Yumiko Ichige (Chairperson) |
| Outside Director and Independent Officer | Kazuo Tsukahara |
| Outside Audit & Supervisory Board member and Independent Officer | Yoshitaka Asaeda |

c. Independent Outside Officer Meeting

With the aim of establishing an appropriate corporate governance system and enhancing corporate value of the Company and the Group, Independent Outside Directors and Independent Audit & Supervisory Board members (the "Independent Outside Officers") freely exchange information and opinions on matters related to corporate governance, the content of proposals made by Directors, important matters related to the Company's business and management, and other matters deemed necessary by the Independent Outside Officers.

The members of the Independent Outside Officer Meeting as of the date of submission of the Annual Securities Report are as follows.

| | |
|---|---|
| Outside Director and Independent Officer | Kazuo Tsukahara (Chairperson, lead Independent Outside Director) |
| Outside Director and Independent Officer | Yumiko Ichige |

| | |
|---|---|
| Outside Director and Independent Officer | Genri Goto |
| Outside Director and Independent Officer | Naomi Aoyama |
| Outside Audit & Supervisory Board member and Independent Officer | Yoshitaka Asaeda |
| Outside Audit & Supervisory Board member and Independent Officer | Miyuki Nakagawa |

d. Nomination and Compensation Committee

The Nomination and Compensation Committee is a permanent advisory body to the Board of Directors, consisting of all independent Outside Directors and the President and CEO, for the purpose of contributing to the building of an appropriate corporate governance and ensuring management transparency of the Company and the Group, and deliberates and reports to the Board of Directors on the following matters, in consultation with the Board of Directors.

・Formulation of basic policies on the appointment and dismissal of Directors, Representative Directors, President and CEO, and key officers and employees, as well as on the appointment of Audit & Supervisory Board members.

・Proposals for the appointment and dismissal of Directors and Audit & Supervisory Board members to be submitted to a General Meeting of Shareholders.

・Proposals for the appointment and dismissal of key officers and employees to be submitted to the Board of Directors' meetings.

・Formulation and operation of succession plans for Representative Directors, President and CEO, Directors, and key officers and employees.

・Formulation of basic policies on compensation of President and CEO, Directors, Audit & Supervisory Board members, and key officers and employees.

・Proposals for the calculation method of compensation of President and CEO, Directors, and key officers and employees, and the amount of compensation for each individual.

・Other important management matters deemed necessary by the Board of Directors.

The Nomination and Compensation Committee may investigate matters under its jurisdiction, provide opinions, advice, and recommendations to the Board of Directors, and may also express its opinions at a General Meeting of Shareholders and other meetings regarding matters for which it has made reports, recommendations, etc.

The members of the Nomination and Compensation Committee as of the date of submission of the Annual Securities Report are as follows.

| | |
|---|---|
| Outside Director and Independent Officer | Kazuo Tsukahara (Chairperson) |
| Outside Director and Independent Officer | Yumiko Ichige |
| Outside Director and Independent Officer | Genri Goto |
| Outside Director and Independent Officer | Naomi Aoyama |
| Representative Director, President and CEO | Akira Yoshioka |

e. Sustainability Committee

With the aim of fulfilling the social responsibilities, achieving sustainable growth, and enhancing corporate value over the medium to long term, and complementing the governance function of the Board of Directors of the Company and the Group, the Sustainability Committee deliberates and decides on issues and policies related to sustainability and ESG, and monitors each of the committees listed in f. to i. below. The Sustainability Committee members consist of the Representative Directors (Akira Yoshioka), ASKUL Director (Shinichi Hokari) including Director in charge of risk management (Tsuguhiro Tamai, chairperson), COO (Katsuhiro Kawamura), and the chairpersons of each of the committees listed f. to i. below. In addition, one or more Outside Directors or Audit & Supervisory Board members (including Outside Audit & Supervisory Board members) (in the fiscal year under review, Yumiko Ichige, Outside Director; Toshio Imamura, full-time Audit & Supervisory Board member; Yoshitaka Asaeda, Outside Audit & Supervisory Board member) are appointed as advisors.

f. Risk and Compliance Committee

With the aim of managing risks in the Company and the Group, complying with laws and regulations, internal and external rules and norms, and ensuring proper business execution, the Risk and Compliance Committee works to understand and take measures to address risks and compliance situations related to matters other than those under the jurisdiction of the committees listed in g. and h. below. The Risk and Compliance Committee members consist of the Representative Directors (Akira Yoshioka), ASKUL Director (Shinichi Hokari) including Director in charge of risk management (Tsuguhiro Tamai, chairperson), COO (Katsuhiro Kawamura), and the Executive Officer of unit in charge of legal affairs. In addition, one or more Outside Directors or Outside Audit & Supervisory Board members (in the fiscal year under review, Miyuki Nakagawa, Outside Audit & Supervisory Board member) is appointed as an advisor.

g. Occupational Health and Safety Committee

With the aim of ensuring the safety of staff and employees and promoting their mental health and physical health, as well as improving productivity and heightening morale, through the improvement of the occupational safety and working environment of the Company and the Group, the Occupational Health and Safety Committee works to understand the status of and take measures related to occupational safety and health. The Occupational Health and Safety Committee members consist of ASKUL Director (Shinichi Hokari) including Director in charge of risk management (Tsugihiro Tamai), COO (Katsuhiro Kawamura), Executive Officer of unit in charge of human resources (Tamami Ito, chairperson), Executive Officers of divisions in charge of logistics, corporate planning, legal affairs, CSR, and general affairs, as well as the head of internal audit division, and the Representative Director and President of ASKUL LOGIST Corporation. In addition, one or more Outside Directors or Audit & Supervisory Board members (including Outside Audit & Supervisory Board members) (in the fiscal year under review, Kazuo Tsukahara, Outside Director; Toshio Imamura, full-time Audit & Supervisory Board member) are appointed as advisors.

h. Quality Management Committee

With the aim of improving the quality of products handled and strengthening of quality management functions for the Company and the Group, the Quality Management Committee works to understand the status of the quality of products handled and implement countermeasures. The Quality Management Committee members consist of the Representative Director (Akira Yoshioka), ASKUL Director (Shinichi Hokari) including Director in charge of risk management (Tsuguhiro Tamai), COO (Katsuhiro Kawamura), Executive Officer of unit in charge of customer support (Hideo Sakurai, chairperson), Executive Officers of divisions in charge of products, product quality management, B-to-B, B-to-C, IT, logistics, corporate planning, legal affairs, and CSR, as well as Vice Executive Officer of division in charge of product quality management, the head of internal audit division, and the Representative Director and President of ASKUL LOGIST Corporation. In addition, one or more Outside Directors or Audit & Supervisory Board members (including Outside Audit & Supervisory Board members) (in the fiscal year under review, Naomi Aoyama, Outside Director) is appointed as an advisor.

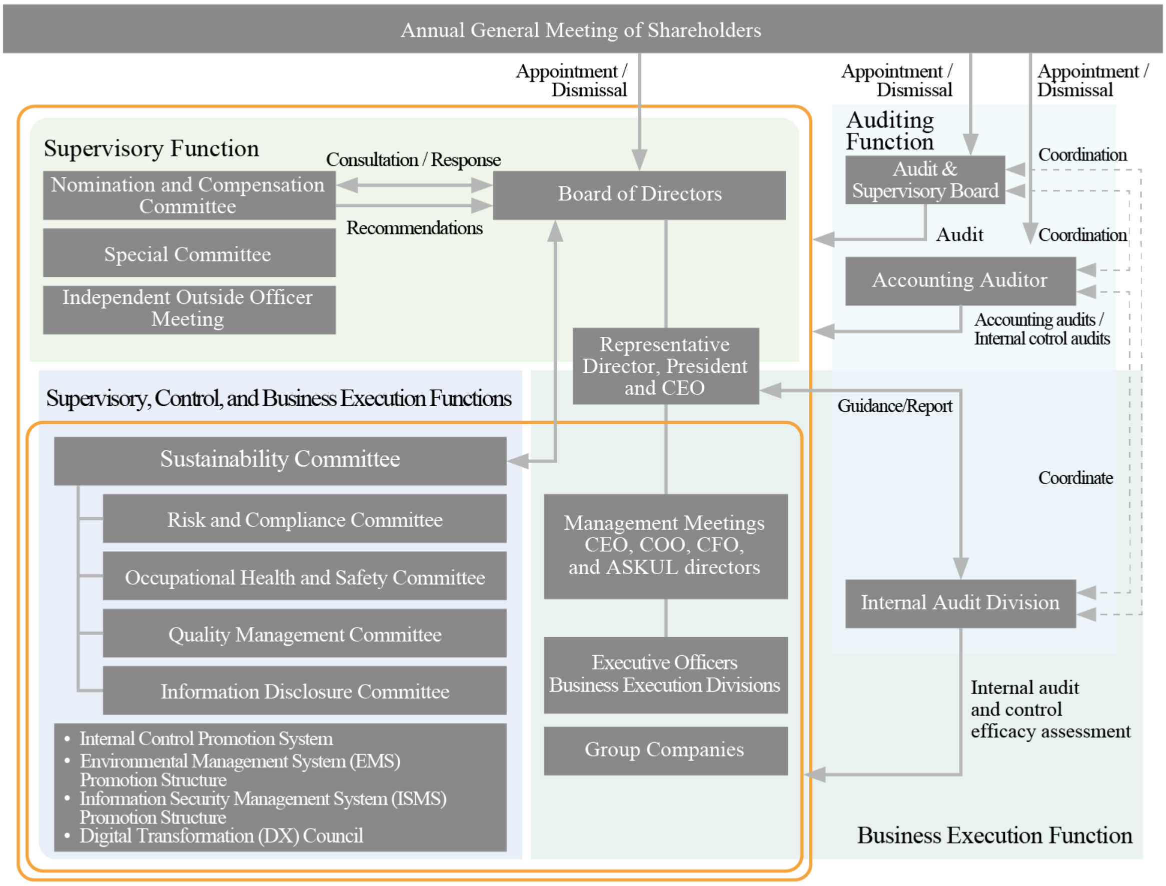
i. Information Disclosure Committee

With the aim of enhancing management transparency through appropriate disclosure of information about the Company and the Group, decisions on disclosure are made by the Information Disclosure Committee. The Information Disclosure Committee members consist of the person responsible for handling information (Tsuguhiro Tamai, chairperson), Executive Officers, Vice Executive Officers, and General Managers of divisions in charge of IR, public relations, finance, corporate planning, and accounting, as well as Executive Officers, Vice Executive Officers, etc., of divisions in charge of legal affairs, CSR, general affairs, and human resources.

3) Reasons for adopting Corporate Governance system

The Company has adopted the present system of a company with an Audit & Supervisory Board since it believes that the audit and supervisory functions of management can be fully performed by Outside Audit & Supervisory Board members, who account for over half of the Audit & Supervisory Board, in cooperation with the independent Outside Directors.

<Schematic>



4) Status of activities of the Board of Directors, Nomination and Compensation Committee, Special Committee, and Sustainability Committee

(I) Status of activities of the Board of Directors

The Board of Directors convened once a month with extraordinary meetings as necessary, with a total of 16 meetings convened during the current fiscal year. The attendance of each member is as follows.

| Position | Name | Attendance at meetings of the Board of Directors |
|---|---|---|
| Representative Director, President and CEO | Akira Yoshioka | 16/16 (100%) |
| Director, CFO | Tsuguhiro Tamai | 15/16 (93.8%) |
| Director, COO | Katsuhiro Kawamura | 16/16 (100%) |
| Director, CTO | Shinichi Hokari | 16/16 (100%) |
| Outside Director (Independent Officer) | Yumiko Ichige | 16/16 (100%) |
| Outside Director (Independent Officer) | Genri Goto | 16/16 (100%) |
| Outside Director (Independent Officer) | Kazuo Tsukahara | 16/16 (100%) |
| Outside Director (Independent Officer) | Naomi Aoyama | 16/16 (100%) |
| Director | Tadahisa Imaizumi | 16/16 (100%) |
| Director | Hironori Koshimizu | 14/14 (100%) |
| Outside Director | Takao Ozawa | 2/2 (100%) |
| Full-time Audit & Supervisory Board member | Toshio Imamura | 16/16 (100%) |
| Outside Audit & Supervisory Board member (Independent Officer) | Yoshitaka Asaeda | 16/16 (100%) |
| Outside Audit & Supervisory Board member (Independent Officer) | Miyuki Nakagawa | 16/16 (100%) |

(Notes) 1. The attendance of Mr. Hironori Koshimizu, who assumed office as Director at the conclusion of the Annual General Meeting of Shareholders held on August 4, 2023, is stated as his attendance at meetings held since the same date.

2. The attendance of Mr. Takao Ozawa, who retired as Director, at the conclusion of the Annual General Meeting of Shareholders held on August 4, 2023, is stated as his attendance at meetings held prior to the same date.

The specific subjects for consideration at the Board of Directors included resolutions, reports, and deliberation primarily on the following matters.

a. Proposals to be resolved as stipulated by legal regulations

b. Management and business strategies

- Business portfolio
- Progress reports on Medium-Term management plans and major projects
- Next Medium-Term management plans
- Status and strategies of the Group companies
- M&A

c. Human resources

- Director and Executive Officers compensation
- Human resource design, organization changes, appointment of Executive Officers, and other important human resource matters

d. Accounting and finances

- Budgets and financial results
- Investment and lending
- Regular reports on results

e. Other important matters

- Evaluation of the effectiveness of the Board of Directors
- Related party transactions
- Important disputes
- Report on activities of the Nomination and Compensation Committee
- Activities of each committee (Note), internal controls, internal audits, sustainability, reporting on IR, etc.

(Note) Includes matters related to sustainability, risk management, compliance, occupational health and safety, and quality management

(II) Status of activities of the Nomination and Compensation Committee

In principle, the Nomination and Compensation Committee convened once a month with extraordinary meetings as necessary, with a total of 18 meetings convened during the current fiscal year. The attendance of each member is as follows.

| | Position | Name | Attendance at meetings of the Nomination and Compensation Committee |
|---|---|---|---|
| Chairperson | Outside Director (Independent Officer) | Kazuo Tsukahara | 18/18 (100%) |
| Member | Outside Director (Independent Officer) | Yumiko Ichige | 17/18 (94.4%) |
| Member | Outside Director (Independent Officer) | Genri Goto | 18/18 (100%) |
| Member | Outside Director (Independent Officer) | Naomi Aoyama | 18/18 (100%) |
| Member | Representative Director, President and CEO | Akira Yoshioka | 17/18 (94.4%) |

The specific subjects for consideration at the Nomination and Compensation Committee included deliberation and reports primarily on the following matters.

a. Nominations and other matters

・Succession plan for the CEO
・Succession of Independent Outside Directors
・Candidates for Outside Director (including interviews)
・Officer and Executive Officer system
・Revision of regulations for Executive Officers and chief officers
・Next generation of candidates for leadership
・Concurrent positions held by Outside Directors at other companies

b. Compensation

・Evaluations and individual compensation for Directors
・Individual evaluations for Executive Officers (including interviews)
・Restricted stock compensation
・Next compensation scheme
・ESG items in relation to officer evaluations

(III) Status of activities of the Special Committee

Meetings are held as needed based on necessity, and two meetings were held during the fiscal year under review. The attendance of each member is as follows.

| | Position | Name | Attendance at meetings of the Special Committee |
|---|---|---|---|
| Chairperson | Outside Director (Independent Officer) | Yumiko Ichige | 2/2 (100%) |
| Member | Outside Director (Independent Officer) | Kazuo Tsukahara | 2/2 (100%) |
| Member | Outside Audit & Supervisory Board member (Independent Officer) | Yoshitaka Asaeda | 2/2 (100%) |

The specific subjects for consideration at the Special Committee included deliberation and reports primarily on the following matters.

・Status of management and regular reports on related party transactions, etc.

(IV) Status of activities of the Sustainability Committee

In principle, the Sustainability Committee convened once a month with extraordinary meetings as necessary, with a total of 12 meetings convened during the current fiscal year. The attendance of each member is as follows.

| | Position | Name | Attendance at meetings of the Sustainability Committee |
|---|---|---|---|
| Member | Representative Director, President and CEO | Akira Yoshioka | 12/12 (100%) |
| Chairperson | Director, CFO | Tsuguhiro Tamai | 11/12 (91.7%) |
| Member | Director, COO | Katsuhiro Kawamura | 12/12 (100%) |
| Member | Director, CTO | Shinichi Hokari | 12/12 (100%) |
| Advisor | Full-time Audit & Supervisory Board member | Toshio Imamura | 12/12 (100%) |
| Advisor | Outside Director (Independent Officer) | Yumiko Ichige | 12/12 (100%) |
| Advisor | Outside Audit & Supervisory Board member (Independent Officer) | Yoshitaka Asaeda | 12/12 (100%) |

(Note) Only members of the Board of Directors and the Audit & Supervisory Board are included in the above table.

The specific subjects for consideration at the Sustainability Committee included evaluation and reports primarily on the following matters.

a. Response to ESG issues and individual cases
- Regular reports on sustainability initiatives / progress on ESG issues and material issues
- Reporting and internal briefing on the ASKUL Integrated Report “ASKUL Report 2023”
- Report on the results of the Governance Survey 2023
- Basic Policy Regarding Internal Control System
- Progress on the 2030 Zero $CO_2$ Challenge
- Announcement of endorsement of the TCFD recommendations
- Supply chain issues / CSR surveys and audits
- CDP and other external assessments
- Forest maintenance agreement with Tsumagoi Village
- Calculation of $CO_2$ emissions from PB products
- Reforestation support in Indonesia

b. Information sharing and consideration of the Company’s responses by theme
- Impact of population decline due to falling birthrate and aging population
- Natural capital and biodiversity
- Environmental initiatives implemented by other companies
- Use of social demands in business

c. Other regular reports
- EMS (Environmental Management System) initiatives and assessment reports
- Operational status of internal control system
- Reports from each committee (sharing proposals, issues, etc.)

<Major organizations and composing members as of the date of submission of the Annual Securities Report>

| Name | Board of Directors/Position | Independent Outside Officer Meeting | Special Committee | Nomination and Compensation Committee | Sustainability Committee | Risk and Compliance Committee | Quality Management Committee | Occupational Health and Safety Committee |
|---|---|---|---|---|---|---|---|---|
| Akira Yoshioka | ◎ Representative Director and President CEO | | | ○ | ○ | ○ | ○ | |
| Tsuguhiro Tamai | Director CFO | | | | ◎ | ◎ | ○ | ○ |
| Katsuhiro Kawamura | Director COO | | | | ○ | ○ | ○ | ○ |
| Shinichi Hokari | Director CTO | | | | ○ | ○ | ○ | ○ |
| Yumiko Ichige | Outside Director (Independent Officer) | ○ | ◎ | ○ | ■ | | | |
| Genri Goto | Outside Director (Independent Officer) | ○ | | ○ | | | | |
| Kazuo Tsukahara | Outside Director (Independent Officer) | ◎ | ○ | ◎ | | | | ■ |
| Naomi Aoyama | Outside Director (Independent Officer) | ○ | | ○ | | | ■ | |
| Tadahisa Imaizumi | Director | | | | | | | |
| Hironori Koshimizu | Director | | | | | | | |
| Toshio Imamura | Full-time Audit & Supervisory Board member | | | | ■ | | | ■ |
| Yoshitaka Asaeda | Outside Audit & Supervisory Board member (Independent Officer) | ○ | ○ | | ■ | | | |
| Miyuki Nakagawa | Outside Audit & Supervisory Board member (Independent Officer) | ○ | | | | ■ | | |
| Remarks | | | | | | | ◎ Note 3 | ◎ Note 4 |

(Notes) 1. Only members of the Board of Directors and the Audit & Supervisory Board are included in the above table.
2. In the above table, ◎ indicates the chairperson of each committee, etc., ○ indicates that the person is a member of the committee, and ■ indicates that the person is an advisor.
3. Executive Officer of division in charge of customer support
4. Executive Officer of division in charge of human resources

5) Other matters concerning corporate governance

(I) Basic Approach to Internal Control System and Status of Development

In order to ensure proper business activities of the Company in accordance with the Companies Act and the Regulations for Enforcement of the Companies Act, the Company shall establish an internal control system to prevent various risks from the perspective of risk management by recognizing the social responsibilities the Company should fulfill, while enhancing corporate governance and at the same time ensuring compliance management.

a. System for ensuring that the execution of duties by Directors, etc., and employees of the Company and its subsidiaries complies with laws and regulations and the Articles of Incorporation

(a) The corporate group comprised of the Company and its subsidiaries has established the ASKUL WAY, which is the origin of concepts and actions necessary for sustainable growth, and has developed, shared, and complied with the Code of Ethics and Conduct (ASKUL Code of Conduct) and the Compliance Manual. The Company shall also comply with various regulations, including the Board of Directors Regulations, Organization Regulations, Regulations on Division of Duties, and Administrative Authority Regulations, to ensure appropriate execution of duties.

(b) The Company's Board of Directors shall always include Outside Directors who have no vested interest in the Company, in the expectation that they will serve as checks and balances to ensure the legality of the Directors' execution of their duties.

(c) In order to contribute to the establishment of appropriate corporate governance and management transparency of the Company and the Group, the Company has established committees such as the Nomination and Compensation Committee and the Special Committee, which are mainly composed of independent officers, as well as the Sustainability Committee and other committees to fulfill the social responsibilities of the Company and the Group and to promote sustainable growth and enhance corporate value over the medium to long term, thereby establishing a system to complement the governance function of the Board of Directors.

(d) Education and training on the environment, information security, occupational safety, quality, and various laws and regulations are provided on a regular basis to deepen understanding of compliance and create an environment facilitating the sound execution of duties.

(e) The Internal Audit Division shall audit the status of the execution of duties by the Company's employees, pointing out any problems to managers of divisions to which the employee belongs, and reporting to the Representative Directors, Directors, and Audit & Supervisory Board members to request improvements in those divisions and ensure proper business activities.

(f) The status of the execution of duties by Directors and employees of the Company's subsidiaries shall be supervised and managed by the Corporate Planning Division in accordance with the Company's Affiliate Companies Management Regulations, and audited by the Company's Internal Audit Division to ensure proper business activities.

(g) As part of the monitoring function of the Company and its subsidiaries, a hotline (internal reporting system) applicable in the Company and its subsidiaries, including an outside consultation service (in the office of the Company's legal counsel), has been established to identify any suspicious activities from the perspective of compliance.

b. System for storing and managing information related to the execution of duties by Directors

(a) Information related to the execution of duties by Directors shall be appropriately recorded, stored, and managed in accordance with laws, regulations, and the Articles of Incorporation, and internal rules such as the Board of Directors Regulations, Information Security Regulations, and Document Handling Regulations. In addition, Directors and Audit & Supervisory Board members shall have access to these records at all times.

(b) Executive Officers appointed by the Board of Directors are responsible for these duties.

c. Regulations and other systems for managing the risks of loss of the Company and its subsidiaries

(a) With regard to risks of the Company and its subsidiaries, the Company has appointed a Director in charge of risk management, established a division to deal with such risks, and set up committees such as the Risk and Compliance Committee, Occupational Health and Safety Committee, Quality Management Committee, and Information Disclosure Committee to understand and assess the risk and compliance status of the Company and its subsidiaries, and to prevent the occurrence of risks.

(b) Based on the above risk assessment, the Company and its subsidiaries shall establish in advance the systems necessary to minimize losses of the Company and its subsidiaries in the event that various risks materialize, and shall take necessary measures in accordance with such systems in the event that such risks actually materialize.

(c) With regard to risks related to the environment, information security, occupational safety, quality, compliance, and human rights, etc., the Company shall develop a management system that complies with the ISO 14001 (Environment), and ISO 27001 (Information Security) standards, and maintain a management cycle of analysis/planning, execution, examination/review, and improvement, and establish a system for proper business activities. Furthermore, the Company shall establish regulations and manuals in each division in charge and subsidiary, and provide all employees with training and thorough awareness of them.

(d) With respect to monitoring risk management related to the execution of duties by the Company and its subsidiaries, the Internal Audit Division shall take the lead in conducting regular audits from the perspectives of compliance and risk management.

d. System for ensuring the efficient execution of duties by Directors, etc., of the Company and its subsidiaries

(a) The Company and its subsidiaries shall adopt a system to ensure the proper and efficient execution of duties in accordance with the Board of Directors Regulations, Organization Regulations, Regulations on Division of Duties, Administrative Authority Regulations, and other regulations established by each company.

(b) The Company's Board of Directors shall always include Outside Directors who have no vested interest in the Company, in the expectation that they will serve as checks and balances to ensure the appropriateness and efficiency of the Directors' execution of their duties.

e. System for reporting to the Company on matters pertaining to the execution of duties by Directors, etc., of the Company's subsidiaries

The Company has formulated the Affiliate Companies Management Regulations and other related regulations, and in accordance with these regulations, each subsidiary shall regularly report to the Company on the status of execution of its duties and other important matters through reports to the Corporate Planning Division, which serves as the Company's contact point, or through attendance at the Board of Directors' meetings, the Management Meetings, and other important meetings of the Company. The Corporate Planning Division shall promptly share with the relevant divisions of the Company matters reported by Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries.

f. Other system for ensuring the proper business activities of the corporate group comprised of the Company, its other affiliated companies, and its subsidiaries

With regard to the relationship between the Company and LY Corporation, which is one of the Company's other affiliated companies, the Company shall ensure the proper business activities by enhancing the management monitoring system and strengthening the check-and-balance function by Outside Officers who have no vested interest in the Company.

g. System concerning employees who are requested by Audit & Supervisory Board members to assist them in their duties, matters related to the independence of such employees from Directors, and matters related to the ensuring the efficacy of instructions given to such employees

(a) The Internal Audit Division and the Legal Affairs Division shall assist the duties of Audit & Supervisory Board members as necessary, and if Audit & Supervisory Board members request, the Internal Audit Division and the Legal Affairs Division shall discuss with Audit & Supervisory Board members to assign dedicated staff to assist them.

(b) The appointment and transfer of employees to assist the duties of Audit & Supervisory Board members shall be subject to the approval of Audit & Supervisory Board members. Such employees shall execute their duties under the supervision and direction of Audit and Supervisory Board members, and their evaluation shall be subject to the opinions of Audit & Supervisory Board members.

h. Systems for ensuring that Directors, Audit & Supervisory Board members, and employees of the Company and its subsidiaries report to the Company's Audit & Supervisory Board members, that those who make such reports are not treated unfavorably by reason of having made such reports, and that audits by other Audit & Supervisory Board members are carried out effectively.

(a) Directors and employees of the Company shall report the status of execution of their duties through the Board of Directors' meetings, the Management Meetings, and other important meetings of the Company attended by Audit & Supervisory Board members.

(b) Directors, Audit & Supervisory Board members, and employees of the Company's subsidiaries shall report regularly to the Company on the status of execution of their duties and other important matters through report to the Corporate Planning Division, which serves as the Company's contact point, or through attendance at the Board of Directors' meetings, the Management Meetings, and other important meetings of the Company attended by Audit & Supervisory Board members. The Corporate Planning Division shall promptly report to Audit & Supervisory Board members any important matters reported by Directors, Audit & Supervisory Board members, and employees of the Company's subsidiaries.

(c) The Company's Audit & Supervisory Board members shall conduct efficient and effective audits by mainly targeting the

Company's Directors, Executive Officers of Business Units, Executive Officers of Units, and Directors of the Company's subsidiaries, in accordance with the audit policy determined by the Audit & Supervisory Board, while covering the overall status of business execution of the Company and its subsidiaries. In addition, the Company's Audit & Supervisory Board members shall actively collaborate with the Internal Audit Division and the Accounting Auditor to conduct audits.

(d) The Company and its subsidiaries shall establish a system whereby any event that may have a significant impact on the Company's credibility or business performance, or any serious act that violates laws, the Articles of Incorporation, or the Internal Rules, etc., shall be promptly reported to the Company's Audit & Supervisory Board members through the division of the Company in charge.

(e) The Audit & Supervisory Board shall hold regular meetings to exchange opinions with the Representative Directors and the Accounting Auditor, respectively.

(f) In the hotline (internal reporting system) applicable to the Company and its subsidiaries, the Company's Audit & Supervisory Board members shall be appointed as one of the contact points to enhance the reporting system to Audit & Supervisory Board members. The Company shall prohibit any unfavorable treatment of whistleblowers who report through the hotline as a result of their making such a report.

i. Matters concerning procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board members and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties

When Audit & Supervisory Board members request advance payment or reimbursement of expenses incurred in the execution of their duties, the Company shall promptly process such expenses and liabilities, unless such expenses or liabilities are deemed unnecessary for the execution of duties by Audit & Supervisory Board members.

j. System for ensuring the reliability of financial reporting

The Company shall appoint a Director in charge of finance and accounting, formulate internal rules for financial reporting, prepare consolidated and non-consolidated financial statements in accordance with corporate accounting standards that are generally accepted as fair and appropriate, and establish the Information Disclosure Committee to ensure the reliability of financial reporting by the Company and its subsidiaries.

k. Basic approach to measures for eliminating anti-social forces and status of development

The Code of Ethics and Conduct of the Company and its subsidiaries stipulates that the Company and its subsidiaries shall take a firm stand against anti-social forces and organizations, sever all relationships with them, and shall not engage in any acts that encourage or contribute to the activities of anti-social forces and organizations, as a basic approach to eliminate anti-social forces. The Code of Ethics and Conduct shall be posted at all times within the Company and its subsidiaries to ensure that all employees are educated and thoroughly informed of it.

(II) Overview of details of agreements to limit liability

The Company and its Directors (excluding executive Directors), and Audit & Supervisory Board members have entered into agreements to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The overviews of agreements to limit liability entered with each are as follows.

a. Agreements to limit liability for Directors (excluding Executive Directors)

In the event that the Company suffers damages as a result of negligence in the performance of duties of Directors (excluding Executive Directors), provided that duties have been carried out in good faith and without gross negligence, they shall be liable for damages up to ¥30 million or the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act, whichever is higher.

The Company has entered into agreements with Ms. Yumiko Ichige, Mr. Genri Goto, Mr. Kazuo Tsukahara, Ms. Naomi Aoyama, Mr. Tadahisa Imaizumi, and Mr. Hironori Koshimizu to limit the amounts of their individual liabilities.

b. Agreements to limit liability for Audit & Supervisory Board members

In the event that the Company suffers damages as a result of negligence in the performance of duties of Audit & Supervisory Board members, provided that duties have been carried out in good faith and without gross negligence, they shall be liable for damages to the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act.

The Company has entered into agreements with Mr. Toshio Imamura, Mr. Yoshitaka Asaeda, and Ms. Miyuki Nakagawa to limit the amounts of their individual liabilities.

(III) Overview of details of the officers liability insurance agreement

The Company has entered into an officers liability insurance agreement with an insurance company as defined in Article 430-3, Paragraph 1 of the Companies Act. Directors, Audit & Supervisory Board members, executive officers, and employees in management positions of the Company and its subsidiaries fall within the scope of the insured in this insurance agreement, and the insured will not bear the premium. This agreement will cover damages that may arise due to the insured Directors assuming liability for their execution of duties, or receiving a claim for the pursuit of such liability during the insurance coverage period.

However, there are certain exceptions, such as being ineligible for compensation in the event of damage caused by an act that the insured knowingly committed in violation of laws and regulations, in order to ensure the appropriateness of the execution of duties of the insured is not impaired.

(IV) Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 11 Directors.

(V) Requirements for resolution on election of Directors

The Company stipulates in its Articles of Incorporation that resolutions for the election of Directors shall be adopted by a majority of the voting rights of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. In addition, resolutions for the election of Directors shall not be adopted by cumulative voting.

(VI) Matters to be resolved at the Annual General Meeting of Shareholders that can be resolved at Board of Directors' meetings

a. Acquisition of treasury stock

The Company's Articles of Incorporation stipulate that the Company may acquire its treasury stock through market transactions, etc. by resolution of the Board of Directors based on the provisions of Article 165, Paragraph 2 of the Companies Act for the acquisition of treasury stock.

The purpose of this is to implement flexible capital policy.

b. Dividends from surplus, etc.

The Company's Articles of Incorporation stipulate that the Company may pay an interim dividend every year, with November 20 as the record date, by resolution of the Board of Directors in accordance with the provisions of Article 454, Paragraph 5 of the Companies Act.

The purpose of this is so the Company can return profits to shareholders flexibly.

c. Overview of details of exemptions from liability

As defined in Article 426, Paragraph 1 of the Company's Act, the Company's Articles of Incorporation stipulate that Directors (including those who were Directors) and Audit & Supervisory Board members (including those who were Audit & Supervisory Board members) may be exempt from liability for damages as defined in Article 423, Paragraph 1 of the Company's Act to the extent permitted by laws and regulations by resolution of the Board of Directors.

This is so Directors and Audit & Supervisory Board members can sufficiently fulfill their expected roles.

(VII) Requirements for special resolutions at the General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that the requirements for special resolutions at the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be met by two-thirds or more of the voting rights of the shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The purpose of this is to ensure the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

(2) Status of Officers

1) List of officers

1. The status of officers at the Company as of July 30, 2024 (the date of submission of the Annual Securities Report) is as follows.

10 male, 3 female (Percentage of female officers: 23.1%)

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Representative Director, President and CEO | Akira Yoshioka | January 12, 1968 | April 1992<br>January 2001<br>August 2005<br>August 2006<br>August 2011<br><br>July 2012<br><br>August 2012<br>July 2017<br><br>July 2017<br><br>August 2019<br><br>February 2020<br>March 2020<br>February 2023 | Joined The Seiyo Corporation<br>Joined the Company<br>Business Leader, Medical & Care<br>Vice Executive Officer, Medical & Care<br>Executive Officer in charge of Medical & Care<br>Executive Officer, COO, B-to-C Company (Note 5)<br>Director, COO, B-to-C Company<br>Representative Director and Chairman of charm Co., Ltd.<br>Representative Director and Chairman of Leaf Co., Ltd.<br>Representative Director, President and CEO (Note 6) of the Company (to present)<br>Director and Chairman of charm Co., Ltd.<br>Director of AlphaPurchase Co., Ltd.<br>Director of FEED Corporation (to present) | (Note 13) | 19 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director, CFO | Tsuguhiro Tamai | June 26, 1967 | April 1991<br>November 2007<br>July 2012<br>September 2012<br>March 2014<br>May 2014<br>November 2014<br>August 2015<br>September 2015<br>February 2016<br>July 2017<br>May 2018<br>August 2020<br>February 2021<br>May 2021<br>February 2023<br>February 2023<br>May 2023 | Joined Tobishima Corporation<br>Joined the Company<br>Executive Officer of Finance and Public Relations Unit<br>Executive Officer, Executive Officer of Finance and Public Relations Unit<br>Director of AlphaPurchase Co., Ltd. (to present)<br>Director of SOLOEL Corporation<br>Director of Bizex Corporation (current ASKUL LOGIST Corporation)<br>Director of TSUMAGOI MEISUI Corporation (to present)<br>Director of ecohai Co., Ltd.<br>CFO (Note 7), Executive Officer, Executive Officer of Corporate Planning Unit, and Executive Officer of Finance and Public Relations of the Company<br>Director of Leaf Co., Ltd.<br>CFO, Executive Officer, Executive Officer of Corporate Unit<br>Director, CFO, In charge of risk management, finance and accounting and information disclosure, Executive Officer, Executive Officer of Corporate Unit<br>Director of charm Co., Ltd. (to present)<br>Director, CFO, In charge of risk management, finance and accounting, information disclosure, management and quality KPIs, Executive Officer of Corporate Unit of the Company<br>Director of AP67 Co., Ltd. (to present)<br>Director of DENTAL Holding Corp. (to present)<br>Director, CFO, In charge of risk management, finance and accounting, information disclosure, management and quality KPIs, Executive Officer, and Executive Officer of Corporate Unit of the Company (to present) | (Note 13) | 5 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director, COO | Katsuhiro Kawamura | August 3, 1959 | April 1982<br>July 1989<br>March 2001<br>November 2007<br>October 2008<br>September 2009<br>July 2012<br><br>September 2012<br>August 2013<br>April 2014<br>May 2014<br><br>May 2018<br><br>February 2019<br><br>March 2020<br><br>March 2022<br><br>March 2022<br>July 2022<br><br>August 2022<br><br><br>May 2023 | Joined Pacific Consultants Co., Ltd.<br>Joined Victoria Inc.<br>Joined the Company<br>Joined Mother Bird Co., Ltd.<br>Joined Watabe Wedding Corporation<br>Joined the Company<br>Executive Officer of B-to-B Business Planning Unit<br>Executive Officer of the Company<br>Executive Officer of Corporate Planning Unit<br>Executive Officer of ECR Unit<br>Director of Bizex Corporation (current ASKUL LOGIST Corporation)<br>Executive Officer of LOHACO Business Planning Unit of the Company<br>Executive Officer of LOHACO Platform Unit<br>Executive Officer of LOHACO Business Unit<br>COO and Executive Officer of ASKUL Sales Unit<br>Director of SOLOEL Corporation<br>Representative Director, President and CEO of SOLOEL Corporation (to present)<br>Director, COO, Executive Officer, and Executive Officer of ASKUL Sales Unit of the Company<br>Director, COO, Executive Officer, and Executive Officer of Sales Unit (to present) | (Note 13) | 4 |
| Director, CTO | Shinichi Hokari | March 24, 1978 | April 2001<br>August 2003<br><br>April 2013<br><br><br><br>January 2017<br><br>April 2018<br><br>April 2019<br><br><br>June 2019<br><br>April 2022<br>August 2022<br><br>May 2023 | Joined JASTEC Co., Ltd.<br>Joined Yahoo Japan Corporation (current LY Corporation)<br>General Manager, Development Department, Shopping Business Division, Consumer Business Company of Yahoo Japan Corporation<br>Head of Production Division 2, Shopping Company of Yahoo Japan Corporation<br>VpoE (Note 8), Shopping Company of Yahoo Japan Corporation<br>Unit Manager, Shopping Services Group, Commerce Company and Head of Marketing Division of Yahoo Japan Corporation<br>Representative Director of Netrust, Ltd. (current LY Corporation)<br>Seconded to the Company<br>Director, Supervisor of Technology Unit and LOHACO Business Unit<br>Director, CTO (Note 9), Executive Officer, and Executive Officer of EC Product Unit (to present) | (Note 13) | 2 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Yumiko Ichige | March 13, 1961 | April 1989<br>April 1989<br>December 2007<br>April 2009<br>September 2010<br>June 2012<br>May 2014<br>December 2014<br>December 2016<br>June 2018<br>March 2019<br>November 2019<br>March 2020<br>June 2022<br>October 2023 | Registered as an attorney<br>Joined IBM Japan, Ltd.<br>Partner, Nozomi Sogo Attorneys at Law (to present)<br>Vice President of Daini Tokyo Bar Association<br>Deputy Secretary General of Japan Federation of Bar Associations<br>Outside Director, NEC Networks & System Integration Corporation<br>Outside Audit & Supervisory Board Member, Aeon Mall Co., Ltd.<br>Outside Director and Audit and Supervisory Committee Member, Sanyo Trading Co., Ltd.<br>Outside Director and Audit & Supervisory Committee Member, Sushiro Global Holdings Ltd. (current FOOD & LIFE COMPANIES LTD.)<br>Outside Director, Itoham Yonekyu Holdings Inc.<br>Director, Japan Association of Arbitrators (to present)<br>Director, Japan International Dispute Resolution Center, a general incorporated association<br>Outside Director of the Company (to present)<br>Outside Audit & Supervisory Board Member of Idemitsu Kosan Co., Ltd. (to present)<br>Outside Board Director, Audit and Supervisory Committee member of Hitachi Astemo, Ltd. (to present) | (Note 13) | 5 |
| Director | Genri Goto | February 4, 1967 | April 1989<br>May 1994<br>November 1994<br>July 1997<br>September 2004<br>July 2006<br>March 2007<br>June 2007<br>February 2009<br>September 2009<br>October 2009<br>October 2016<br>October 2016<br>March 2017<br>June 2019<br>March 2020<br>April 2022 | Joined Andersen Consulting, Ltd. (current Accenture Japan Ltd.)<br>Director, Usuki Pharmaceutical Co., Ltd.<br>Established Healthy Net, Inc. (later Kenko.com, Inc.; current Rakuten Group, Inc.) and assumed position of CEO<br>President, Usuki Pharmaceutical Co., Ltd.<br>Director, Gotosan Ltd.<br>Chairman, NPO Japan Online Drug Association<br>Outside Director, e-Shopping! Wine Corp.<br>Director, Kenko.com U.S.A., Inc.<br>CEO, Kenko Logicom, Inc.<br>Director, Kenko.com Singapore Pte. 9 Ltd.<br>Outside Director, J-Devices Corporation (current Amkor Technology Japan, Inc.)<br>Established JaQool, Inc. (current Kotozna, Inc.) and assumed position of CEO (to present)<br>Established TagFIT Association (business transferred to current Kotozna, Inc.) and assumed position of CEO<br>Strategic Advisor, GrowthPoint Equity LLP (to present)<br>Chairman, Kotozna (China Office) (to present)<br>Outside Director of the Company (to present)<br>Managing Director, Kotozna Singapore Pte Ltd (to present) | (Note 13) | 4 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Kazuo Tsukahara | April 17, 1950 | April 1974<br>July 2002<br>April 2005<br>April 2006<br>April 2008<br>April 2009<br>April 2012<br>October 2012<br>June 2014<br>February 2015<br>March 2017<br>March 2020 | Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (current IHI Corporation)<br>Manager of Human Resources Division, Ishikawajima-Harima Heavy Industries Co., Ltd.<br>General Manager of Planning Group, Corporate Planning Division, Ishikawajima-Harima Heavy Industries Co., Ltd.<br>Executive Officer, General Manager of Corporate Planning Division, Ishikawajima-Harima Heavy Industries Co., Ltd.<br>Director, Managing Executive Officer, General Manager of Corporate Planning Division, IHI Corporation<br>Director, In charge of Business Relating to Corporate Planning, Public Relations & IR, and Human Resources, IHI Corporation<br>Executive Vice President, Assistant to the President, In Charge of Business Relating to Procurement, Internal Audit, Project Audit, and Human Resources, IHI Corporation<br>Outside Director, Japan Marine United Corporation<br>Advisor, IHI Corporation<br>Outside Director, Nachi-Fujikoshi Corporation<br>Outside Director, DIC Corporation<br>Outside Director of the Company (to present) | (Note 13) | 2 |
| Director | Naomi Aoyama | May 27, 1966 | April 1989<br>April 2000<br>June 2004<br>June 2005<br>March 2017<br>May 2021<br>August 2022<br>May 2023<br>June 2023 | Joined Toshiba Corporation<br>Joined eLife Inc.<br>Established style bis Inc. and assumed position of Representative Director (to present)<br>Outside Director, Kenko.com, Inc. (current Rakuten Group, Inc.)<br>Outside Director, Senshukai Co., Ltd.<br>Outside Director, IZUMI Co., Ltd. (to present)<br>Outside Director of the Company (to present)<br>Visiting Professor, Professional University of Information and Management for Innovation (to present)<br>Outside Director, Beautech Lab Corporation (to present) | (Note 13) | 0 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Tadahisa Imaizumi | October 25, 1973 | June 2005<br>August 2011<br><br>July 2013<br><br>March 2016<br><br><br>April 2016<br><br><br>April 2017<br><br><br>January 2018<br><br>July 2020<br><br>August 2020<br>November 2021<br>March 2023 | Joined the Company<br>Executive Officer responsible for human resources and President's Office<br>Joined PLUS Corporation<br>Executive Officer, JOINTEX Company<br>Director and Deputy General Manager of Business Development Department, JOINTEX Company<br>Director and General Manager of Human Resources Management Department, Corporate Headquarters, JOINTEX Company<br>Managing Director and General Manager of Human Resources Management Department, Corporate Headquarters, JOINTEX Company<br>Managing Director and Company President, JOINTEX Company<br>President & Chief Operating Officer, JOINTEX Company (to present)<br>Director of the Company (to present)<br>Outside Director, CUUSOO SYSTEM co., ltd. (to present)<br>Director, i&i Co., Ltd. (to present) | (Note 13) | 1,232 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Hironori Koshimizu | October 31, 1977 | February 2000 | Joined e-Group Co., Ltd. | (Note 13) | 3 |
| | | | September 2001 | Joined Yahoo Japan Corporation (current LY Corporation) | | |
| | | | February 2006 | Joined Hatena Co., Ltd.<br>Executive Officer in charge of Advertising Business | | |
| | | | December 2006 | Director of Hatena Co., Ltd. | | |
| | | | August 2009 | Joined GREE, Inc. | | |
| | | | November 2013 | General Manager, Platform Division, WebGame Business Unit of GREE, Inc. | | |
| | | | October 2014 | Joined Yahoo Japan Corporation (current LY Corporation), seconded to the Company | | |
| | | | November 2014 | Executive Officer, Executive Officer of LOHACO Advertising and Sales Promotion Division, B-to-C Company of the Company | | |
| | | | March 2016 | Executive Officer, Executive Officer of LOHACO Publicity and Sales Promotion Unit, B-to-C Company | | |
| | | | August 2016 | Director of the Company | | |
| | | | March 2017 | Director, Executive Officer, Executive Officer of EC Marketing Unit, B-to-C Company | | |
| | | | February 2019 | Director, Executive Officer, Executive Officer of LOHACO Growth Unit, B-to-C Company | | |
| | | | March 2020 | Director, Supervisor of LOHACO Business Unit, Executive Officer | | |
| | | | May 2022 | Director, In charge of LOHACO Business Unit | | |
| | | | October 2022 | Executive Officer of Retail EC Business Unit, Commerce Group of Yahoo Japan Corporation (current LY Corporation) | | |
| | | | March 2023 | Outside Director of GEOFLA Inc. (to present) | | |
| | | | August 2023 | Director of the Company (to present) | | |
| | | | October 2023 | General Manager, Business Promotion Division, Commerce Company, LY Corporation (to present) | | |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Full-time Audit & Supervisory Board Member | Toshio Imamura | March 28, 1953 | March 1977<br>November 1995<br>May 1997<br>August 1999<br>July 2002<br>July 2003<br>August 2004<br>May 2005<br>August 2005<br>December 2006<br>February 2010<br>August 2012<br>December 2012<br>August 2014<br>June 2015<br>August 2017 | Joined PLUS Corporation<br>Section Chief of ASKUL Business Division<br>General Manager, Planning Business of the Company<br>Director of the Company<br>Manager, General Affairs Office<br>Manager, Corporate Service Office<br>Director of ASKUL e-Pro Service Corporation (current SOLOEL Corporation)<br>Director of BUSINESSMART Corporation<br>Executive Officer of the Company<br>Director of ASKUL (Shanghai) Trading Co., Ltd.<br>President of ASKUL (Shanghai) Trading Co., Ltd.<br>Director in charge of finance and accounting, Director in charge of information disclosure, CSO (Note 10) of the Company<br>Director of AlphaPurchase Co., Ltd.<br>Director in charge of risk management of the Company, responsible for storage and management of information regarding the execution of duties by Directors<br>Director in charge of human resources<br>Director of Bizex Corporation (current ASKUL LOGIST Corporation)<br>Full-time Audit & Supervisory Board Member of the Company (to present) | (Note 14) | 195 |
| Audit & Supervisory Board Member | Yoshitaka Asaeda | January 17, 1956 | September 1978<br>October 1985<br>July 1994<br>June 1996<br>June 1997<br>July 2013<br>June 2017<br>June 2017<br>November 2019<br>December 2019<br>August 2020 | Joined Shinko Audit Corporation<br>Joined US Price Waterhouse LLP (current PricewaterhouseCoopers LLP)<br>Partner<br>Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)<br>Representative Member<br>Deloitte Touche Tohmatsu EMEA Regional Leader, Japanese Services Group<br>Established Yoshitaka Asaeda CPA Office, Director (to present)<br>Outside Director, SBI Holdings, Inc.<br>Outside Auditor, WingArc1st Inc. (to present)<br>Outside Director, Shimane Bank Ltd. (to present)<br>Outside Audit & Supervisory Board Member of the Company (to present) | (Note 15) | - |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Audit & Supervisory Board Member | Miyuki Nakagawa | November 22, 1964 | April 1990 | Prosecutor, Tokyo District Public Prosecutors Office | (Note 16) | - |
| | | | April 2008 | Counsellor, Judicial System Department, Minister's Secretariat, Ministry of Justice | | |
| | | | January 2011 | Counsellor, Cabinet Secretariat, Assistant Chief Cabinet Secretary Office | | |
| | | | April 2013 | Prosecutor, Tokyo High Public Prosecutors Office | | |
| | | | August 2013 | General Manager of General Administration Department, Saitama District Public Prosecutors Office | | |
| | | | April 2015 | Specially Appointed Professor, Chuo Law School, Chuo University | | |
| | | | April 2019 | Professor, Chuo Law School, Chuo University (to present) | | |
| | | | April 2019 | Registered as an attorney | | |
| | | | May 2019 | Representative, Kousui Law Office (to present) | | |
| | | | June 2019 | Outside Director of NITTO KOGYO CORPORATION (to present) | | |
| | | | June 2021 | Outside Director of Nissan Chemical Corporation (to present) | | |
| | | | June 2021 | Outside Audit & Supervisory Board Member of FANCL CORPORATION (to present) | | |
| | | | June 2022 | Outside Audit & Supervisory Board Member of Shinsei Bank, Limited (to present) | | |
| | | | August 2022 | Outside Audit & Supervisory Board Member of the Company (to present) | | |
| Total | | | | | | 1,475 |

(Notes) 1. Directors Ms. Yumiko Ichige, Mr. Genri Goto, Mr. Kazuo Tsukahara, and Ms. Naomi Aoyama are Outside Directors.

2. Audit & Supervisory Board members Mr. Yoshitaka Asaeda and Ms. Miyuki Nakagawa are Outside Audit & Supervisory Board members.
3. The number of shares held states the actual number of shares held, including respective interests in the shareholding association, as of June 30, 2024.
4. The executive officer system is adopted to speed the execution of business operations and clarify authority and accountability. As of the date of submission of the Annual Securities Report, the Company has 11 Executive Officers, and their names and sections they are in charge of are as follows.

| | |
|---|---|
| Saori Onsen | Executive Officer of EC Business Unit |
| Katsuhiro Kawamura | COO and Executive Officer of Sales Unit |
| Mizuki Takehisa | Executive Officer of Merchandising Unit |
| Takeshi Narimatsu | Executive Officer of Logistics Unit |
| Shinichi Hokari | CTO and Executive Officer of EC Product Unit |
| Kazuyuki Ikeda | CDXO (Note 11) and Executive Officer of Technology Unit |
| Hideo Sakurai | Executive Officer of Customer Service Unit |
| Tsuguhiro Tamai | CFO and Executive Officer of Corporate Unit |
| Hiroyuki Ueno | Executive Officer of Legal & Security Unit |
| Tamami Ito | CHO (Note 12) and Executive Officer of Human Relations & General Affairs Unit |
| Hideo Amanuma | President and Representative Director of ASKUL LOGIST Corporation |

5. COO: Chief Operating Officer
6. CEO: Chief Executive Officer
7. CFO: Chief Financial Officer
8. VPoE: Vice President of Engineering
9. CTO: Chief Technology Officer
10. CSO: Chief Security Officer
11. CDXO: Chief Digital Transformation Officer
12. CHO: Chief Human Relation and Health Care Officer
13. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders held on August 4, 2023 until the conclusion of the annual shareholders meeting for the last business year which ends within one year from

the time of their election.

14. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders held on August 4, 2021 until the conclusion of the annual shareholders meeting for the last business year which ends within four years from the time of their election.
15. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders held on August 13, 2020 until the conclusion of the annual shareholders meeting for the last business year which ends within four years from the time of their election.
16. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders held on August 4, 2022 until the conclusion of the annual shareholders meeting for the last business year which ends within four years from the time of their election.

2. The “Election of 10 Directors” will be submitted as a proposal (proposals to be resolved) at the Annual General Meeting of Shareholders to be held on August 8, 2024, and if this proposal is approved as originally proposed, the status of the Directors of the Company will be as follows. The positions, etc. of Directors and Audit & Supervisory Board Members include the details (positions, etc.) of proposals to be resolved at the Board of Directors meeting to be held immediately following this Annual General Meeting of Shareholders.

9 male, 4 female (Percentage of female officers: 30.8%)

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Representative Director, President and CEO | Akira Yoshioka | January 12, 1968 | April 1992<br>January 2001<br>August 2005<br>August 2006<br>August 2011<br><br>July 2012<br><br>August 2012<br>July 2017<br><br>July 2017<br><br>August 2019<br><br>February 2020<br>March 2020<br>February 2023 | Joined The Seiyo Corporation<br>Joined the Company<br>Business Leader, Medical & Care<br>Chief General Manager, Medical & Care<br>Executive Officer in charge of Medical & Care<br>Executive Officer, COO, B-to-C Company (Note 4)<br>Director, COO, B-to-C Company<br>Representative Director and Chairman of charm Co., Ltd.<br>Representative Director and Chairman of Leaf Co., Ltd.<br>Representative Director, President and CEO (Note 5) of the Company (to present)<br>Director and Chairman of charm Co., Ltd.<br>Director of AlphaPurchase Co., Ltd.<br>Director of FEED Corporation (to present) | (Note 10) | 19 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director, CFO | Tsuguhiro Tamai | June 26, 1967 | April 1991<br>November 2007<br>July 2012<br>September 2012<br>March 2014<br>May 2014<br>November 2014<br>August 2015<br>September 2015<br>February 2016<br>July 2017<br>May 2018<br>August 2020<br>February 2021<br>May 2021<br>February 2023<br>February 2023<br>May 2023 | Joined Tobishima Corporation<br>Joined the Company<br>Executive Officer of Finance and Public Relations Unit<br>Executive Officer, Executive Officer of Finance and Public Relations Unit<br>Director of AlphaPurchase Co., Ltd. (to present)<br>Director of SOLOEL Corporation<br>Director of Bizex Corporation (current ASKUL LOGIST Corporation)<br>Director of TSUMAGOI MEISUI Corporation (to present)<br>Director of ecohai Co., Ltd.<br>CFO (Note 6), Executive Officer, Executive Officer of Corporate Planning Unit, and Executive Officer of Finance and Public Relations of the Company<br>Director of Leaf Co., Ltd.<br>CFO, Executive Officer, Executive Officer of Corporate Unit<br>Director, CFO, In charge of risk management, finance and accounting and information disclosure, Executive Officer, Executive Officer of Corporate Unit<br>Director of charm Co., Ltd. (to present)<br>Director, CFO, In charge of risk management, finance and accounting, information disclosure, management and quality KPIs, Executive Officer of Corporate Unit of the Company<br>Director of AP67 Co., Ltd. (to present)<br>Director of DENTAL Holding Corp. (to present)<br>Director, CFO, In charge of risk management, finance and accounting, information disclosure, management and quality KPIs, Executive Officer, Executive Officer of Corporate Unit of the Company (to present) | (Note 10) | 5 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director, COO | Katsuhiro Kawamura | August 3, 1959 | April 1982<br>July 1989<br>March 2001<br>November 2007<br>October 2008<br>September 2009<br>July 2012<br><br>September 2012<br>August 2013<br>April 2014<br>May 2014<br><br>May 2018<br><br>February 2019<br><br>March 2020<br><br>March 2022<br><br>March 2022<br>July 2022<br><br>August 2022<br><br><br>May 2023 | Joined Pacific Consultants Co., Ltd.<br>Joined Victoria Inc.<br>Joined the Company<br>Joined Mother Bird Co., Ltd.<br><br>Joined Watabe Wedding Corporation<br>Joined the Company<br><br>Executive Officer of B-to-B Business Planning Unit<br>Executive Officer of the Company<br><br>Executive Officer of Corporate Planning Unit<br>Executive Officer of ECR Unit<br>Director of Bizex Corporation (current ASKUL LOGIST Corporation)<br>Executive Officer of LOHACO Business Planning Unit of the Company<br>Executive Officer of LOHACO Platform Unit<br>Executive Officer of LOHACO Business Unit<br>COO and Executive Officer of ASKUL Sales Unit<br>Director of SOLOEL Corporation<br>Representative Director, President and CEO of SOLOEL Corporation (to present)<br>Director, COO, Executive Officer, and Executive Officer of ASKUL Sales Unit of the Company<br>Director, COO, Executive Officer, and Executive Officer of Sales Unit (to present) | (Note 10) | 4 |
| Director, CTO | Shinichi Hokari | March 24, 1978 | April 2001<br>August 2003<br><br>April 2013<br><br><br><br>January 2017<br><br>April 2018<br><br>April 2019<br><br><br>June 2019<br><br>April 2022<br>August 2022<br><br>May 2023 | Joined JASTEC Co., Ltd.<br>Joined Yahoo Japan Corporation (current LY Corporation)<br>General Manager, Development Department, Shopping Business Division, Consumer Business Company of Yahoo Japan Corporation<br>Head of Production Division 2, Shopping Company of Yahoo Japan Corporation<br>VpoE (Note 7), Shopping Company of Yahoo Japan Corporation<br>Unit Manager, Shopping Services Group, Commerce Company and Head of Marketing Division of Yahoo Japan Corporation<br>Representative Director of Netrust, Ltd. (current LY Corporation)<br>Seconded to the Company<br>Director, Supervisor of Technology Unit and LOHACO Business Unit<br>Director, CTO (Note 8), Executive Officer, and Executive Officer of EC Product Unit (to present) | (Note 10) | 2 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Yumiko Ichige | March 13, 1961 | April 1989 | Registered as an attorney | (Note 10) | 5 |
| | | | April 1989 | Joined IBM Japan, Ltd. | | |
| | | | December 2007 | Partner, Nozomi Sogo Attorneys at Law (to present) | | |
| | | | April 2009 | Vice President of Daini Tokyo Bar Association | | |
| | | | September 2010 | Deputy Secretary General of Japan Federation of Bar Associations | | |
| | | | June 2012 | Outside Director, NEC Networks & System Integration Corporation | | |
| | | | May 2014 | Outside Audit & Supervisory Board Member, Aeon Mall Co., Ltd. | | |
| | | | December 2014 | Outside Director and Audit and Supervisory Committee Member, Sanyo Trading Co., Ltd. | | |
| | | | December 2016 | Outside Director and Audit & Supervisory Committee Member, Sushiro Global Holdings Ltd. (current FOOD & LIFE COMPANIES LTD.) | | |
| | | | June 2018 | Outside Director, Itoham Yonekyu Holdings Inc. | | |
| | | | March 2019 | Director, Japan Association of Arbitrators (to present) | | |
| | | | November 2019 | Director, Japan International Dispute Resolution Center, a general incorporated association | | |
| | | | March 2020 | Outside Director of the Company (to present) | | |
| | | | June 2022 | Outside Audit & Supervisory Board Member of Idemitsu Kosan Co., Ltd. (to present) | | |
| | | | October 2023 | Outside Board Director, Audit and Supervisory Committee member of Hitachi Astemo, Ltd. (to present) | | |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Genri Goto | February 4, 1967 | April 1989<br>May 1994<br>November 1994<br><br><br>July 1997<br>September 2004<br>July 2006<br>March 2007<br>June 2007<br>February 2009<br>September 2009<br>October 2009<br>October 2016<br><br>October 2016<br><br>March 2017<br>June 2019<br>March 2020<br>April 2022 | Joined Andersen Consulting, Ltd. (current Accenture Japan Ltd.)<br>Director, Usuki Pharmaceutical Co., Ltd.<br>Established Healthy Net, Inc. (later Kenko.com, Inc.; current Rakuten Group, Inc.)<br>and assumed position of CEO<br>President, Usuki Pharmaceutical Co., Ltd.<br>Director, Gotosan Ltd.<br>Chairman, NPO Japan Online Drug Association<br>Outside Director, e-Shopping! Wine Corp.<br>Director, Kenko.com U.S.A., Inc.<br>CEO, Kenko Logicom, Inc.<br>Director, Kenko.com Singapore Pte. 9 Ltd.<br>Outside Director, J-Devices Corporation (current Amkor Technology Japan, Inc.)<br>Established JaQool, Inc. (current Kotozna, Inc.) and assumed position of CEO (to present)<br>Established TagFIT Association (business transferred to current Kotozna, Inc.) and assumed position of CEO<br>Strategic Advisor, GrowthPoint Equity LLP (to present)<br>Chairman, Kotozna (China Office) (to present)<br>Outside Director of the Company (to present)<br>Managing Director, Kotozna Singapore Pte Ltd (to present) | (Note 10) | 4 |
| Director | Kazuo Tsukahara | April 17, 1950 | April 1974<br>July 2002<br>April 2005<br>April 2006<br>April 2008<br>April 2009<br>April 2012<br>October 2012<br>June 2014<br>February 2015<br>March 2017<br>March 2020 | Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (current IHI Corporation)<br>Manager of Human Resources Division, Ishikawajima-Harima Heavy Industries Co., Ltd.<br>General Manager of Planning Group, Corporate Planning Division, Ishikawajima-Harima Heavy Industries Co., Ltd.<br>Executive Officer, General Manager of Corporate Planning Division, Ishikawajima-Harima Heavy Industries Co., Ltd.<br>Director, Managing Executive Officer, General Manager of Corporate Planning Division, IHI Corporation<br>Director, In charge of Business Relating to Corporate Planning, Public Relations & IR, and Human Resources, IHI Corporation<br>Executive Vice President, Assistant to the President, In Charge of Business Relating to Procurement, Internal Audit, Project Audit, and Human Resources, IHI Corporation<br>Outside Director, Japan Marine United Corporation<br>Advisor, IHI Corporation<br>Outside Director, Nachi-Fujikoshi Corporation<br>Outside Director, DIC Corporation<br>Outside Director of the Company (to present) | (Note 10) | 2 |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Naomi Aoyama | May 27, 1966 | April 1989<br>April 2000<br>June 2004<br><br><br>June 2005<br><br>March 2017<br>May 2021<br><br>August 2022<br>May 2023<br><br><br>June 2023 | Joined Toshiba Corporation<br>Joined eLife Inc.<br>Established style bis Inc. and assumed position of Representative Director (to present)<br>Outside Director, Kenko.com, Inc. (current Rakuten Group, Inc.)<br>Outside Director, Senshukai Co., Ltd.<br>Outside Director, IZUMI Co., Ltd. (to present)<br>Outside Director of the Company (to present)<br>Visiting Professor, Professional University of Information and Management for Innovation (to present)<br>Outside Director, Beautech Lab Corporation (to present) | (Note 10) | 0 |
| Director | Rina Akimoto | January 21, 1991 | April 2013<br>November 2016<br>January 2023<br><br><br><br>October 2023<br><br><br><br><br>October 2023<br><br><br>December 2023<br>August 2024 | Joined DeNA Co., Ltd.<br>Established vivid garden Inc. and assumed position of CEO (to present)<br>Member, Academic Committee on Registration of Geographical Indication, Ministry of Agriculture, Forestry and Fisheries (to present)<br>Expert member, Working Group for Revitalization of Regional Industries (Agriculture, Forestry and Fisheries), Council for Promotion of Regulatory Reform, Cabinet Office (to present)<br>Member, Fukuoka city agriculture and forestry<br>promotion council (to present)<br>Outside Member, Management Advisory Board, Kewpie Corporation (to present)<br>Director of the Company (to present) | (Note 10) | - |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Director | Hironori Koshimizu | October 31, 1977 | February 2000 | Joined e-Group Co., Ltd. | (Note 10) | 3 |
| | | | September 2001 | Joined Yahoo Japan Corporation (current LY Corporation) | | |
| | | | February 2006 | Joined Hatena Co., Ltd.<br>Executive Officer in charge of Advertising Business | | |
| | | | December 2006 | Director of Hatena Co., Ltd. | | |
| | | | August 2009 | Joined GREE, Inc. | | |
| | | | November 2013 | General Manager, Platform Division, WebGame Business Unit of GREE, Inc. | | |
| | | | October 2014 | Joined Yahoo Japan Corporation (current LY Corporation), seconded to the Company | | |
| | | | November 2014 | Executive Officer, Executive Officer of LOHACO Advertising and Sales Promotion Division, B-to-C Company of the Company | | |
| | | | March 2016 | Executive Officer, Executive Officer of LOHACO Publicity and Sales Promotion Unit, B-to-C Company | | |
| | | | August 2016 | Director of the Company | | |
| | | | March 2017 | Director, Executive Officer, Executive Officer of EC Marketing Unit, B-to-C Company | | |
| | | | February 2019 | Director, Executive Officer, Executive Officer of LOHACO Growth Unit, B-to-C Company | | |
| | | | March 2020 | Director, Supervisor of LOHACO Business Unit, Executive Officer | | |
| | | | May 2022 | Director, In charge of LOHACO Business Unit | | |
| | | | October 2022 | Executive Officer of Retail EC Business Unit, Commerce Group of Yahoo Japan Corporation (current LY Corporation) | | |
| | | | March 2023 | Outside Director of GEOFLA Inc. (to present) | | |
| | | | August 2023 | Director of the Company (to present) | | |
| | | | October 2023 | General Manager, Business Promotion Division, Commerce Company, LY Corporation (to present) | | |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Audit & Supervisory Board Member (Full-time) | Toshio Imamura | March 28, 1953 | March 1977<br>November 1995<br>May 1997<br>August 1999<br>July 2002<br>July 2003<br>August 2004<br>May 2005<br>August 2005<br>December 2006<br>February 2010<br>August 2012<br>December 2012<br>August 2014<br>June 2015<br>August 2017 | Joined PLUS Corporation<br>Section Chief of ASKUL Business Division<br>General Manager, Planning Business of the Company<br>Director of the Company<br>Manager, General Affairs Office<br>Manager, Corporate Service Office<br>Director of ASKUL e-Pro Service Corporation (current SOLOEL Corporation)<br>Director of BUSINESSMART Corporation<br>Executive Officer of the Company<br>Director of ASKUL (Shanghai) Trading Co., Ltd.<br>President of ASKUL (Shanghai) Trading Co., Ltd.<br>Director in charge of finance and accounting, Director in charge of information disclosure, CSO (Note 9) of the Company<br>Director of AlphaPurchase Co., Ltd.<br>Director in charge of risk management of the Company, responsible for storage and management of information regarding the execution of duties by Directors<br>Director in charge of human resources Director of Bizex Corporation (current ASKUL LOGIST Corporation)<br>Full-time Audit & Supervisory Board Member of the Company (to present) | (Note 11) | 195 |
| Audit & Supervisory Board Member | Yoshitaka Asaeda | January 17, 1956 | September 1978<br>October 1985<br>July 1994<br>June 1996<br>June 1997<br>July 2013<br>June 2017<br>June 2017<br>November 2019<br>December 2019<br>August 2020 | Joined Shinko Audit Corporation<br>Joined US Price Waterhouse LLP (current PricewaterhouseCoopers LLP)<br>Partner<br>Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)<br>Representative Member<br>Deloitte Touche Tohmatsu EMEA Regional Leader, Japanese Services Group<br>Established Yoshitaka Asaeda CPA Office, Director (to present)<br>Outside Director, SBI Holdings, Inc.<br>Outside Auditor, WingArc1st Inc. (to present)<br>Outside Director, Shimane Bank Ltd. (to present)<br>Outside Audit & Supervisory Board Member of the Company (to present) | (Note 12) | - |

| Title and position | Name | Date of birth | Career summary | | Term | Number of shares held (thousand shares) |
|---|---|---|---|---|---|---|
| Audit & Supervisory Board Member | Miyuki Nakagawa | November 22, 1964 | April 1990 | Prosecutor, Tokyo District Public Prosecutors Office | (Note 13) | - |
| | | | April 2008 | Counsellor, Judicial System Department, Minister's Secretariat, Ministry of Justice | | |
| | | | January 2011 | Counsellor, Cabinet Secretariat, Assistant Chief Cabinet Secretary Office | | |
| | | | April 2013 | Prosecutor, Tokyo High Public Prosecutors Office | | |
| | | | August 2013 | General Manager of General Administration Department, Saitama District Public Prosecutors Office | | |
| | | | April 2015 | Specially Appointed Professor, Chuo Law School, Chuo University | | |
| | | | April 2019 | Professor, Chuo Law School, Chuo University (to present) | | |
| | | | April 2019 | Registered as an attorney | | |
| | | | May 2019 | Representative, Kousui Law Office (to present) | | |
| | | | June 2019 | Outside Director of NITTO KOGYO CORPORATION (to present) | | |
| | | | June 2021 | Outside Director of Nissan Chemical Corporation (to present) | | |
| | | | June 2021 | Outside Audit & Supervisory Board Member of FANCL CORPORATION (to present) | | |
| | | | June 2022 | Outside Audit & Supervisory Board Member of Shinsei Bank, Limited (to present) | | |
| | | | August 2022 | Outside Audit & Supervisory Board Member of the Company (to present) | | |
| Total | | | | | | 243 |

(Notes) 1. Directors Ms. Yumiko Ichige, Mr. Genri Goto, Mr. Kazuo Tsukahara, Mr. Naomi Aoyama, and Ms. Rina Akimoto are Outside Directors.
2. Audit & Supervisory Board members Mr. Yoshitaka Asaeda and Ms. Miyuki Nakagawa are Outside Audit & Supervisory Board members.
3. The number of shares held states the actual number of shares held, including respective interests in the shareholding association, as of June 30, 2024.
4. COO: Chief Operating Officer
5. CEO: Chief Executive Officer
6. CFO: Chief Financial Officer
7. VPoE: Vice President of Engineering
8. CTO: Chief Technology Officer
9. CSO: Chief Security Officer
10. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders to be held on August 8, 2024 until the conclusion of the annual shareholders meeting for the last business year which ends within one year from the time of their election.
11. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders held on August 4, 2021 until the conclusion of the annual shareholders meeting for the last business year which ends within four years from the time of their election.
12. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders to be held on August 8, 2024 until the conclusion of the annual shareholders meeting for the last business year which ends within four years from the time of their election.
13. The term of office shall continue from the conclusion of the Annual General Meeting of Shareholders held on August 4, 2022 until the conclusion of the annual shareholders meeting for the last business year which ends within four years from the time of their election.

2) Outside Directors and Outside Audit & Supervisory Board members

a. Overview of human, capital, trade, and other relationships of interest between the Company and Outside Directors and Outside Audit & Supervisory Board members

The Company has four Outside Directors and two Outside Audit & Supervisory Board members. The holdings of the Company's shares by Outside Directors and Outside Audit & Supervisory Board members is as stated in "IV. Status of the Submitting Company, 4. Status of Corporate Governance, etc., (2) Status of Officers, 1) List of officers."

There are sales transactions of the Company's products between the Company and Nozomi Sogo Attorneys at Law, at which Ms. Yumiko Ichige, an Outside Director, serves as Partner, and between the Company and Idemitsu Kosan Co., Ltd., at which she serves as Outside Audit & Supervisory Board Member.

There are sales transactions of the Company's products between the Company and Kotozna, Inc., at which Mr. Genri Goto, an Outside Director, serves as CEO, and GrowthPoint Equity LLP, at which he serves as Strategic Advisor.

There are sales transactions of the Company's products between the Company and style bis Inc., at which Ms. Naomi Aoyama, an Outside Director, serves as Representative Director, IZUMI Co., Ltd., at which she serves as Outside Director, and Professional University of Information and Management for Innovation, at which she serves as Visiting Professor.

There are sales transactions of the Company's products between the Company and Yoshitaka Asaeda CPA Office, at which Mr. Yoshitaka Asaeda, an Outside Director, serves as Director, and Shimane Bank Ltd., at which he serves as Outside Director, and there are transactions related to system usage and sales transactions of the Company's products between the Company and WingArc1st Inc., at which he serves as Outside Auditor.

There are sales transactions of the Company's products between the Company and Chuo University, at which Ms. Miyuki Nakagawa, an Outside Audit & Supervisory Board member, serves as Professor of Chuo Law School, between the Company and Kousui Law Office, at which she serves as Representative, between the Company and NITTO KOGYO CORPORATION, at which she serves as Outside Director, between the Company and Nissan Chemical Corporation, at which she serves as Outside Director, and between the Company and SBI Shinsei Bank, Limited, at which she serves as Outside Audit & Supervisory Board Member., and purchasing transactions of products and sales transactions of the Company's products between the Company and FANCL CORPORATION, at which she serves as Outside Audit & Supervisory Board Member.

b. Functions and roles of the Outside Directors and Outside Audit & Supervisory Board members in corporate governance, standards, and policies on the independence of Outside Directors and Outside Audit & Supervisory Board members

Outside Directors supervise the execution of duties by directors based on their extensive experience and advanced expertise in corporate management, and in the course of making management judgements and decisions of the Board of Directors, from an independent standpoint, make statements based on a standpoint of minority shareholders and suggestions, etc. on medium- to long-term management strategies. Outside Audit & Supervisory Board members conduct audits from an outside perspective and from an objective and neutral standpoint based on their advanced and specialized knowledge and extensive experience.

In addition, the Company has established unique standards on the independence of Outside Directors and Outside Audit & Supervisory Board members. The Company has registered Ms. Yumiko Ichige, Mr. Genri Goto, Mr. Kazuo Tsukahara, Ms. Naomi Aoyama, Mr. Yoshitaka Asaeda, and Ms. Miyuki Nakagawa as independent directors as stipulated in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. because they are highly independent and there is no risk of conflict of interest with general shareholders.

c. Election status of Outside Directors and Outside Audit & Supervisory Board members

| Position | Name | Election status |
|---|---|---|
| Director | Yumiko Ichige | Ms. Yumiko Ichige started out her career as a corporate attorney and possesses highly specialized expertise and work experience in the fields of corporate governance, including group governance, compliance, and intellectual property, gained through her experience as a lawyer. She has served as Outside Director and Outside Audit & Supervisory Board Member at multiple companies, including listed subsidiary companies, as well as been an officer of the bar association, federation of bar associations, and public-interest corporations in the past. Since her appointment as Outside Director of the Company in March 2020, she has not only fulfilled important roles in the course of making management judgements and decisions of the Board of Directors, but also stated opinions based on a standpoint of minority shareholders. At the voluntary Nomination and Compensation Committee, she stated opinions taking into account diversity from an independent standpoint as its member, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that she is qualified to serve as an Outside Director and has appointed her. |
| | Genri Goto | Mr. Genri Goto possesses the experience and track record of starting up an innovative business of online sales of pharmaceutical products, being involved in managing the business as CEO for many years and leading the growth of the company in the e-commerce market. In addition, he has extensive work experience and advanced insights and knowledge not only in the e-commerce field but also in the digital services field. Since his appointment as Outside Director of the Company in March 2020, he has not only fulfilled important roles, such as making suggestions on medium- to long-term management strategies, in the course of making management judgements and decisions of the Board of Directors, but also stated opinions at the voluntary Nomination and Compensation Committee as its member from an independent standpoint based on his extensive management experience, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that he is qualified to serve as an Outside Director and has appointed him. |
| | Kazuo Tsukahara | Mr. Kazuo Tsukahara served as Executive Vice President of a heavy industrial manufacturer with global operations after engaging in extensive operations, including the experience of overseas assignment, at the company. He possesses extensive experience, a solid track record, as well as high levels of knowledge and ethics, regarding corporate management based on his experience of serving as Outside Director at multiple companies up until now. Furthermore, since his appointment as Outside Director of the Company in March 2020, he has not only fulfilled important roles in the course of making management judgements and decisions of the Board of Directors, but also led the active dialogue of the voluntary Nomination and Compensation Committee from an independent standpoint as its chairperson, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that he is qualified to serve as an Outside Director and has appointed him. |
| | Naomi Aoyama | Having established a consumer-oriented marketing support company, Ms. Naomi Aoyama possesses advanced expertise and extensive experience through serving as an advisor related to corporate social media management and e-commerce. She has also served as Outside Director at multiple companies to date and possesses extensive experience in corporate management. Since her appointment as Outside Director of the Company in August 2022, she has not only fulfilled important roles, such as making suggestions on medium- to long-term management strategies, in the course of making management judgements and decisions of the Board of Directors, but also stated opinions at the voluntary Nomination and Compensation Committee as its member from an independent standpoint based on her extensive management experience, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that she is qualified to serve as an Outside Director and has appointed her. |

| Position | Name | Election status |
|---|---|---|
| Audit & Super-visory Board member | Yoshitaka Asaeda | Mr. Yoshitaka Asaeda has practical experience and specialist insight into global accounting and auditing as a CPA. In addition to his management experience in a global organization, he has also served as an outside director and outside audit & supervisory board member at several corporations. From this advanced expertise and extensive practical experience, the Company has determined that he is qualified to serve as an Outside Audit & Supervisory Board member, to assume responsibility for auditing business execution, and has appointed him. |
| | Miyuki Nakagawa | Ms. Miyuki Nakagawa worked for many years as a prosecutor and has practical experience in legal circles and specialized knowledge, in addition to serving as Outside Director and Outside Audit & Supervisory Board Member at multiple companies to date. The Company has determined that she is able to audit the Directors' execution of their duties from an outside perspective and from an objective and neutral standpoint, and has appointed her as an Outside Audit & Supervisory Board member. |

d. Mutual cooperation between supervision or auditing by Outside Directors or Outside Audit & Supervisory Board members and internal audits, audits by Audit & Supervisory Board members and accounting audits, and relationship with Internal Control Division

Outside Directors collect required information and state their opinions through the Board of Directors meetings and receive feedback as necessary to ensure mutual cooperation with the Internal Audit Division and the Accounting Auditor.

The Outside Audit & Supervisory Board members exchange information with the Internal Audit Division, which is in charge of internal audits and internal controls, and the Accounting Auditor on a regular basis in order to maintain close connections, thereby enhancing the efficacy and efficiency of the audits.

(3) Status of Audit

1) Status of audits by Audit & Supervisory Board members

1. Organization, Members and Audit Procedures

As of the date of the submission of the Annual Securities Report, the Company has three Audit & Supervisory Board members, two of whom are Outside Audit & Supervisory Board members, and both of whom are independent officers. In addition, one of the Audit & Supervisory Board members is a full-time Audit & Supervisory Board member. One of the conditions for the appointment of candidates for the Company's Audit & Supervisory Board members is that they must have appropriate experience, capabilities, and knowledge of requisite financial, accounting, and legal matters. Furthermore, one or more Audit & Supervisory Board members must have sufficient knowledge of finance and accounting matters. The current composition of the Audit & Supervisory Board is chaired by Mr. Toshio Imamura, a full-time Audit & Supervisory Board member, who possesses extensive business and management experience in the Group's operations, as well as experience and knowledge appropriate for the supervisory function of business execution. Mr. Yoshitaka Asaeda, an Outside Audit & Supervisory Board member, is a certified public accountant and has considerable knowledge of financing and accounting as well as a wealth of practical auditing experience. Ms. Miyuki Nakagawa, an Outside Audit & Supervisory Board member, has held important posts in legal circles and has a wealth of experience and expertise in the compliance and risk management areas as an attorney. The procedures for auditing by the Audit & Supervisory Board members are as follows

Planning ……… Based on the audit results of the previous fiscal year and the business plan for the new fiscal year, the audit policy and audit plan for the new audit year are determined through discussions by the Audit & Supervisory Board.

Implementation·· Based on the audit plan, Audit & Supervisory Board members attend important meetings to understand the status of the execution of duties, and conduct audits by interviewing the Company's Representative Director and President, Directors, Executive Officers, and other senior employees, as well as the representative directors of the Company's major subsidiaries. Furthermore, regular exchanges of opinions are held with the Internal Audit Division and the Accounting Auditor in order to actively collaborate with them, thereby enhancing the efficacy and efficiency of the audits.

Reporting, etc. ··· After the year-end audit, Audit & Supervisory Board members receive the audit report from the Accounting Auditor, exchange opinions, prepare the audit report, and submit it to the Representative Director and President. They also attend the Annual General Meeting of Shareholders to report on the audit. Problems identified in the course of mid-term audits are pointed out to the Directors and the Executive Officers in charge of the relevant division and improvements are requested. In addition, they hold regular meetings with the Representative Director and President and Accounting Auditor to exchange opinions.

2. Activities of the Audit & Supervisory Board

In principle, the Audit & Supervisory Board meets regularly on a monthly basis after the Board of Directors' meetings, and extraordinary meetings are held, as necessary. During the fiscal year under review, the Audit & Supervisory Board met a total of 15 times, including two extraordinary meetings, with a 100% attendance rate by all Audit & Supervisory Board members

The Audit & Supervisory Board, for the fiscal year under review, worked specifically on evaluating the following as the main priority audit items, confirming the content of each: (1) status of development and management of internal control system (risk management and governance systems); (2) compliance system; (3) status of development and management of information security system; (4) management of the Group companies; (5) progress of business plans and status of investment projects; (6) status of compliance with workstyle reforms and labor affairs management; (7) monitoring of conflict-of-interest transactions; and (8) appropriateness of the Accounting Auditor's auditing methods and results, and the selection of KAM.

Moreover, regular exchanges of opinion were held with the Accounting Auditor and the Internal Audit Division. Through active collaboration, the Audit & Supervisory Board enhances the efficacy and efficiency of audits. The Audit & Supervisory Board promotes exchanges of opinions and collaboration with the Accounting Auditor through the briefing session on the accounting audit plan held at the beginning of each fiscal year (once a year, attended by all Audit & Supervisory Board members), the briefing session on the accounting audit results at the end of each fiscal year (once a year, attended by all Audit & Supervisory Board members), and the quarterly accounting audit review (three times a year, attended by all Audit &

Supervisory Board members). The Audit & Supervisory Board also exchanges opinions and collaborates with the Internal Audit Division through monthly collaboration meetings (monthly, attended by full-time Audit & Supervisory Board members), in addition to sharing the plans and results of the Audit & Supervisory Board audit, explanations of the internal audit implementation plan (once a year, attended by all Audit & Supervisory Board members), and reports on the progress of internal audit implementation (four times a year, attended by all Audit & Supervisory Board members).

3. Major Activities of Audit & Supervisory Board members

The Company's Audit & Supervisory Board members conduct auditing activities in accordance with the auditing policy and plan for audit by Audit & Supervisory Board members and the assignment of duties, etc., which are resolved at the Audit & Supervisory Board meeting at the beginning of each fiscal year. All Audit & Supervisory Board members attend the Board of Directors' meetings to understand the status of Directors' execution of their duties, audit the operation of the proceedings and the content of resolutions, monitor competing transactions and conflict-of-interest transactions, and express their opinions as necessary. The Board of Directors met 16 times during the fiscal year under review, with a 100% attendance rate by all.

Full-time Audit & Supervisory Board members also attend important internal meetings including the Management Meetings (in principle, twice a month) and inspect important approval documents, etc. At the end of the fiscal year, they attend physical inspection conducted by the Accounting Auditor to confirm that inventories are being properly managed. Furthermore, they monitor the status of systems to ensure proper business activities on a daily basis, communicate and exchange information with Audit & Supervisory Board members of the Group companies as appropriate, and share information with Outside Audit & Supervisory Board members, as necessary.

All Audit & Supervisory Board members interview the Company's Representative Director and President (twice a year), Directors (once a year), Executive Officers (once a year) and other senior employees, as well as meet with the Representative Directors of major Group companies (once a year) to confirm and exchange opinions on the status of the development and management of internal control system, progress of business plans, status of investment projects, status of compliance with workstyle reforms, labor affairs management, and make recommendations as necessary. The Audit & Supervisory Board members also meet with each Outside Director (once a year) to exchange opinions and promote collaboration.

Furthermore, each Audit & Supervisory Board member serves as an advisor to the Sustainability Committee (Toshio Imamura, full-time Audit & Supervisory Board member, and Yoshitaka Asaeda, Outside Audit & Supervisory Board member, once a month), Risk and Compliance Committee (Miyuki Nakagawa, Outside Audit & Supervisory Board member, once a month), and Occupational Health and Safety Committee (Toshio Imamura, full-time Audit & Supervisory Board member, once a month), which complement the governance function of the Board of Directors, to further improve the efficacy and efficiency of auditing.

2) Status of Internal Audits

The Internal Audit Division, an independent division under the direct control of the Representative Director and President, consists of four members, including one responsible for internal auditing. The Internal Audit Division audits the status of business execution and cross-divisional business processes in each division and subsidiary from the viewpoint of compliance and risk management and assesses the efficacy of internal controls. Internal audit procedures are as follows.

Planning ·········· Based on the internal audit results of the previous fiscal year and the business plan for the new fiscal year, the internal audit plan for the new audit year is determined upon approval by the Representative Director and President. In accordance with the determined internal audit policy, the Internal Audit Division formulates priority audit targets, audit scope, and audit schedule, allocates audit duties, and determines divisions to be audited, audit items, and audit schedule, etc.

Implementation·· Based on the determined internal audit plan, the Internal Audit Division conducts audits by inspecting documents such as applications for approval, contracts, and transaction records, and interviewing responsible persons and by other means, after understanding the status of business execution and cross-divisional business processes in the divisions and subsidiaries to be audited. The Internal Audit Division also conducts audits by attending on-site inspection of inventories, etc.

Reporting, etc. ··· After conducting the internal audit, the Internal Audit Division prepares the audit report and submits it to the Representative Director and President, Directors, and Audit & Supervisory Board members. Problems identified in the course of internal audits are pointed out to the responsible persons in the audited divisions and subsidiaries accordingly, who are requested to submit an improvement report, and the Internal Audit Division confirms such improvement report before reporting it to the Representative Director and President, Directors, and Audit & Supervisory Board members. Additionally, reports are directly given to the Representative Director and President (four times a year), Board of Director (twice a year), Audit and Supervisory Board (four times a year), and the full-time Audit & Supervisory Board member (12 times a year) regarding issues uncovered by implementing internal audits, other plans for improvement, and progress, etc., to secure the efficacy of internal audits. Furthermore, in cooperation with the Audit & Supervisory Board (four times a year), opinions are exchanged and results are shared regarding mutual audit plans by the Audit & Supervisory Board members and internal audits, while at the same time, there is cooperation and exchanges of opinion with the Accounting Auditor at the time of mid-term and year-end to enhance the efficacy and efficiency of auditing.

3) Status of Accounting Audit

a. Name of audit corporation

Deloitte Touche Tohmatsu LLC

b. Consecutive period of auditing

2 years

c. Certified public accountants who executed audit duties

| | |
|---|---|
| Hiroyuki Kobayashi | Designated Limited Liability Partner, Engagement Partner |
| Osamu Hattori | Designated Limited Liability Partner, Engagement Partner |

d. Composition of assistants for auditing

Six certified public accountants, three persons who have passed the certified public accountant examination, and 16 other persons

e. Policy and reason for selection of auditing corporation

The selection of audit corporation by the Audit & Supervisory Board of the Company is based on a comprehensive review of such factors as quality control system, independence, expertise, audit fees, communication with Audit & Supervisory Board members and management, and response to the risk of fraud, with reference to the "Practical Guidelines for Audit & Supervisory Board Members on the Evaluation and Selection of Accounting Auditors" and other guidelines published by the Japan Audit & Supervisory Board Members Association, in addition to the firm's thorough knowledge of the business of the Company.

The Audit & Supervisory Board dismisses the Accounting Auditor with the unanimous consent of Audit & Supervisory Board members if the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act.

The Audit & Supervisory Board, in the course of evaluating the status of the execution of duties by the Accounting Auditor, determines a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders if it is deemed that there is a hindrance to the proper execution of duties, or if it is otherwise deemed necessary.

f. Evaluation of audit corporation by Audit & Supervisory Board members and the Audit & Supervisory Board

The Audit & Supervisory Board of the Company comprehensively evaluates the Accounting Auditor's audit structure and performance of duties, in addition to its suitability for the criteria set forth in the above-mentioned method of selecting an auditing corporation.

g. Changes in auditing corporation

The audit corporation for the Company has been changed as follows.

| | |
|---|---|
| 59th fiscal year (from May 21, 2021 to May 20, 2022, consolidated and non-consolidated) | KPMG AZSA LLC |
| 60th fiscal year (from May 21, 2022 to May 20, 2023, consolidated and non-consolidated) | Deloitte Touche Tohmatsu LLC |

The matters described in the Extraordinary Report (submitted on July 1, 2022) are as follows.

(1) Name of certified public accountant, etc., for audits pertaining to the change

(a) Name of the certified public accountant, etc., for audits to be appointed

Deloitte Touche Tohmatsu LLC

(b) Name of the retiring certified public accountant, etc. for audits

KPMG AZSA LLC

(2) Date of change

August 4, 2022 (Date of the 59th Annual General Meeting of Shareholders)

(3) Date on which the retiring certified public accountant, etc. for audits became a certified public accountant, etc., for audits

May 15, 1998

(4) Matters concerning opinions, etc., in audit reports, etc., prepared by the retiring certified public accountant, etc., for audits for the past three years

Not applicable.

(5) Reasons and background leading to the decision of such change or such change

The term of office of the Company's Accounting Auditor KPMG AZSA LLC expired at the conclusion of the 59th Annual General Meeting of Shareholders to be held on August 4, 2022. The Audit & Supervisory Board has decided to appoint Deloitte Touche Tohmatsu LLC, given the years of continuous audit by the incumbent Accounting Auditor, it is expected that audits can be provided from a new perspective. In addition, appointing the same Accounting Auditor as Z Holdings Corporation, which is the Company's other affiliated company is expected to improve audit efficiency for the entire Group. Also, the Audit & Supervisory Board has examined the audit structure, independence, and expertise, etc., of Deloitte Touche Tohmatsu LLC based on the "Criteria for Selection and Evaluation of Accounting Auditor" prescribed by the Audit & Supervisory Board and concluded that it would be suitable for the post.

(6) Opinions on the reasons and background in (5)

(a) Opinions of the retiring certified public accountant, etc., for audits

The Company has received a response that there are no particular opinions to be expressed.

(b) Opinion of the Audit & Supervisory Board

The Audit & Supervisory Board has determined that they are appropriate.

4) Details of audit remuneration, etc.

a. Details of remuneration to auditing certified public accountants, etc.

| Classification | Previous fiscal year | | Fiscal year under review | |
|---|---|---|---|---|
| | Remuneration for audit certification services (millions of yen) | Remuneration for non-audit services (millions of yen) | Remuneration for audit certification services (millions of yen) | Remuneration for non-audit services (millions of yen) |
| Submitting company | 53 | - | 43 | - |
| Consolidated subsidiaries | - | - | - | - |
| Total | 53 | - | 43 | - |

(Note) In addition to the above, the Company paid ¥21 million for due diligence support services to the prior Accounting Auditor, KPMG AZSA LLC, in the previous fiscal year.

b. Details of remuneration for the same network as the auditing certified public accountants, etc. (excluding a.)

Not applicable.

c. Details of other important remuneration for audit certification services

Not applicable.

d. Policy for determining audit remuneration

The Company determines remuneration in an appropriate manner subject to the consent of the Audit & Supervisory Board with due consideration for the audit plan of the certified public accountants, etc., the status of implementation of audits, and the basis for calculating remuneration estimates.

e. Reasons for the Audit & Supervisory Board’s consent to the remuneration, etc. of the Accounting Auditor

The Audit & Supervisory Board has confirmed and verified the audit plan of the Accounting Auditor, the status of implementation of audits, and the basis for calculating remuneration estimates with reference to the “Practical Guidelines for Audit & Supervisory Board Members on the Evaluation and Selection of Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association, and as a result, has consented to the remuneration, etc. of the Accounting Auditor.

(4) Compensation, etc. of Directors

1) Matters concerning the policies for determining the details of compensation for individual Directors

The amount of annual monetary compensation for the Company's Directors and senior management is determined by taking into consideration market levels, corporate performance, and individual performance. The amount of annual monetary compensation for Directors, excluding Outside Directors, consists of basic compensation (monthly compensation) as a fixed portion and performance-linked compensation, with basic compensation determined on an individual basis, reflecting market levels, and expected roles. Regarding performance-linked compensation, consolidated EBITDA is used as an indicator for performance evaluation, and the total amount of annual monetary compensation is determined by multiplying the annual target achievement rate by the individual evaluation and subtracting the basic compensation as the fixed portion from that amount, which is paid as performance-linked compensation within the limit of the total compensation for executives. The amount of performance-linked compensation for each fiscal year is calculated by setting the lower and upper limits for the total amount of annual monetary compensation within a range of +/-15% (achievement rate between 85% and 115%) of the annual target achievement rate of consolidated EBITDA for the fiscal year preceding each fiscal year, and subtracting the basic compensation (fixed portion) from the amount obtained by multiplying the total annual monetary compensation determined in proportion to this achievement rate by the individual's evaluation for the previous year for each fiscal year. The actual consolidated EBITDA for the fiscal year under review, which was the basis for calculating the performance-linked compensation for the previous fiscal year, was ¥21.7 billion (target achievement rate of 96.9%), which was paid at 69% of the upper limit. The reason for adopting consolidated EBITDA as an indicator for performance evaluation is that the Company aims to secure profits while actively executing the necessary investments to ensure the Group's sustainable growth and enhance its corporate value. The Company does not fix the ratio of performance-linked compensation to total compensation, opting for a design in which the ratio of performance-linked remuneration for Directors (excluding Outside Directors) increases as the consolidated annual performance of the Company reaches and surpasses targets.

In addition, the Company has introduced a "restricted stock compensation (performance provisos)" plan to promote the further sharing of value with shareholders as an incentive to sustainably enhance its corporate value. Upon conferring restricted stock compensation (performance provisos), the Company's basic policy is to make the achievement of certain performance conditions a requirement for lifting the transfer restrictions, so that Directors can achieve loftier goals and contribute to the significant growth of the Group. The amount and the number of shares of restricted stock compensation (performance provisos) conferred shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Committee based on an amount equivalent to 15% of the monthly compensation (annual amount), taking into consideration factors such as positions, expected roles, and share price trends.

Restricted stock compensation conferred on Directors for the fiscal year ended May 20, 2024 is as follows. Effective from the fiscal year ended May 20, 2024, in addition to the existing restricted stock compensation (performance provisos), the Company has granted a restricted stock compensation (ESG provisos) in order to make the achievement of ESG targets even more effective. The reason for adopting consolidated net sales and consolidated operating profit as the performance figures for the performance provisos is that the Company aims to enhance its corporate value over the medium to long term as well as achieve the Medium-Term Management Plan. Regarding the targets for the ESG provisos, the Company sets forth its important themes in the E (Environment), S (Social), and G (Governance) aspects, and these indicators will be reviewed annually.

The Company only pays basic compensation to Outside Directors and Audit & Supervisory Board Members from the viewpoint of their roles and independence.

(Details of the restricted stock compensation (performance provisos))

(1) Restricted transfer period

From August 31, 2023 to August 30, 2026

(2) Performance conditions (achievement of the either one of the conditions listed in (a) and (b) below in the performance figures shown in the Annual Securities Report or the full-year financial statements submitted by the Company for the fiscal year ended May 20, 2024, the third year of the Medium-Term Management Plan announced in July 2021)

(a) Consolidated net sales exceeds ¥482.0 billion

(b) Consolidated operating profit exceeds ¥16.5 billion

The results for the fiscal year ended May 20, 2024 regarding the above performance conditions were (a) consolidated net sales of ¥471.6 billion and (b) consolidated operating profit of ¥16.9 billion, which achieved the performance conditions.

(Details of the restricted stock compensation (ESG provisos))

(1) Restricted transfer period

From August 31, 2023 to August 30, 2026

(2) ESG conditions (achievement of three or more of the five items listed below that are related to the materiality (important issues) set forth by the Company. The ESG items to be used as evaluation indicators will be reviewed annually.)

(a) Achievement of the target of reducing the number of deliveries (target for orders per box) through an increase in the number of products per box for one-year period for the fiscal year ended May 20, 2024

(b) Achievement of the target number of customers (the number of user IDs) purchasing products with environmental scores for one-year period for the fiscal year ended May 20, 2024

(c) Achievement of the overall score target (67.8 points or higher) in the engagement surveys conducted for the fiscal year ended May 20, 2024

(d) Achievement of the target ratio of female managers (26.0%) as of the end of the fiscal year ended May 20, 2024

(e) Achievement of a governance score higher than the previous year (4.0 or higher) in the evaluation conducted by an external organization (FTSE) for the fiscal year ended May 20, 2024

2) Matters Concerning Resolutions of the General Meeting of Shareholders Regarding Compensation, etc., of Directors and Audit & Supervisory Board members

The maximum amount of compensation of Directors was resolved at the 53rd Annual General Meeting of Shareholders held on August 3, 2016 to be ¥800 million or less per year (provided, however, that the amount does not include salaries for employees. The number of Directors at the conclusion of such Annual General Meeting of Shareholders was 10). It was also resolved at the 60th Annual General Meeting of Shareholders held on August 4, 2023, that the total amount of monetary compensation claims to be paid to Directors as compensation, etc., related to restricted stock is ¥160 million or less per year (including ¥40 million or less per year for Outside Directors; the number of Directors at the conclusion of such Annual General Meeting of Shareholders was 10, including four Outside Directors) , and the total number of shares of common stock of the Company to be granted was resolved to be 100,000 shares or less per year, within such compensation limit (¥800 million per year).

The maximum amount of compensation for Audit & Supervisory Board members was resolved at the 38th Annual General Meeting of Shareholders held on August 10, 2001 to be ¥80 million or less per year (the number of Audit & Supervisory Board members at the conclusion of such Annual General Meeting of Shareholders was four).

3) Matters concerning the method of determining the details of compensation for individual Directors

The Company has established the Nomination and Compensation Committee as a voluntary, permanent advisory body to the Board of Directors for the purpose of contributing to the building of an appropriate management structure and ensuring management transparency.

The policies on compensation of Directors are deliberated by the Nomination and Compensation Committee and determined by the Board of Directors.

The amount of individual compensation for Directors is determined by resolution of the Board of Directors after deliberation by the Nomination and Compensation Committee, respecting the opinions of the Nomination and Compensation Committee.

The Nomination and Compensation Committee is an advisory body to the Board of Directors and consists of all Independent Outside Directors and CEO, and provides reports to the Board of Directors on matters related to the election and dismissal of Directors, Audit & Supervisory Board members, and other key officers and employees, the main areas of responsibilities of Directors (including the selection of Representative Directors), basic policies on compensation, and individual compensation. The Nomination and Compensation Committee met 18 times during the fiscal year ended May 20, 2024 to deliberate on policies on compensation of Directors and other matters.

In determining the details of compensation for individual directors, etc., the Nomination and Compensation Committee deliberates and reports to the Board of Directors, and the Board of Directors fully respects the report of the Nomination and Compensation Committee in making its decisions, and therefore, the Company believes that the details of such compensation are in line with the policies for determination.

4) Total amount of compensation, etc., by category of Directors, total amount of compensation, etc., by type of compensation, and number of Directors and Audit & Supervisory Board members subject to compensation, etc.

| Category | Total amount of compensation, etc. (millions of yen) | Total amount of compensation, etc. by type of compensation, etc. (millions of yen) | | | Number of Directors and Audit & Supervisory Board members subject to compensation, etc. (persons) |
|---|---|---|---|---|---|
| | | Fixed compensation | Performance-linked compensation | Non-monetary compensation, etc. | |
| Directors (excluding Outside Directors) | 127 | 81 | 36 | 9 | 4 |
| Outside Directors | 53 | 53 | - | - | 4 |
| Audit & Supervisory Board members (excluding Outside Audit & Supervisory Board members) | 22 | 22 | - | - | 1 |
| Outside Audit & Supervisory Board members | 26 | 26 | - | - | 2 |

(Notes) 1. As of the end of the fiscal year under review, the number of Directors is ten (including four Outside Directors) and the number of Audit & Supervisory Board Members is three (including two Outside Audit & Supervisory Board Members). The number of eligible Directors does not include two Directors with no compensation.
2. Total amount of compensation, etc., of Directors does not include employee salaries of Directors who concurrently serve as employees.
3. The total amount of non-monetary compensation, etc., to Directors (excluding Outside Directors) consists of restricted stock compensation and the amount of ¥9 million recorded as expenses for the fiscal year ended May 20, 2024.

5) Total amount of consolidated compensation, etc., for each Director and Audit & Supervisory Board Member

As there is no Director or Audit & Supervisory Board member who received a total amount of ¥100 million or more in consolidated compensation, etc., the amount is not stated.

6) Significant employee salaries of officers concurrently serving as employees

Not applicable.

(5) Status of Shareholdings

1) Criteria and approaches for classification of investment shares

The Company classifies investment shares held for the purpose of benefiting from changes in the value of the shares or dividends on the shares as “investment shares held for pure investment purposes” and other shares as “investment shares held for purposes other than pure investment.”

2) Investment shares held for purposes other than pure investment

a. Method of verifying holding policy and reasonableness of holding, and details of verification by the Board of Directors, etc. of the appropriateness of holding individual issues

The Company may maintain stocks held for strategic purposes that have been deemed important for the Group’s strategic purposes, such as utilizing advanced technologies from outside the Company or strengthening relationships through business alliances.

The Board of Directors or other governing body determines whether to continue holding or dispose of stocks held for strategic purposes after examining the appropriateness of said holdings.

b. Number of issues and amount on the balance sheet

| | Number of issues (issues) | Total amount on the balance sheet (millions of yen) |
|---|---|---|
| Unlisted stocks | 5 | 141 |
| Stocks other than unlisted stocks | - | - |

(Issues whose number of shares increased during the current fiscal year)

Not applicable.

(Issues whose number of shares decreased during the current fiscal year)

Not applicable.

c. Number of shares and amount on the balance sheet, etc. of specified equity securities and deemed holdings of equity securities by issue

Not applicable.

3) Investment shares held for pure investment purposes

Not applicable.

# V. Financial Information

1. Preparation methods of consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared based on the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared based on the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963. Hereinafter, "Ordinance on Financial Statement").

In addition, the Company, which falls under Special Companies Submitting Financial Statements, prepares non-consolidated financial statements based on provisions of Article 127 of the Ordinance on Financial Statement.

2. Audit certification

The Company's consolidated financial statements for the consolidated fiscal year (from May 21, 2023 to May 20, 2024) and non-consolidated financial statements for the fiscal year (from May 21, 2023 to May 20, 2024) have been audited by Deloitte Touche Tohmatsu LLC, pursuant to provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special measures for ensuring appropriateness of consolidated financial statements, etc.

The Company takes special measures for ensuring the appropriateness of consolidated financial statements. Specifically, in order to accurately understand the contents of accounting standards, etc., the Company became a member of the Financial Accounting Standards Foundation, and its accounting division subscribes to journals and attends seminars that explain developments in accounting standards, etc.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

| | As of May 20, 2023 | As of May 20, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 66,223 | 61,744 |
| Trade receivables and contract assets | *1 51,954 | *1 53,878 |
| Merchandise and finished goods | 22,017 | 23,021 |
| Raw materials and supplies | 306 | 334 |
| Costs on construction contracts in progress | 112 | 62 |
| Accounts receivable - other | 12,623 | 26,194 |
| Other | 2,757 | 2,790 |
| Allowance for doubtful accounts | (36) | (32) |
| Total current assets | 155,958 | 167,994 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | *2 10,031 | *2 10,363 |
| Accumulated depreciation | (4,648) | (5,211) |
| Buildings and structures, net | 5,382 | 5,152 |
| Machinery, equipment and vehicles | *2 7,080 | *2 7,747 |
| Accumulated depreciation | (5,270) | (5,658) |
| Machinery, equipment and vehicles, net | 1,810 | 2,088 |
| Land | 247 | 257 |
| Leased assets | 30,268 | 31,325 |
| Accumulated depreciation | (11,850) | (14,490) |
| Leased assets, net | 18,417 | 16,834 |
| Construction in progress | 825 | 6,965 |
| Other | 4,638 | 4,881 |
| Accumulated depreciation | (3,459) | (3,686) |
| Other, net | 1,178 | 1,194 |
| Total property, plant and equipment | 27,862 | 32,493 |
| Intangible assets | | |
| Software | 7,950 | 16,475 |
| Software in progress | 11,037 | 2,340 |
| Goodwill | 5,533 | 4,996 |
| Customer-related intangible assets | 8,064 | 7,542 |
| Other | 9 | 11 |
| Total intangible assets | 32,594 | 31,365 |
| Investments and other assets | | |
| Investment securities | 159 | 159 |
| Long-term prepaid expenses | 166 | 190 |
| Guarantee deposits | 6,518 | 6,484 |
| Deferred tax assets | 4,226 | 4,353 |
| Other | *3 860 | *3 822 |
| Allowance for doubtful accounts | (840) | (800) |

| | | |
|---|---:|---:|
| Total investments and other assets | 11,091 | 11,208 |
| Total non-current assets | 71,547 | 75,068 |
| Total assets | 227,506 | 243,062 |

(Millions of yen)

| | As of May 20, 2023 | As of May 20, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 54,614 | 59,078 |
| Electronically recorded obligations - operating | *4 33,683 | *4 26,007 |
| Short-term borrowings | 380 | 380 |
| Current portion of long-term borrowings | 10,127 | 4,103 |
| Lease liabilities | 3,100 | 3,362 |
| Accounts payable - other | 12,356 | 14,921 |
| Income taxes payable | 2,677 | 7,420 |
| Accrued consumption taxes | 423 | 2,226 |
| Provision for bonuses | 373 | 419 |
| Other | *1 2,762 | *1 2,973 |
| Total current liabilities | 120,499 | 120,893 |
| Non-current liabilities | | |
| Long-term borrowings | 10,337 | 13,237 |
| Lease liabilities | 16,850 | 15,058 |
| Retirement benefit liability | 4,764 | 4,853 |
| Asset retirement obligations | 3,190 | 3,199 |
| Deferred tax liabilities | 2,750 | 2,573 |
| Other | *1 2,236 | 1,909 |
| Total non-current liabilities | 40,130 | 40,832 |
| Total liabilities | 160,630 | 161,725 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 21,189 | 21,233 |
| Capital surplus | 14,906 | 14,940 |
| Retained earnings | 28,120 | 43,750 |
| Treasury shares | (92) | (1,807) |
| Total shareholders' equity | 64,124 | 78,116 |
| Accumulated other comprehensive income | | |
| Remeasurements of defined benefit plans | 20 | 145 |
| Total accumulated other comprehensive income | 20 | 145 |
| Share acquisition rights | 0 | 0 |
| Non-controlling interests | 2,729 | 3,073 |
| Total net assets | 66,876 | 81,336 |
| Total liabilities and net assets | 227,506 | 243,062 |

2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | For the fiscal year ended May 20, 2023 | For the fiscal year ended May 20, 2024 |
|---|---|---|
| Net sales | *1 446,713 | *1 471,682 |
| Cost of sales | 339,672 | 354,180 |
| Gross profit | 107,040 | 117,502 |
| Selling, general and administrative expenses | *2 92,420 | *2 100,549 |
| Operating profit | 14,620 | 16,953 |
| Non-operating income | | |
| Interest income | 44 | 40 |
| Subsidy income | 69 | 54 |
| Other | 85 | 68 |
| Total non-operating income | 200 | 163 |
| Non-operating expenses | | |
| Interest expenses | 298 | 392 |
| Other | 73 | 45 |
| Total non-operating expenses | 371 | 438 |
| Ordinary profit | 14,448 | 16,677 |
| Extraordinary income | | |
| Gain on sale of non-current assets | *3 0 | *3 4 |
| Gain on sale of investment securities | 22 | 0 |
| Insurance claim income | *4 173 | - |
| Compensation for damage income | - | *5 11,862 |
| Other | 5 | 5 |
| Total extraordinary income | 200 | 11,872 |
| Extraordinary losses | | |
| Impairment losses | *6 36 | *6 13 |
| Loss on sale of non-current assets | - | *7 0 |
| Loss on retirement of non-current assets | *8 55 | *8 44 |
| Settlement on contract | *9 60 | *9 48 |
| Cost of corrective measures for product defects | *10 20 | - |
| Other | 9 | 11 |
| Total extraordinary losses | 182 | 119 |
| Profit before income taxes | 14,467 | 28,431 |
| Income taxes - current | 4,613 | 9,322 |
| Income taxes - deferred | (99) | (365) |
| Total income taxes | 4,513 | 8,957 |
| Profit | 9,953 | 19,473 |
| Profit attributable to non-controlling interests | 166 | 334 |
| Profit attributable to owners of parent | 9,787 | 19,139 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | For the fiscal year ended May 20, 2023 | For the fiscal year ended May 20, 2024 |
|---|---|---|
| Profit | 9,953 | 19,473 |
| Other comprehensive income | | |
| Remeasurements of defined benefit plans, net of tax | 103 | 124 |
| Total other comprehensive income | * 103 | * 124 |
| Comprehensive income | 10,056 | 19,598 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 9,890 | 19,264 |
| Comprehensive income attributable to non-controlling interests | 166 | 334 |

## 3) Consolidated Statements of Changes in Equity

For the fiscal year ended May 20, 2023 (From May 21, 2022 through May 20, 2023)

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury stocks | Total shareholders' equity |
| Balance at beginning of period | 21,189 | 14,315 | 21,452 | (118) | 56,838 |
| Changes during period | | | | | |
| Dividends of surplus | | | (3,118) | | (3,118) |
| Profit attributable to owners of parent | | | 9,787 | | 9,787 |
| Purchase of treasury stocks | | | | (0) | (0) |
| Disposal of treasury stocks | | 1 | | 26 | 28 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 589 | | | 589 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | 591 | 6,668 | 26 | 7,286 |
| Balance at end of period | 21,189 | 14,906 | 28,120 | (92) | 64,124 |

| | Accumulated other comprehensive income | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|
| | Remeasurements of defined benefit plans | Accumulated other comprehensive income | | | |
| Balance at beginning of period | (82) | (82) | 0 | 514 | 57,271 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (3,118) |
| Profit attributable to owners of parent | | | | | 9,787 |
| Purchase of treasury stocks | | | | | (0) |
| Disposal of treasury stocks | | | | | 28 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | 589 |
| Net changes in items other than shareholders' equity | 103 | 103 | (0) | 2,215 | 2,319 |
| Total changes during period | 103 | 103 | (0) | 2,215 | 9,605 |
| Balance at end of period | 20 | 20 | 0 | 2,729 | 66,876 |

For the fiscal year ended May 20, 2024 (From May 21, 2023 through May 20, 2024)

(Million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury stocks | Total shareholders' equity |
| Balance at beginning of period | 21,189 | 14,906 | 28,120 | (92) | 64,124 |
| Changes during period | | | | | |
| Issuance of new shares | 43 | 43 | | | 87 |
| Dividends of surplus | | | (3,509) | | (3,509) |
| Profit attributable to owners of parent | | | 19,139 | | 19,139 |
| Purchase of treasury stocks | | | | (1,749) | (1,749) |
| Disposal of treasury stocks | | 10 | | 33 | 44 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (19) | | | (19) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | 43 | 34 | 15,629 | (1,715) | 13,992 |
| Balance at end of period | 21,233 | 14,940 | 43,750 | (1,807) | 78,116 |

| | Accumulated other comprehensive income | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|
| | Remeasurements of defined benefit plans | Accumulated other comprehensive income | | | |
| Balance at beginning of period | 20 | 20 | 0 | 2,729 | 66,876 |
| Changes during period | | | | | |
| Issuance of new shares | | | | | 87 |
| Dividends of surplus | | | | | (3,509) |
| Profit attributable to owners of parent | | | | | 19,139 |
| Purchase of treasury stocks | | | | | (1,749) |
| Disposal of treasury stocks | | | | | 44 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | (19) |
| Net changes in items other than shareholders' equity | 124 | 124 | (0) | 343 | 468 |
| Total changes during period | 124 | 124 | (0) | 343 | 14,460 |
| Balance at end of period | 145 | 145 | 0 | 3,073 | 81,336 |

4) Consolidated Statements of Cash Flows

(Millions of yen)

| | For the fiscal year ended May 20, 2023 | For the fiscal year ended May 20, 2024 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 14,467 | 28,431 |
| Depreciation | 4,022 | 4,515 |
| Amortization of software | 2,839 | 4,988 |
| Amortization of long-term prepaid expenses | 77 | 87 |
| Impairment losses | 36 | 13 |
| Amortization of goodwill | 243 | 536 |
| Amortization of customer-related assets | 9 | 522 |
| Increase (decrease) in allowance for doubtful accounts | 52 | (43) |
| Increase (decrease) in provision for bonuses | 48 | 46 |
| Increase (decrease) in retirement benefit liability | 351 | 274 |
| Interest income | (44) | (43) |
| Interest expenses | 298 | 392 |
| Insurance claim income | (173) | - |
| Compensation for damage income | - | (11,862) |
| Loss on retirement of non-current assets | 55 | 44 |
| Loss (gain) on sale of non-current assets | (0) | (4) |
| Loss (gain) on sale of investment securities | (22) | (0) |
| Decrease (increase) in trade receivables | (4,509) | (1,851) |
| Decrease (increase) in inventories | (2,098) | (982) |
| Decrease (increase) in accounts receivable - other | (616) | (1,708) |
| Increase (decrease) in trade payables | 10,400 | (3,212) |
| Increase (decrease) in accounts payable - other | (263) | (59) |
| Increase (decrease) in accrued consumption taxes | (172) | 1,802 |
| Other, net | (137) | 228 |
| Subtotal | 24,864 | 22,115 |
| Interest and dividends received | 44 | 43 |
| Interest paid | (295) | (390) |
| Proceeds from insurance income | 173 | - |
| Income taxes paid | (4,689) | (4,886) |
| Income taxes refund | 32 | 4 |
| Net cash provided by (used in) operating activities | 20,131 | 16,887 |

(Millions of yen)

| | For the fiscal year ended May 20, 2023 | For the fiscal year ended May 20, 2024 |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6,693) | (6,172) |
| Purchase of software | (7,787) | (5,266) |
| Purchase of long-term prepaid expenses | (51) | (162) |
| Payments of guarantee deposits | (63) | (75) |
| Proceeds from refund of guarantee deposits | 442 | 109 |
| Loan advances | (5) | (2) |
| Proceeds from collection of loans receivable | 125 | 19 |
| Proceeds from sale of investment securities | 22 | 0 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | *3 (8,785) | - |
| Payments for asset retirement obligations | (111) | - |
| Other, net | (20) | 12 |
| Net cash provided by (used in) investing activities | (22,929) | (11,537) |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 10,500 | 7,000 |
| Repayments of long-term borrowings | (5,391) | (10,122) |
| Repayments of lease liabilities | (2,328) | (2,915) |
| Proceeds from sale and leaseback transactions | 8,954 | 1,480 |
| Proceeds from share issuance to non-controlling shareholders | 943 | 67 |
| Purchase of treasury shares | - | (1,749) |
| Dividends paid | (3,118) | (3,509) |
| Dividends paid to non-controlling interests | (50) | (78) |
| Payments for purchase of treasury subscription right to shares | (0) | - |
| Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation | 723 | - |
| Net cash provided by (used in) financing activities | 10,232 | (9,828) |
| Effect of exchange rate change on cash and cash equivalents | - | - |
| Net increase (decrease) in cash and cash equivalents | 7,433 | (4,478) |
| Cash and cash equivalents at beginning of period | 58,789 | 66,223 |
| Cash and cash equivalents at end of period | *1 66,223 | *1 61,744 |

[Notes]

(Important matters forming the basis of preparation of consolidated financial statements)

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries and names of main consolidated subsidiaries

Number of consolidated subsidiaries: 13

Names of main consolidated subsidiaries:

ASKUL LOGIST Corporation
AlphaPurchase Co., Ltd.
charm Co., Ltd.
BUSINESSMART Corporation
TSUMAGOI MEISUI Corporation
SOLOEL Corporation
AP67 Co., Ltd.
FEED Corporation

(2) Names of main unconsolidated subsidiaries

Names of unconsolidated subsidiaries:

Leaf Co., Ltd.
OJI Co., Ltd.
plants tech Co., Ltd.
AlphaPurchase (Dalian) Technology Co., Ltd.

Reason for excluding from the scope of consolidation

These companies are excluded from the scope of consolidation as all of these unconsolidated subsidiaries are small-scale companies and their total assets, revenue, profit/loss (amount corresponding to the Group’s equity in such subsidiaries), and retained earnings (amount corresponding to the Group’s equity in such subsidiaries) do not have a significant impact on the consolidated financial statements.

2. Matters concerning equity method accounting

Name of main unconsolidated subsidiaries not accounted for using the equity method:

Leaf Co., Ltd.
OJI Co., Ltd.
plants tech Co., Ltd.
AlphaPurchase (Dalian) Technology Co., Ltd.

Reasons for not accounting for using the equity method

These companies are excluded from the scope of application of the equity method as all of these unconsolidated subsidiaries not accounted for using the equity method due to their minor influence in terms of both profit/loss (amount corresponding to the Group’s equity in such subsidiaries) and retained earnings (amount corresponding to the Group’s equity in such subsidiaries) on the consolidated financial statements even if they are excluded from the scope, and their immateriality as a whole.

3. Matters concerning fiscal year-ends of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year-end for AP67 Co., Ltd., FEED Corporation, and three other companies is March 31. In preparing the consolidated financial statements, the financial statements of the consolidated subsidiaries as of March 31 were used, and necessary adjustments were made for important inconsistencies related to transactions made between the consolidated subsidiaries by the consolidated fiscal year-end.

Of the consolidated subsidiaries, the fiscal year-end for TSUMAGOI MEISUI Corporation and one other company is April 30. In preparing the consolidated financial statements, the financial statements of the consolidated subsidiaries as of April 30 were used, and necessary adjustments were made for important inconsistencies related to transactions made between the consolidated subsidiaries by the consolidated fiscal year-end.

Of the consolidated subsidiaries, the fiscal year-end for charm Co., Ltd. is November 30. In preparing the consolidated financial statements, the provisional financial statements of charm Co., Ltd. as of the end of February were used, and necessary adjustments were made for important inconsistencies related to transactions made between the consolidated subsidiaries by the consolidated fiscal year-end.

Of the consolidated subsidiaries, the fiscal year-end for AlphaPurchase Co., Ltd. and one other company is December 31. In preparing the consolidated financial statements, the provisional financial statements of the consolidated subsidiaries as of March 31 were used, and necessary adjustments were made for important inconsistencies related to transactions made between the consolidated subsidiaries by the consolidated fiscal year-end.

4. Matters concerning accounting policies

(1) Basis and method of valuation of important assets

1) Securities

Available-for-sale securities

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

Measured at fair value

(valuation differences are recognized in net assets; the cost of securities sold is calculated by the moving average method)

Shares, etc. that do not have a market price

Measured at cost determined by the moving-average method

2) Derivatives

Measured at fair value

3) Inventories

(a) Merchandise and finished goods

Measured principally at cost determined by the moving-average method

(the balance sheet values are measured with the method of devaluing book value based on declining profitability)

(b) Raw materials and supplies

Measured principally at cost determined by the last purchase price

(the balance sheet values are measured with the method of devaluing book value based on declining profitability)

(c) Costs on construction contracts in progress

Measured at cost determined by the individual method

(2) Method of depreciation and amortization of important depreciable and amortizable assets

1) Property, plant and equipment (excluding leased assets)

Declining balance method

However, buildings (excluding attached facilities), all property, plant and equipment at Osaka DMC, and machinery, equipment and vehicles at Sendai DMC are depreciated using the straight-line method. In addition, attached facilities and structures acquired after April 1, 2016 are depreciated using the straight line method.

The range of useful lives is as follows.

| | |
|---|---|
| Buildings and structures | 2 to 45 years |
| Machinery, equipment and vehicles | 2 to 17 years |
| Other | 2 to 20 years |

2) Intangible assets (excluding leased assets)

Straight-line method

Customer-related assets are equally amortized over the period in which they are effective (10 to 19 years).

Software for internal use is amortized using the straight-line method over the expected useful life in the Company (five years).

3) Leased assets

Leased assets related to finance leases without transfer of ownership

Leased assets are amortized using the straight-line method based on the assumption that the useful lives are equivalent to the lease terms and the residual value is zero.

4) Long-term prepaid expenses

Straight-line method

(3) Basis for recording important provisions

1) Allowance for doubtful accounts

To prepare for potential loss on trade receivables, etc., the Company provides an allowance for the expected amount of irrecoverable loans determined based on the historical default rates for general receivables and an individual estimate of uncollectible amounts for specific doubtful receivables.

2) Provision for bonuses

To prepare for the payment of bonuses to employees, the Company records a provision in the amount deemed to have accrued by the end of the fiscal year under review based on the estimated amount of future bonus payments.

(4) Accounting method for retirement benefits

1) Periodic allocation of projected retirement benefits

In calculating retirement benefit obligations, the attribution on a benefit formula basis is applied for allocation of projected benefits to the periods until the end of the fiscal year under review.

2) Amortization of actuarial differences and past service costs

Actuarial differences are amortized evenly using the straight-line method over the determined years (5 years) that are not longer than the average remaining service years of employees at the time of occurrence in each fiscal year, beginning from the fiscal year following the time of occurrence.

Past service costs are charged to expenses, using the straight-line method, over the determined years (10 years) that are not longer than average remaining service years of the employees at the time of occurrence.

3) Adoption of the simplified method by small businesses, etc.

Certain consolidated subsidiaries have adopted the simplified method for the calculation of retirement benefit liabilities and retirement benefit expenses which assumes the retirement benefit obligations to be equal to the retirement benefits payable assuming voluntary retirement at fiscal year-end.

(5) Basis for recording important revenue and expenses

The main performance obligations in the Company's and its consolidated subsidiaries' main businesses relating to revenues from contracts with customers and the normal time at which such performance obligations are satisfied (the normal time for recognizing revenues) is as follows.

1) E-commerce business

In the E-commerce business, the Company deals with the purchase and sales, etc. of OA & PC supplies, stationery, office supplies, office furniture, foods, alcoholic beverages, pharmaceuticals, cosmetics, MRO supplies, pet goods and other products. As these products are intended for domestic sales only and control over the concerned merchandise or finished goods moves to customers in a normal period after their shipment, the Group applies the alternative handling prescribed in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" and recognizes revenue at the point of their shipment.

2) Logistics business

In the Logistics business, the Company provides logistics and small-cargo transportation services targeting enterprises, such as contracting of storage, logistics, and delivery of mail-order merchandise from manufacturers, etc. For each service, the Group recognizes revenue over time in proportion to the satisfaction of performance obligations because customers receive benefits as the obligations in contracts with customers are being fulfilled.

3) Other business

Other business revolves around the manufacture and sale of drinking water. The Group applies the alternative handling prescribed in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” and recognizes revenue mainly at the point of their shipment in cases where these products are intended for domestic sales only and control over the concerned merchandise or finished goods moves to customers in a normal period after their shipment.

(6) Method of important hedge accounting

1) Hedge accounting method

In principle, deferral hedge accounting is used. Forward exchange contracts that satisfy the requirements for appropriation treatment are subject to appropriation.

2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts

Hedged items: Accounts payable for procurement contracts denominated in foreign currencies and planned transactions denominated in foreign currencies

3) Hedging policy

To reduce exchange-rate fluctuation risks, hedging transactions are carried out based on estimated future amounts of imports. No speculative transactions are undertaken.

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by examining whether exchange risks on hedged items are reduced.

(7) Amortization method and period of goodwill

Goodwill is equally amortized over the period in which it is effective (10 to 15 years).

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

Funds (cash and cash equivalents) in the consolidated statement of cash flow consists of cash on hand, deposits that can be withdrawn at any time, and short-term investments that are readily convertible to cash, are subject to an insignificant risk of change in value, and have original maturities of three months or less at the date of purchase.

(Important accounting estimates)

(Valuation of Goodwill and Customer-related Intangible Assets)

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

The amounts of goodwill and customer-related intangible assets recorded in the consolidated balance sheets at the end of the fiscal year under review in connection with the acquisition of shares of AP67 Co., Ltd. are as follows.

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Goodwill | 4,405 | 4,111 |
| Customer-related intangible assets | 7,998 | 7,485 |

(2) Other information that helps users of the consolidated financial statements to understand the details of accounting estimates

The excess return power of the acquisition of shares of AP67 Co., Ltd is recognized as goodwill and the present value of excess return expected to be generated by the ongoing business relationship with existing customers is recognized as customer-related intangible assets. Both of them are amortized regularly using the straight-line method over the period in which they are effective, and unamortized balances are subject to impairment.

Indication of impairment of goodwill and customer-related intangible assets is determined by comparing the Medium-Term Management Plan with actual results at the time of acquisition of shares, and whether the amount allocated to goodwill and customer-related intangible assets is relatively large in relation to the acquisition cost, and if there is any indication of impairment, the carrying amount is compared with the total amount of undiscounted future cash flows to determine the necessity of recognizing an impairment loss.

Future cash flows are estimated based on the Medium-Term Management Plan. Under the Plan, the major assumptions are: net sales growth in the Dental business by increasing the number of active customers, nurturing stock customers, and expanding the product base; expansion of the growth model in the Dental business to other areas; and cost reduction by standardization of operations through the introduction of systems.

As these major assumptions are subject to uncertainty, if a review of the assumptions results in a significant impact on estimates of future cash flows, an impairment loss on goodwill and customer-related intangible assets may be recognized in the consolidated financial statements in the next fiscal year.

(New accounting standards not yet applied)

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

(1) Outline

The above standards and guidance define the accounting classification of income taxes, etc. when other comprehensive income is taxable and the handling of tax effect regarding the sales of the stock of subsidiaries, etc. when the group taxation regime is adopted.

(2) Planned date of application

The Company expects to apply the standard and guidance from the beginning of the fiscal year ending May 20, 2025.

(3) Impact of the accounting standards applied

The Company is currently evaluating the impact on the consolidated financial statements.

(Changes in presentation method)

(Consolidated statements of income)

“Rental income” of “Non-operating income” and “Rental expenses” of “Non-operating expenses,” which were presented separately in the previous fiscal year, have been included in “Other” of “Non-operating income” and “Non-operating expenses,” respectively, from the fiscal year under review due to its decreased monetary importance. To reflect this change in the presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statements of income for the previous fiscal year, ¥3 million presented under “Rental income” and ¥81 million presented under “Other” of “Non-operating income” were reclassified as ¥85 million of “Other,” and ¥3 million presented under “Rental expenses” and ¥70 million presented under “Other” of “Non-operating expenses” were reclassified as ¥73 million of “Other.”

(Consolidated balance sheet)

*1. The amounts of receivables from contracts with customers and contract assets under trade receivables and contract assets, as well as the amount of contract liabilities under current liabilities, “Other” and non-current liabilities, “Other,” are presented in “V. Financial Information, 1. Consolidated financial statements, etc. (1) Notes to the consolidated financial statements (Revenue recognition), 3. (1) Balance, etc. of contract assets and liabilities.”

*2. Tax purpose reduction entry

The amount of the tax purpose reduction entry deducted from the acquisition cost of property, plant and equipment is as follows.

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Buildings and structures | 20 | 20 |
| Machinery, equipment and vehicles | 142 | 142 |
| Total | 163 | 163 |

*3. Items related to unconsolidated subsidiaries were as follows.

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Investments and other assets, “Other” (stocks) | 20 | 20 |
| Total | 20 | 20 |

*4. The accounting treatment for electronically recorded obligations - operating at the end of the fiscal year is for them to be implemented as of the settlement date. Since the last day of the previous consolidated fiscal year was a holiday for financial institutions, the following electronically recorded obligations - operating at the end of the fiscal year are included in the balance at the end of the fiscal year.

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Electronically recorded obligations - operating | 8,444 | - |
| Total | 8,444 | - |

(Consolidated statements of income)

*1. Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes (Segment information, etc.).”

*2. Of selling, general and administrative expenses, principal items and their amounts were as shown below.

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Shipment expenses | 21,843 | 21,611 |
| Salaries and allowances | 16,746 | 18,365 |
| Business consignment expenses | 11,696 | 11,223 |
| Subcontract expenses | 4,748 | 5,065 |
| Retirement benefit expenses | 576 | 611 |
| Provision of allowance for doubtful accounts | 16 | (27) |
| Rents | 10,835 | 11,132 |

*3. The breakdown of gain on sale of non-current assets is as follows.

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Machinery, equipment and vehicles | 0 | 4 |
| Property, plant and equipment, “Other” | - | 0 |
| Total | 0 | 4 |

*4. Insurance claim income

Previous fiscal year (from May 21, 2022 to May 20, 2023)

This is the amount of insurance benefits received for the earthquake damage sustained at the Company’s distribution center Sendai DMC which occurred on March 16, 2022.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Not applicable.

*5. Compensation for damage income

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Not applicable.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

This is the amount of compensation for damages and delay damages, and court costs received in connection with the finalization of the judgment in the lawsuit claiming damages for the fire at the ALP Metropolitan.

*6. Impairment loss

Previous fiscal year (from May 21, 2022 to May 20, 2023)

In the fiscal year ended May 20, 2023, the Group recorded impairment loss as follows.

| Location | Utilization | Category | Amount (millions of yen) |
|---|---|---|---|
| Hidaka-shi, Saitama | Distribution center (ASKUL Value Center Hidaka) | Machinery, equipment and vehicles | 30 |
| | | Property, plant and equipment, “Other” | 2 |
| | | Software | 3 |
| | | Total | 36 |

The Group categorizes its assets in the following manner: for the businesses in which merchandise is delivered from the Group’s distribution centers, the assets are grouped by distribution center; for the businesses in which merchandise is not delivered from the Group’s distribution centers, the assets are grouped by business; and head office facilities and other assets are classified as shared assets.

After assessing the recoverability of ASKUL Value Center Hidaka based on the continuous state of negative gain from operating activities, the Company recorded ¥36 million as impairment loss under extraordinary losses. The recoverable amount, based on value in use calculations, was valued zero in each of the assets above.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

In the fiscal year ended May 20, 2024, the Group recorded impairment loss as follows.

| Location | Utilization | Category | Amount (millions of yen) |
|---|---|---|---|
| Hidaka-shi, Saitama | Distribution center (ASKUL Value Center Hidaka) | Machinery, equipment and vehicles | 5 |
| | | Property, plant and equipment, “Other” | 0 |
| | | Software | 7 |
| | | Total | 13 |

The Group categorizes its assets in the following manner: for the businesses in which merchandise is delivered from the Group’s distribution centers, the assets are grouped by distribution center; for the businesses in which merchandise is not delivered from the Group’s distribution centers, the assets are grouped by business; and head office facilities and other assets are classified as shared assets.

After assessing the recoverability of ASKUL Value Center Hidaka based on the continuous state of negative gain from operating activities, the Company recorded ¥13 million as impairment loss under extraordinary losses. The recoverable amount, based on value in use calculations, was valued zero in each of the assets above.

*7. The breakdown of loss on sale of non-current assets is as follows.

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Buildings and structures | - | 0 |
| Property, plant and equipment, “Other” | - | 0 |
| Total | - | 0 |

*8. The breakdown of loss on retirement of non-current assets is as follows.

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Buildings and structures | 12 | 9 |
| Machinery, equipment and vehicles | 0 | 0 |
| Leased assets | 8 | 4 |
| Construction in progress | 0 | - |
| Property, plant and equipment, “Other” | 12 | 1 |
| Software | 6 | 26 |
| Software in progress | - | 1 |
| Dismantling and removal costs | 15 | 1 |
| Total | 55 | 44 |

*9. Settlement on contract

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Settlement on contract is due to the termination of a business consignment contract for logistics operations.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Settlement on contract is due to the termination of a distributor contract for the sale of products.

*10. Cost of corrective measures for product defects

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Disposal costs, etc. incurred from product defects at consolidated subsidiary TSUMAGOI MEISUI Corporation.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Not applicable.

(Consolidated statements of comprehensive income)

* Reclassification adjustments and amount of tax effect relating to other comprehensive income

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Remeasurements of defined benefit plans, net of tax: | | |
| Amount arising during period | 124 | 184 |
| Reclassification adjustment | 26 | 1 |
| Before tax effect adjustment | 150 | 185 |
| Amount of tax effect | (46) | (61) |
| Remeasurements of defined benefit plans, net of tax | 103 | 124 |
| Total other comprehensive income | 103 | 124 |

(Consolidated statements of changes in net assets)

Previous fiscal year (from May 21, 2022 to May 20, 2023)

1. Matters concerning class and number of shares issued and class and number of shares of treasury stock

| | Number of shares at the beginning of the fiscal year (shares) | Increase during the fiscal year (shares) | Decrease during the fiscal year (shares) | Number of shares at the end of the fiscal year (shares) |
|---|---|---|---|---|
| Shares issued | | | | |
| Common stock | 97,518,800 | - | - | 97,518,800 |
| Total | 97,518,800 | - | - | 97,518,800 |
| Treasury shares | | | | |
| Common stock (Note) | 71,871 | 6,435 | 15,900 | 62,406 |
| Total | 71,871 | 6,435 | 15,900 | 62,406 |

(Note) The 6,435 share increase in treasury stock was due to acquisition without contribution under the restricted stock compensation plan and the purchase of shares less than one unit. In addition, the 15,900 share decrease in treasury stock was due to the disposal of treasury stock as restricted stock compensation.

2. Matters concerning share acquisition rights and treasury share acquisition rights

| Category | Breakdown of the share acquisition rights | Class of shares subject to share acquisition rights | Number of shares subject to the share acquisition rights (shares) | | | | Balance at the end of the fiscal year (millions of yen) |
|---|---|---|---|---|---|---|---|
| | | | Beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | End of the fiscal year | |
| Consolidated subsidiaries | - | - | - | - | - | - | 0 |
| Total | | | - | - | - | - | 0 |

3. Matters concerning dividends

(1) Dividends paid

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| August 4, 2022 Annual General Meeting of Shareholders | Common stock | 1,559 | 16 | May 20, 2022 | August 5, 2022 |
| December 15, 2022 Board of Directors' meeting | Common stock | 1,559 | 16 | November 20, 2022 | January 23, 2023 |

(2) Dividend whose record date belonging to the fiscal year and effective date belonging to 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 |
|---|---|---|---|---|---|---|
| August 4, 2023 Annual General Meeting of Shareholders | Common stock | 1,754 | Retained earnings | 18 | May 20, 2023 | August 7, 2023 |

(Note) The dividend per share of ¥18 includes ¥2 to commemorate the 30th anniversary.

Consolidated fiscal year under review (from May 21, 2023 to May 20, 2024)

1. Matters concerning class and number of shares issued and class and number of shares of treasury stock

| | Number of shares at the beginning of the fiscal year (shares) | Increase during the fiscal year (shares) | Decrease during the fiscal year (shares) | Number of shares at the end of the fiscal year (shares) |
|---|---|---|---|---|
| Shares issued | | | | |
| Common stock (Note 1) | 97,518,800 | 45,900 | - | 97,564,700 |
| Total | 97,518,800 | 45,900 | - | 97,564,700 |
| Treasury shares | | | | |
| Common stock (Note 2) | 62,406 | 771,069 | 23,000 | 810,475 |
| Total | 62,406 | 771,069 | 23,000 | 810,475 |

(Notes) 1. The 45,900 share increase in issued shares was due to the issuance of new shares as restricted stock compensation.

2. The771,069 share increase in treasury stock was due to acquisition of treasury stock by resolution of the Board of Directors, acquisition without contribution under the restricted stock compensation plan, and the purchase of shares less than one unit. The 23,000 share decrease in treasury stock was due to the disposal of treasury stock as restricted stock compensation.

2. Matters concerning share acquisition rights and treasury share acquisition rights

| Category | Breakdown of the share acquisition rights | Class of shares subject to share acquisition rights | Number of shares subject to the share acquisition rights (shares) | | | | Balance at the end of the fiscal year (millions of yen) |
|---|---|---|---|---|---|---|---|
| | | | Beginning of the fiscal year | Increase during the fiscal year | Decrease during the fiscal year | End of the fiscal year | |
| Consolidated subsidiaries | - | - | - | - | - | - | 0 |
| Total | | | - | - | - | - | 0 |

3. Matters concerning dividends

(1) Dividends paid

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| August 4, 2023 Annual General Meeting of Shareholders | Common stock | 1,754 | 18 | May 20, 2023 | August 7, 2023 |
| December 15, 2023 Board of Directors' meeting | Common stock | 1,755 | 18 | November 20, 2023 | January 22, 2024 |

(Note) The dividend per share of ¥18 by the resolution at the Annual General Meeting of Shareholders held on August 4, 2023, includes ¥2 to commemorate the 30th anniversary.

(2) Dividend whose record date belonging to the fiscal year and effective date belonging to the following fiscal year

The Company plans to submit the following resolution.

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| August 8, 2024 Annual General Meeting of Shareholders | Common stock | 1,741 | Retained earnings | 18 | May 20, 2024 | August 9, 2024 |

(Consolidated statements of cash flows)

*1. Relationship between cash and cash equivalents at end of period and the amounts of items stated in the consolidated balance sheet

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Cash and deposits | 66,223 | 61,744 |
| Time deposits with maturities over three months, etc. | - | - |
| Cash and cash equivalents | 66,223 | 61,744 |

2. Details of important non-financial transactions

(1) Recorded amount of asset retirement obligations

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Recorded amount of asset retirement obligations | 556 | 2 |

(2) Assets and liabilities related to finance lease transactions

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Assets and liabilities related to finance lease transactions | 9,396 | 1,518 |

*3. Main breakdown of assets and liabilities of a company that has become a consolidated subsidiary through the acquisition of shares

Previous fiscal year (from May 21, 2022 to May 20, 2023)

The Company made AP67 Co., Ltd. and 4 other companies into consolidated subsidiaries through the acquisition of shares. The breakdown of the assets and liabilities of AP67 Co., Ltd. at the beginning of consolidation, along with the relationship between the acquisition cost of and net expenditure to acquire AP67 Co., Ltd. are as follows.

| | | |
|---|---|---|
| Current assets | 5,256 | million yen |
| Non-current assets | 810 | million yen |
| Goodwill | 4,405 | million yen |
| Customer-related intangible assets | 7,998 | million yen |
| Current liabilities | (1,400) | million yen |
| Non-current liabilities | (3,119) | million yen |
| Deferred tax liabilities | (2,728) | million yen |
| Non-controlling interests | (1,022) | million yen |
| Acquisition cost of shares | 10,200 | million yen |
| Cash and cash equivalents | (1,414) | million yen |
| Net expenditure for acquisition | (8,785) | million yen |

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Not applicable.

(Leases)

(Lessee contracts)

1. Finance leases

Finance leases without transfer of ownership

1) Details of leased assets

1) Property, plant and equipment

Property, plant and equipment includes buildings and structures, machinery, equipment and vehicles, and other (tools, furniture and fixtures).

2) Intangible assets

The Group leases software.

2) Method of depreciation for leased assets

The method of depreciation for leased assets is disclosed in “4. Matters concerning accounting policies, (2) Method of depreciation and amortization of important depreciable and amortizable assets” in Important matters forming the basis of preparation of consolidated financial statements.

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Due within one year | 9,845 | 10,317 |
| Due over one year | 38,713 | 43,017 |
| Total | 48,558 | 53,334 |

(Financial instruments)

1. Matters concerning status of financial instruments

(1) Group policy for financial instruments

The Group's policy for the management of surplus funds is to make safety the highest priority and not undertake speculative transactions that include the risk of loss of principal.

(2) Details of financial instruments and risks arising from said financial instruments

Trade receivables, which are operating receivables, contract assets, and accounts receivable - other are exposed to customer credit risks. Investment securities are mainly stocks, and we work to reduce issuer credit risk through regularly monitoring the financial positions, etc., of issuers.

Notes and accounts payable - trade, which are operating payables, electronically recorded obligations - operating, and accounts payable - other are due within a year. The purpose of short-term borrowings is to procure working capital for consolidated subsidiaries, and the purposes of long-term borrowings (including current portion of long-term borrowings) are mainly to secure funds for future growth of the Company, and mainly to procure funds related to working capital and capital investment for consolidated subsidiaries. Short-term borrowings are due within a year. As some of the long-term borrowings (including current portion of long-term borrowings) of consolidated subsidiaries have variable interest rates, they are exposed to variable interest rate risks. The purpose of lease obligations related to finance leases is to procure the necessary funds for capital investment.

(3) Risk management system for financial instruments

1) Credit risk (default risks of customers) management

The customer credit status upon transacting with new business partners are surveyed for trade receivables and contract assets, and measures such as acquiring a deposit, etc., are taken as necessary. In addition, by managing due dates of business partners and managing balances, we aim to reduce risks through the responsible departments monitoring the positions of primary business partners in accordance with trade payables management regulations.

2) Market risk (exchange-rate fluctuation and variable interest rate risks) management

The Company uses forward exchange contracts to hedge against exchange-rate fluctuation risks related to operating monetary obligations denominated in foreign currencies. In addition, although some of the long-term borrowings (including current portion of long-term borrowings) of consolidated subsidiaries have variable interest rates and are exposed to variable interest rate risks, the positions of market interest rates are regularly monitored. Risk management for said derivative transactions is implemented through the Finance Division of the Company and consolidated subsidiaries in accordance with exchange-rate management regulations, derivative management regulations, etc.

3) Management of liquidity risk associated with fund procurement (risk of failing to repay on the due date)

The Finance divisions of the Company and consolidated subsidiaries prepare and update financing plans, and liquidity risks are managed through maintaining liquidity on hand.

2. Matters concerning fair value of financial instruments

The book value on the consolidated balance sheet and fair value of financial instruments and the differences between these values are as follows.

Previous fiscal year (May 20, 2023)

| | Book value (millions of yen) | Fair value (millions of yen) | Difference (millions of yen) |
|---|---|---|---|
| (1) Long-term borrowings | 20,464 | 20,459 | (4) |
| (2) Lease obligations | 19,951 | 20,199 | 248 |
| Total liabilities | 40,415 | 40,659 | 244 |

*1. "Cash and deposits," "Trade receivables and contract assets," "Accounts receivable - other," "Notes and accounts payable - trade," "Electronically recorded obligations - operating," "Short-term borrowings" and "Accounts payable - other" are omitted, because they comprise cash and short-term instruments whose carrying amount approximates their fair value.

*2. Shares, etc. that do not have a market price are not included in the above table. The book value of such financial instruments recorded in the consolidated balance sheet is as follows.

| Category | Book value (millions of yen) |
|---|---|
| Unlisted stocks, etc. | 159 |

Fiscal year under review (May 20, 2024)

| | Book value (millions of yen) | Fair value (millions of yen) | Difference (millions of yen) |
|---|---|---|---|
| (1) Long-term borrowings | 17,341 | 17,128 | (212) |
| (2) Lease obligations | 18,421 | 18,241 | (179) |
| Total liabilities | 35,762 | 35,370 | (391) |

*1. "Cash and deposits," "Trade receivables and contract assets," "Accounts receivable - other," "Notes and accounts payable - trade," "Electronically recorded obligations - operating," "Short-term borrowings" and "Accounts payable - other" are omitted, because they comprise cash and short-term instruments whose carrying amount approximates their fair value.

*2. Shares, etc. that do not have a market price are not included in the above table. The book value of such financial instruments recorded in the consolidated balance sheet is as follows.

| Category | Book value (millions of yen) |
|---|---|
| Unlisted stocks, etc. | 159 |

(Note) Scheduled redemption amount of monetary claims and redemption schedule of monetary obligations subsequent to May 20, 2024

Previous fiscal year (May 20, 2023)

| | 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 |
|---|---|---|---|---|---|---|
| (1) Cash and deposits | 66,223 | - | - | - | - | - |
| (2) Trade receivables and contract assets | 51,954 | - | - | - | - | - |
| (3) Accounts receivable - other | 12,623 | - | - | - | - | - |
| Total monetary claims | 130,800 | - | - | - | - | - |
| (1) Notes and accounts payable - trade | 54,614 | - | - | - | - | - |
| (2) Electronically recorded obligations - operating | 33,683 | - | - | - | - | - |
| (3) Short-term borrowings | 380 | - | - | - | - | - |
| (4) Accounts payable - other | 12,356 | - | - | - | - | - |
| (5) Long-term borrowings | 10,127 | 3,600 | 2,670 | 2,248 | 1,817 | - |
| (6) Lease obligations | 3,100 | 3,126 | 3,020 | 2,700 | 2,266 | 5,736 |
| Total monetary obligations | 114,262 | 6,726 | 5,690 | 4,949 | 4,083 | 5,736 |

Fiscal year under review (May 20, 2024)

| | 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 |
|---|---|---|---|---|---|---|
| (1) Cash and deposits | 61,744 | - | - | - | - | - |
| (2) Trade receivables and contract assets | 53,878 | - | - | - | - | - |
| (3) Accounts receivable - other | 26,194 | - | - | - | - | - |
| Total monetary claims | 141,817 | - | - | - | - | - |
| (1) Notes and accounts payable - trade | 59,078 | - | - | - | - | - |
| (2) Electronically recorded obligations - operating | 26,007 | - | - | - | - | - |
| (3) Short-term borrowings | 380 | - | - | - | - | - |
| (4) Accounts payable - other | 14,921 | - | - | - | - | - |
| (5) Long-term borrowings | 4,103 | 5,672 | 3,748 | 1,817 | 2,000 | - |
| (6) Lease obligations | 3,362 | 3,258 | 2,940 | 2,507 | 1,546 | 4,805 |
| Total monetary obligations | 107,854 | 8,930 | 6,689 | 4,324 | 3,546 | 4,805 |

3. Matters concerning fair value information by category 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.

Financial instruments other than those recorded on the consolidated balance sheets at fair value

Previous fiscal year (May 20, 2023)

| Category | Fair value (millions of yen) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Long-term borrowings | - | 20,459 | - | 20,459 |
| Lease obligations | - | 20,199 | - | 20,199 |
| Total liabilities | - | 40,659 | - | 40,659 |

Fiscal year under review (May 20, 2024)

| Category | Fair value (millions of yen) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Long-term borrowings | - | 17,128 | - | 17,128 |
| Lease obligations | - | 18,241 | - | 18,241 |
| Total liabilities | - | 35,370 | - | 35,370 |

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

Long-term borrowings

Long-term borrowings with variable interest rates are stated at their book value, which approximates their fair value because they reflect market interest rates in the short term and the credit conditions of the Group having assumed the borrowing has not changed significantly since the borrowing was initiated, and these fair values are classified as Level 2. Those with fixed interest rates are calculated by discounting the total amount of principal and interests using expected interest rates if the similar new borrowings took place at present, and these fair values are classified as Level 2.

Lease obligations

Fair value of lease obligations are calculated by discounting the total amount of principal and interests using expected interest rates if the similar new borrowings or lease transactions took place at present, and their fair value is classified as Level 2.

(Securities)

1. Available-for-sale securities

Previous fiscal year (May 20, 2023)

All available-for-sale securities are unlisted stocks, etc. that do not have a market price.

| Category | Book value (millions of yen) |
|---|---|
| Unlisted stocks, etc. | 159 |

Fiscal year under review (May 20, 2024)

All available-for-sale securities are unlisted stocks, etc. that do not have a market price.

| Category | Book value (millions of yen) |
|---|---|
| Unlisted stocks, etc. | 159 |

2. Available-for-sale securities sold during the consolidated fiscal year

Previous fiscal year (from May 21, 2022 to May 20, 2023)

| Category | Amount of sale (millions of yen) | Total of gain on sale (millions of yen) | Total of loss on sale (millions of yen) |
|---|---|---|---|
| Stocks | 22 | 22 | - |
| Total | 22 | 22 | - |

Fiscal year under review (from May 21, 2023 to May 20, 2024)

| Category | Amount of sale (millions of yen) | Total of gain on sale (millions of yen) | Total of loss on sale (millions of yen) |
|---|---|---|---|
| Stocks | 0 | 0 | - |
| Total | 0 | 0 | - |

3. Securities that incurred impairment losses

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Not applicable.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Not applicable.

(Retirement benefits)

1. Overview of retirement benefit plans

The Company and certain consolidated subsidiaries have adopted a defined benefit plan that offers a lump-sum payment upon retirement, while other certain consolidated subsidiaries have adopted a defined-contribution plan.

Note that certain consolidated subsidiaries have adopted the simplified method for the calculation of retirement benefit liabilities and retirement benefit expenses which assumes the retirement benefit obligations to be equal to the retirement benefits payable assuming voluntary retirement at fiscal year-end.

2. Defined-benefit plans

(1) Changes in retirement benefit obligations from beginning to end of year

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Balance of retirement benefit obligations at beginning of year | 4,449 | 4,764 |
| Service costs | 537 | 570 |
| Interest costs | 20 | 38 |
| Actuarial differences generated | (124) | (184) |
| Retirement benefits paid | (232) | (336) |
| Increase due to change in scope of consolidation | 114 | - |
| Balance of retirement benefit obligations at end of year | 4,764 | 4,853 |

(Notes) 1. This includes plans that have adopted the simplified method.
2. The increase due to change in scope of consolidation is a result of making AP67 Co., Ltd. a consolidated subsidiary in the fiscal year ended May 20, 2023.

(2) Adjustments between the ending balances of retirement benefit obligations and pension assets and the retirement benefit liability and retirement benefit asset reported on the consolidated balance sheet

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Retirement benefit obligations for funded type plans | - | - |
| Pension assets | - | - |
| | - | - |
| Retirement benefit obligations for unfunded type plans | 4,764 | 4,853 |
| Net asset and liability reported on the consolidated balance sheet | 4,764 | 4,853 |
| | | |
| Retirement benefit liabilities | 4,764 | 4,853 |
| Net asset and liability reported on the consolidated balance sheet | 4,764 | 4,853 |

(Note) This includes plans that have adopted the simplified method.

(3) Retirement benefit expenses and breakdown of amounts

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Service costs | 537 | 570 |
| Interest costs | 20 | 38 |
| Amortization of actuarial differences | 19 | (4) |
| Amortization of past service costs | 6 | 6 |
| Retirement benefit expenses for defined-benefit plans | 583 | 610 |

(Note) Retirement benefit expenses for consolidated subsidiaries that have adopted the simplified method are recorded under "Service costs."

(4) Remeasurements of defined benefit plans, net of tax

The breakdown of items recorded as remeasurements of defined benefit plans, net of tax (before tax effect) is as follows.

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Past service costs | 6 | 6 |
| Actuarial differences | 144 | 179 |
| Total | 150 | 185 |

(5) Remeasurements of defined benefit plans

The breakdown of items recorded as remeasurements of defined benefit plans (before tax effect) is as follows.

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Unrecognized actuarial differences | 76 | 256 |
| Unrecognized past service costs | (51) | (45) |
| Total | 24 | 210 |

(6) Matters concerning assumptions used in actuarial calculations

Major assumptions used in actuarial calculations

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Discount rates | 0.8% | 1.3% |
| Expected rates of salary raises | 3.3% | 3.3% |

3. Defined-contribution plans

The required amounts of contribution to the defined-contribution plans of certain consolidated subsidiaries were ¥51 million for the prior fiscal year and ¥56 million for the current fiscal year.

(Stock options)

Consolidated subsidiary: AlphaPurchase Co., Ltd.

1. Details and Size of Stock Options and Changes in Details and Size

(1) Details of Stock Options

| | Fiscal year ended May 20, 2015 | Fiscal year ended May 20, 2016 | Fiscal year ended May 20, 2016 | Fiscal year ended May 20, 2017 |
|---|---|---|---|---|
| Number of persons granted with stock options by classification | Directors: 1<br>Employees: 13<br>Subsidiary employees:4 | Parent company employees: 3<br>Directors: 3<br>Employees: 15<br>Subsidiary employees: 3 | Employees: 12<br>Subsidiary directors: 1<br>Subsidiary employees: 1 | Employees: 1<br>Subsidiary directors: 1 |
| Number of stock options (Note 1) | Common stock 54,000 shares | Common stock 60,500 shares | Common stock 23,000 shares | Common stock 48,500 shares |
| Date granted | April 19, 2014 | April 18, 2015 | March 15, 2016 | August 25, 2016 |
| Vesting conditions | (Note 2) | (Note 2) | (Note 2) | (Note 2) |
| Work period covered | From April 19, 2014 to March 28, 2016 | From April 18, 2015 to March 26, 2017 | From March 15, 2016 to March 26, 2017 | From August 25, 2016 to August 24, 2018 |
| Exercisable period | From March 29, 2016 to March 28, 2024 | From March 27, 2017 to March 26, 2025 | From March 27, 2017 to March 26, 2025 | From August 25, 2018 to March 30, 2026 |
| Conditions of exercise of stock options | (Note 2) | (Note 2) | (Note 2) | (Note 2) |

| | Fiscal year ended May 20, 2017 | Fiscal year ended May 20, 2017 | Fiscal year ended May 20, 2018 | Fiscal year ended May 20, 2018 |
|---|---|---|---|---|
| Number of persons granted with stock options by classification | Employees: 26<br>Subsidiary directors: 1<br>Subsidiary employees: 3 | Directors: 1 | Employees: 7 | Employees: 1 |
| Number of stock options (Note 1) | Common stock 172,500 shares | Common stock 80,000 shares | Common stock 30,000 shares | Common stock 10,000 shares |
| Date granted | August 25, 2016 | December 29, 2016 | May 25, 2017 | March 15, 2018 |
| Vesting conditions | (Note 2) | (Note 2) | (Note 2) | (Note 2) |
| Work period covered | - | From December 29, 2016 to December 28, 2018 | - | From March 15, 2018 to March 14, 2020 |
| Exercisable period | From August 25, 2016 to February 24, 2024 | From December 29, 2018 to March 30, 2026 | From May 25, 2017 to November 24, 2024 | From March 15, 2020 to March 28, 2028 |
| Conditions of exercise of stock options | (Note 2) | (Note 2) | (Note 2) | (Note 2) |

| | Fiscal year ended May 20, 2018 | Fiscal year ended May 20, 2022 | Fiscal year ended May 20, 2022 |
|---|---|---|---|
| Number of persons granted with stock options by classification | Employees: 1 | Directors: 2<br>Employees: 25<br>Subsidiary directors: 1<br>Subsidiary employees: 4 | Employees: 5<br>Subsidiary employees: 2 |
| Number of stock options (Note 1) | Common stock 5,000 shares | Common stock 650,000 shares | Common stock 45,000 shares |
| Date granted | March 15, 2018 | June 15, 2021 | February 16, 2022 |
| Vesting conditions | (Note 2) | (Note 2) | (Note 2) |
| Work period covered | - | From June 15, 2021 to June 14, 2023 | From February 16, 2022 to February 15, 2024 |
| Exercisable period | From March 15, 2018 to September 14, 2025 | From June 15, 2023 to March 25, 2031 | From February 16, 2024 to March 25, 2031 |
| Conditions of exercise of stock options | (Note 2) | (Note 2) | (Note 2) |

(Notes) 1. The number of stock options is converted into the number of shares.

2. Holders of share acquisition rights must be in the position of director, audit & supervisory board member or employee (including those who have ongoing contractual relationships that are equivalent to that of an employee) of the company (AlphaPurchase Co., Ltd.), its parent company or its subsidiaries at the time of exercise of the rights. However, this does not apply to cases in which the holders of the share acquisition rights resign due to expiration of their terms as Directors or Audit & Supervisory Board members or cases in which they retire upon reaching the mandatory retirement age or due to company reasons (excluding cases of punitive dismissal). Other conditions shall be as set forth in the stock acquisition right allotment agreement to be concluded between the company (AlphaPurchase Co., Ltd.) and the stock acquisition right holders.

(2) Size of stock options and changes in size

The number of stock options covers all the stock options existing in the fiscal year under review and converted into the number of shares.

1) Number of stock options

| | Fiscal year ended May 20, 2015 | Fiscal year ended May 20, 2016 | Fiscal year ended May 20, 2016 | Fiscal year ended May 20, 2017 |
|---|---|---|---|---|
| Date granted | April 19, 2014 | April 18, 2015 | March 15, 2016 | August 25, 2016 |
| Before vesting (shares) | | | | |
| Balance at end of previous fiscal year | - | - | - | - |
| Granted | - | - | - | - |
| Canceled | - | - | - | - |
| Vested | - | - | - | - |
| Balance yet to be vested | - | - | - | - |
| After vesting (shares) | | | | |
| Balance at end of previous fiscal year | 11,000 | 27,500 | 9,500 | 37,500 |
| Vested | - | - | - | - |
| Exercised | 11,000 | 23,000 | 9,500 | 37,000 |
| Canceled | - | - | - | - |
| Unexercised balance | - | 4,500 | - | 500 |

| | Fiscal year ended May 20, 2017 | Fiscal year ended May 20, 2017 | Fiscal year ended May 20, 2018 | Fiscal year ended May 20, 2018 |
|---|---|---|---|---|
| Date granted | August 25, 2016 | December 29, 2016 | May 25, 2017 | March 15, 2018 |
| Before vesting (shares) | | | | |
| Balance at end of previous fiscal year | 25,000 | 80,000 | 4,500 | - |
| Granted | - | - | - | - |
| Canceled | - | - | - | - |
| Vested | 25,000 | - | - | - |
| Balance yet to be vested | - | 80,000 | 4,500 | - |
| After vesting (shares) | | | | |
| Balance at end of previous fiscal year | 61,000 | - | 16,000 | 10,000 |
| Vested | 25,000 | - | - | - |
| Exercised | 86,000 | - | 16,000 | - |
| Canceled | - | - | - | - |
| Unexercised balance | - | - | - | 10,000 |

| | Fiscal year ended May 20, 2018 | Fiscal year ended May 20, 2022 | Fiscal year ended May 20, 2022 |
|---|---|---|---|
| Date granted | March 15, 2018 | June 15, 2021 | February 16, 2022 |
| Before vesting (shares) | | | |
| Balance at end of previous fiscal year | 1,000 | 590,000 | 45,000 |
| Granted | - | - | - |
| Canceled | - | - | - |
| Vested | - | - | - |
| Balance yet to be vested | 1,000 | 590,000 | 45,000 |
| After vesting (shares) | | | |
| Balance at end of previous fiscal year | 4,000 | - | - |
| Vested | - | - | - |
| Exercised | - | - | - |
| Canceled | - | - | - |
| Unexercised balance | 4,000 | - | - |

2) Unit price information

| | Fiscal year ended May 20, 2015 | Fiscal year ended May 20, 2016 | Fiscal year ended May 20, 2016 | Fiscal year ended May 20, 2017 |
|---|---|---|---|---|
| Date granted | April 19, 2014 | April 18, 2015 | March 15, 2016 | August 25, 2016 |
| Exercise price (yen) | 284 | 284 | 284 | 381 |
| Average stock price at the time of exercise (yen) | 1,136 | 1,229 | 1,164 | 1,127 |
| Fair evaluation unit price (date granted) (yen) | - | - | - | - |

| | Fiscal year ended May 20, 2017 | Fiscal year ended May 20, 2017 | Fiscal year ended May 20, 2018 | Fiscal year ended May 20, 2018 |
|---|---|---|---|---|
| Date granted | August 25, 2016 | December 29, 2016 | May 25, 2017 | March 15, 2018 |
| Exercise price (yen) | 381 | 381 | 514 | 514 |
| Average stock price at the time of exercise (yen) | 1,188 | - | 1,166 | - |
| Fair evaluation unit price (date granted) (yen) | - | - | - | - |

| | Fiscal year ended May 20, 2018 | Fiscal year ended May 20, 2022 | Fiscal year ended May 20, 2022 |
|---|---|---|---|
| Date granted | March 15, 2018 | June 15, 2021 | February 16, 2022 |
| Exercise price (yen) | 514 | 885 | 885 |
| Average stock price at the time of exercise (yen) | - | - | - |
| Fair evaluation unit price (date granted) (yen) | - | - | - |

(3) Estimation method for fair evaluation unit price of stock options

Not applicable.

(4) Estimation method for number of vested stock options

As it is difficult to make a reasonable estimation of the number of cancelations in the future, we have adopted a method of only reflecting the actual number of cancelations.

(Tax effect accounting)

1. Breakdown of significant components of deferred tax assets and liabilities

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Deferred tax assets | | |
| Loss on evaluation of products | ¥86 million | ¥134 million |
| Accrued enterprise taxes | ¥218 million | ¥389 million |
| Accrued business office taxes | ¥66 million | ¥65 million |
| Allowance for doubtful accounts | ¥250 million | ¥254 million |
| Contract liabilities | ¥155 million | ¥164 million |
| Accrued bonuses | ¥307 million | ¥458 million |
| Retirement benefit liabilities | ¥1,525 million | ¥1,617 million |
| Impairment loss | ¥421 million | ¥359 million |
| Loss on valuation of investment securities | ¥596 million | ¥596 million |
| Loss carryforwards for subsidiaries (Note) | ¥421 million | ¥403 million |
| Asset retirement obligations | ¥994 million | ¥995 million |
| Long-term accounts payable - other | ¥543 million | ¥445 million |
| Other | ¥1,127 million | ¥872 million |
| Subtotal | ¥6,715 million | ¥6,758 million |
| Valuation allowance for tax loss carryforwards (Note) | ¥(326 million) | ¥(289 million) |
| Valuation allowance for deductible temporary differences | ¥(1,825 million) | ¥(1,838 million) |
| Valuation allowance subtotal | ¥(2,151 million) | ¥(2,128 million) |
| Total | ¥4,564 million | ¥4,629 million |
| Deferred tax liabilities | | |
| Asset retirement obligations | ¥337 million | ¥275 million |
| Intangible assets | ¥2,750 million | ¥2,572 million |
| Other | - | ¥2 million |
| Total | ¥3,088 million | ¥2,850 million |
| Net deferred tax assets | ¥1,475 million | ¥1,779 million |

(Note) Tax loss carryforwards and related deferred tax assets by expiration period

Previous fiscal year (May 20, 2023)

| | 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 | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carryforwards (a) | 50 | - | 25 | - | 143 | 201 | ¥421 million |
| Valuation allowance | (50) | - | (15) | - | (58) | (201) | ¥(326 million) |
| Deferred tax assets | 0 | - | 10 | - | 84 | - | (b) ¥94 million |

(a) Tax loss carryforwards represent the amount multiplied by the statutory tax rate.

(b) Deferred tax assets of ¥94 million were recorded on tax loss carryforwards of ¥421 million (amount multiplied by the statutory tax rate). Valuation allowance is not recognized for the portion tax loss carryforwards that have been judged to be recoverable based on estimated future taxable income, etc.

Fiscal year under review (May 20, 2024)

| | 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 | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carryforwards (a) | - | 25 | - | 125 | 0 | 251 | ¥403 million |
| Valuation allowance | - | (3) | - | (60) | (0) | (225) | ¥(289 million) |
| Deferred tax assets | - | 22 | - | 65 | - | 25 | (b) ¥113 million |

(a) Tax loss carryforwards represent the amount multiplied by the statutory tax rate.

(b) Deferred tax assets of ¥113 million were recorded on tax loss carryforwards of ¥403 million (amount multiplied by the statutory tax rate). Valuation allowance is not recognized for the portion tax loss carryforwards that have been judged to be recoverable based on estimated future taxable income, etc.

2. Breakdown of items which caused any significant difference between the statutory tax rates and the effective tax rates after adoption of tax effect accounting

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Statutory tax rate | 30.62% | 30.62% |
| (Reconciliation) | | |
| Permanent difference due to non-deductible expenses such as entertainment expenses | 0.05% | 0.04% |
| Inhabitant tax on per capita basis | 0.44% | 0.23% |
| Valuation allowance | 1.02% | (0.08)% |
| Amortization of goodwill | 0.52% | 0.58% |
| Change in equity | 1.21% | -% |
| Tax credit | (3.24)% | (0.13)% |
| Difference in tax rates of consolidated subsidiaries | 0.48% | 0.22% |
| Other | 0.09% | 0.03% |
| Effective tax rate after adoption of tax effect accounting | 31.20% | 31.51% |

(Asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheets

1. Overview of asset retirement obligations

These asset retirement obligations are primarily associated with contractual commitments to return the Company's head office, distribution centers, and other leased properties to original condition upon lease termination.

2. Method of calculating the asset retirement obligations

The asset retirement obligations were calculated using the discount rates ranging from minus 0.39% to plus 1.81% over the period of use estimated to be 3 to 20 years from lease commencement.

3. Changes in the total amount of the asset retirement obligations

The changes in the balance of asset retirement obligations are as follows.

(Millions of yen)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Balance at beginning of period | 2,689 | 3,190 |
| Increase due to acquisition of property, plant and equipment | 197 | 2 |
| Adjustment for passage of time | 6 | 6 |
| Increase due to changes in estimates | 359 | - |
| Decrease due to settlement of asset retirement obligations | (90) | - |
| Increase due to change in scope of consolidation | 28 | - |
| Balance at end of period | 3,190 | 3,199 |

(Note) The increase due to change in scope of consolidation is a result of making AP67 Co., Ltd. a consolidated subsidiary in the fiscal year ended May 20, 2023.

(Revenue recognition)

1. Information on the disaggregation of revenue from contracts with customers

Information on the disaggregation of revenue from contracts with customers is as presented in “Notes (Segment information, etc.).”

2. Useful information in understanding revenue from contracts with customers

1) E-commerce business

In the E-commerce business, the Company and its consolidated subsidiaries deal with the purchase and sales, etc. of OA & PC supplies, stationary, office supplies, office furniture, foods, alcoholic beverages, pharmaceuticals, cosmetics, MRO supplies, pet goods and other products.

Other parties are enlisted for the sales of certain services. The work involved in the series of services provided is performed by other parties, and neither the Company nor its consolidated subsidiaries hold discretionary power over the level or pricing of services provided. The performance obligation of the Company and its consolidated subsidiaries is to make arrangements for the provision of services by these other parties, and as such, they have been determined to be conducting transactions as proxies.

Points for other companies are used as consideration for payments to customers, and are deducted from the transaction price, excluding cases in which they are granted in exchange for separate goods or services received from customers.

These products are intended for domestic sales only, and the Group applies the alternative handling prescribed in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” and recognizes revenue at the point of their shipment, upon which the Group’s performance obligations are deemed to be satisfied.

Consideration for transactions is generally received within two months after product shipment and does not include significant financial elements with respect to receivables under contracts with these customers.

Under sales contracts in the B-to-B business, excluding certain products that are not eligible for returns, the Company has an obligation to accept returns of products within one year after shipment. As a result of these contracts, an amount equivalent to the sales returns expected in the future is deducted from revenue.

2) Logistics business

In the Logistics business, the Company provides logistics and small-cargo transportation services targeting enterprises, such as contracting of storage, logistics, and delivery of mail-order merchandise from manufacturers, etc., at the consolidated subsidiary ASKUL LOGIST Corporation.

The Group recognizes revenue over time in proportion to the satisfaction of performance obligations because customers receive benefits as the obligations in contracts with customers are being fulfilled, and the Group’s performance obligations are deemed to be satisfied at this point.

Consideration for transactions is generally received within two months after the satisfaction of performance obligations and does not include significant financial elements with respect to receivables under contracts with these customers.

3) Other

The consolidated subsidiary TSUMAGOI MEISUI Corporation is engaged in the manufacture and sale of drinking water.

These manufactured goods are intended for domestic sales only, and the Group mainly applies the alternative handling prescribed in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” and recognizes revenue at the point of their shipment, upon which the Group’s performance obligations are deemed to be satisfied.

Consideration for transactions is generally received within two months after product shipment and does not include significant financial elements with respect to receivables under contracts with these customers.

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 consolidated fiscal year under review expected to be recognized in and after the following consolidated fiscal year

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

(Millions of yen)

| | Previous fiscal year | | Fiscal year under review | |
|---|---|---|---|---|
| | Balance at beginning of period | Balance at end of period | Balance at beginning of period | Balance at end of period |
| Receivables from contracts with customers | | | | |
| Electronically recorded monetary claims - operating | 121 | 130 | 130 | 124 |
| Notes receivable - trade | - | 5 | 5 | 5 |
| Accounts receivable - trade | 46,019 | 51,661 | 51,661 | 53,522 |
| | 46,141 | 51,797 | 51,797 | 53,653 |
| Contract assets | 19 | 156 | 156 | 224 |
| Contract liabilities | 955 | 868 | 868 | 911 |

Contract assets relate to the rights of consolidated subsidiaries to consideration for performance obligations that have been completed but remain unbilled as of the end of the fiscal year under construction contracts. Contract assets are reclassified to receivables from contracts with customers when the subsidiary's rights to the consideration become unconditional. Consideration for transactions is generally received within one month after reclassification to receivables from contracts with customers.

Contract liabilities are mainly related to the unredeemed amount of points provided by the B-to-B business (E-commerce business) and consideration received from customers before the service is provided, which is reversed with the recognition of revenue.

Revenue recognized in the fiscal year ended May 20, 2023 that was included in the contract liability balance at the beginning of the fiscal year was ¥759 million. The main reason for the increase in contract assets in the previous fiscal year was due to an increase in accounts receivable for completed construction contracts at consolidated subsidiaries.

There were no significant amounts in revenue recognized in the previous fiscal year (mainly, changes in transaction prices) from performance obligations satisfied (or partially satisfied) in previous periods.

Revenue recognized in the fiscal year ended May 20, 2024 that was included in the contract liability balance at the beginning of the fiscal year was ¥691 million. There was no significant change in the balance of contract assets and liabilities in the fiscal year under review.

There were no significant amounts in revenue recognized in the fiscal year under review (mainly, changes in transaction prices) from performance obligations satisfied (or partially satisfied) in previous periods.

(2) Transaction price allocated to the remaining performance obligations

The Group has omitted notes on transaction prices allocated to the remaining performance obligations because there are no significant contracts for which the initially expected contract period exceeds 1 year. Consideration promised in contracts with customers does not have any significant amounts of consideration not included in the transaction price.

(Segment information, etc.)

[Segment information]

1.Overview of reportable segments

The Company's reportable segments are defined as components of the Group regarding which separate financial information is available that is evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group formulates comprehensive strategies for domestic and overseas markets to carry out its business operations.

The E-commerce business derives revenue from the sale of OA & PC supplies, stationary, office supplies, office furniture, foods, alcoholic beverages, pharmaceuticals, cosmetics, MRO supplies, pet goods and other products. The Logistics business provides logistics and small-cargo transportation services targeting enterprises.

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

Methods of accounting for reportable segments are generally the same as those adopted to prepare consolidated financial statements. Inter-segment revenue and transfers are based on prevailing market prices.

3. Information on the amounts of net sales, income or loss, assets, liabilities, and other items by reportable segment and information on disaggregation of revenue

Previous fiscal year (from May 21, 2022 to May 20, 2023)

(Millions of yen)

| | Reporting Segment | | | Others (Note 1) | Total | Adjustments (Note 2) | Amount recorded in the consolidated financial statements (Note 3) |
|---|---|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Total | | | | |
| Net sales | | | | | | | |
| B-to-B business | 373,868 | - | 373,868 | - | 373,868 | - | 373,868 |
| B-to-C business | 63,252 | - | 63,252 | - | 63,252 | - | 63,252 |
| Logistics business | - | 8,701 | 8,701 | - | 8,701 | - | 8,701 |
| Others | - | - | - | 890 | 890 | - | 890 |
| Revenue from contracts with customers | 437,120 | 8,701 | 445,822 | 890 | 446,713 | - | 446,713 |
| Sales to external customers | 437,120 | 8,701 | 445,822 | 890 | 446,713 | - | 446,713 |
| Intra-segment sales or transfer | - | - | - | 1,015 | 1,015 | (1,015) | - |
| Total | 437,120 | 8,701 | 445,822 | 1,905 | 447,728 | (1,015) | 446,713 |
| Segment profit (loss) | 14,940 | (324) | 14,615 | 12 | 14,628 | (7) | 14,620 |
| Segment assets | 218,262 | 6,496 | 224,759 | 2,747 | 227,506 | - | 227,506 |
| Other items | | | | | | | |
| Depreciation | 6,345 | 532 | 6,877 | 107 | 6,984 | (123) | 6,861 |
| Amortization of goodwill | 206 | 33 | 239 | 3 | 243 | - | 243 |
| Increase in property, plant and equipment and intangible assets | 14,272 | 905 | 15,177 | 83 | 15,261 | - | 15,261 |

(Notes) 1. "Others" represent business segments that do not fall under the Reporting Segment and include the manufacturing business.

2. The adjustment of minus ¥7 million to segment profit (loss) represents the elimination of inter-segment transactions of minus ¥7 million.

3. Segment profit (loss) is adjusted with operating profit reported in the consolidated financial statements.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

(Millions of yen)

| | Reporting Segment | | | Others (Note 1) | Total | Adjustments (Note 2) | Amount recorded in the consolidated financial statements (Note 3) |
|---|---|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Total | | | | |
| Net sales | | | | | | | |
| B-to-B business | 409,143 | - | 409,143 | - | 409,143 | - | 409,143 |
| B-to-C business | 53,230 | - | 53,230 | - | 53,230 | - | 53,230 |
| Logistics business | - | 8,558 | 8,558 | - | 8,558 | - | 8,558 |
| Others | - | - | - | 749 | 749 | - | 749 |
| Revenue from contracts with customers | 462,374 | 8,558 | 470,933 | 749 | 471,682 | - | 471,682 |
| Sales to external customers | 462,374 | 8,558 | 470,933 | 749 | 471,682 | - | 471,682 |
| Intra-segment sales or transfer | - | - | - | 1,201 | 1,201 | (1,201) | - |
| Total | 462,374 | 8,558 | 470,933 | 1,951 | 472,884 | (1,201) | 471,682 |
| Segment profit (loss) | 17,097 | (146) | 16,951 | 29 | 16,980 | (27) | 16,953 |
| Segment assets | 234,626 | 5,851 | 240,477 | 2,584 | 243,062 | - | 243,062 |
| Other items | | | | | | | |
| Depreciation | 9,584 | 490 | 10,075 | 97 | 10,172 | (146) | 10,026 |
| Amortization of goodwill | 499 | 33 | 533 | 3 | 536 | - | 536 |
| Increase in property, plant and equipment and intangible assets | 13,919 | 51 | 13,971 | 139 | 14,110 | - | 14,110 |

(Notes) 1. "Others" represent business segments that do not fall under the Reporting Segment and include the manufacturing business.
2. The adjustment of minus ¥27 million to segment profit (loss) represents the elimination of inter-segment transactions of minus ¥27 million.
3. Segment profit (loss) is adjusted with operating profit reported in the consolidated financial statements.

[Related information]

Previous fiscal year (from May 21, 2022 to May 20, 2023)

1. Information by product and service

This information is not presented because similar information is disclosed in the segment information section above.

2. Information by geographical area

(1) Net sales

Net sales to external customers located in Japan accounted for more than 90% of the net sales reported on the consolidated statements of income. Accordingly, this information is omitted.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by primary customer

This information is omitted as no external customer accounted for 10% or more of the net sales reported on the consolidated statements of income.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

1. Information by product and service

This information is not presented because similar information is disclosed in the segment information section above.

2. Information by geographical area

(1) Net sales

Net sales to external customers located in Japan accounted for more than 90% of the net sales reported on the consolidated statements of income. Accordingly, this information is omitted.

(2) Property, plant and equipment

Not applicable since there are no property, plant and equipment located outside Japan.

3. Information by primary customer

This information is omitted as no external customer accounted for 10% or more of the net sales reported on the consolidated statements of income.

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

Previous fiscal year (from May 21, 2022 to May 20, 2023)

(Millions of yen)

| | Reporting Segment | | | Other (Note) | Total |
|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Total | | |
| Impairment loss | 36 | - | 36 | - | 36 |

(Note) The amount stated in “Other” pertains to the manufacturing business.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

(Millions of yen)

| | Reporting Segment | | | Other (Note) | Total |
|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Total | | |
| Impairment loss | 13 | - | 13 | - | 13 |

(Note) The amount stated in “Other” pertains to the manufacturing business.

[Amortized amount and unamortized balance of goodwill by reportable segment]

Previous fiscal year (from May 21, 2022 to May 20, 2023)

(Millions of yen)

| | Reporting Segment | | | Other (Note) | Total |
|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Total | | |
| Amount amortized during the year | 206 | 33 | 239 | 3 | 243 |
| Unamortized balance at the end of the year | 5,297 | 226 | 5,524 | 8 | 5,533 |

(Note) The amount stated in “Other” pertains to the manufacturing business.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

(Millions of yen)

| | Reporting Segment | | | Other (Note) | Total |
|---|---|---|---|---|---|
| | E-commerce business | Logistics business | Total | | |
| Amount amortized during the year | 499 | 33 | 533 | 3 | 536 |
| Unamortized balance at the end of the year | 4,797 | 194 | 4,991 | 4 | 4,996 |

(Note) The amount stated in “Other” pertains to the manufacturing business.

[Gain on bargain purchase by reportable segment]

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Not applicable.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Not applicable.

[Related party transactions]

1. Transactions with related parties

(1) Transactions between the Company and related parties

(i) Parent company of the submitting company and major corporate shareholders, etc.

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Not applicable.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

| Class | Name of the company | Location | Capital or investment in capital (millions of yen) | Type of business or occupation | Ratio of voting rights, etc. held (or indirectly held) (%) | Relationship with related party | Description of transaction | Transaction amount (millions of yen) | Accounting item | Balance at end of period (millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Other affiliated company | LY Corporation | Chiyoda-ku, Tokyo | 248,144 | Internet advertising business, etc. | 45.3% owned directly | Payment agency | Collection of credit payment amount at LOHACO | 467 | Accounts receivable - other | 5,551 |

(Notes) 1. The stated amount is net excluding consumption and other taxes, while the end-of-year balance includes those taxes.
2. The amount was determined by negotiation with reference to market prices.

(ii) Subsidiaries of the submitting company's parent company and the subsidiaries of other affiliated companies of the submitting company, etc.

Previous fiscal year (from May 21, 2022 to May 20, 2023)

| Class | Name of the company | Location | Capital or investment in capital (millions of yen) | Type of business or occupation | Ratio of voting rights, etc. held (or indirectly held) (%) | Relationship with related party | Description of transaction | Transaction amount (millions of yen) | Accounting item | Balance at end of period (millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Subsidiary of other affiliated company | Yahoo Japan Corporation | Chiyoda-ku, Tokyo | 300 | Internet advertising business, etc. | - | Payment agency Concurrent appointment of officers | Collection of credit payment amount at LOHACO | 899 | Accounts receivable - other | 3,571 |

(Notes) 1. The stated amount is net excluding consumption and other taxes, while the end-of-year balance includes those taxes.
2. The amount was determined by negotiation with reference to market prices.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Not applicable.

(iii) Directors of the submitting company and major individual shareholders, etc.

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Not applicable.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

Not applicable.

(2) Transactions between consolidated subsidiaries of the submitting company and related parties

Not applicable.

2. Notes to the parent company or other significant affiliated companies

Not applicable.

(Per share information)

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Net assets per share | ¥658.20 | ¥808.88 |
| Basic earnings per share | ¥100.43 | ¥196.47 |
| Diluted earnings per share | ¥100.36 | ¥196.36 |

(Note) Basic earnings per share and diluted earnings per share were calculated based on the figures below.

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Fiscal year under review (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent (millions of yen) | 9,787 | 19,139 |
| Profit not attributable to common shareholders (millions of yen) | - | - |
| Profit attributable to owners of parent related to common stock (millions of yen) | 9,787 | 19,139 |
| Average number of shares during period (thousand shares) | 97,453 | 97,417 |
| | | |
| Diluted earnings per share | | |
| Adjustments to profit attributable to owners of parent (millions of yen) | (6) | (10) |
| [Of which, adjustment for dilutive shares of consolidated subsidiaries (millions of yen)] | [(6)] | [(10)] |
| Increase in number of shares of common stock (thousand shares) | - | - |
| Overview of dilutive shares not included in calculation of diluted earnings per share due to absence of dilutive effects | - | - |

(v) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed consolidated detailed schedule of borrowings]

| Classification | Balance at the beginning of the year (millions of yen) | Balance at the end of the year (millions of yen) | Average interest rate (%) | Due date |
|---|---|---|---|---|
| Short-term borrowings | 380 | 380 | 0.2 | - |
| Current portion of long-term borrowings | 10,127 | 4,103 | 0.4 | - |
| Current portion of lease obligations | 3,100 | 3,362 | 1.7 | - |
| Long-term borrowings (excluding current portion) | 10,337 | 13,237 | 0.6 | 2025 to 2029 |
| Lease obligations (excluding current portion) | 16,850 | 15,058 | 1.7 | 2025 to 2032 |
| Interest-bearing debt | - | - | - | - |
| Total | 40,795 | 36,142 | - | - |

(Notes) 1. The average interest rates above are calculated using the weighted-average method applicable to the respective year-end balances of short-term borrowings, etc.

2. The redemption schedule of long-term borrowings and lease obligations (excluding current portion) for 5 years subsequent to May 20, 2024, is as follows.

| | Due after one year through two years (millions of yen) | Due after two years through three years (millions of yen) | Due after three years through four years (millions of yen) | Due after four years through five years (millions of yen) |
|---|---|---|---|---|
| Long-term borrowings | 5,672 | 3,748 | 1,817 | 2,000 |
| Lease obligations | 3,258 | 2,940 | 2,507 | 1,546 |

[Annexed consolidated detailed schedule of asset retirement obligations]

This information is omitted as the items to be disclosed in this schedule are disclosed as notes provided for in Article 15-23 of the Ordinance on Consolidated Financial Statements.

(2) Other

Quarterly information for the fiscal year under review

| (Cumulative period) | | First quarter | Second quarter | Third quarter | Fiscal year under review |
|---|---|---|---|---|---|
| Net sales | (millions of yen) | 113,074 | 231,288 | 350,063 | 471,682 |
| Profit before income taxes | (millions of yen) | 2,709 | 7,079 | 23,951 | 28,431 |
| Profit attributable to owners of parent) | (millions of yen) | 1,729 | 4,637 | 16,146 | 19,139 |
| Basic earnings per share | (yen) | 17.74 | 47.58 | 165.62 | 196.47 |

| (Accounting period) | | First quarter | Second quarter | Third quarter | Fourth quarter |
|---|---|---|---|---|---|
| Basic earnings per share | (yen) | 17.74 | 29.83 | 118.01 | 30.79 |

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheets

(Millions of yen)

| | As of May 20, 2023 | As of May 20, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 54,520 | 46,284 |
| Accounts receivable | *1 40,645 | *1 42,091 |
| Commodities | 16,743 | 18,215 |
| Prepaid expenses | 1,271 | 1,511 |
| Accounts receivable - other | *1 13,275 | *1 27,197 |
| Other | *1 1,334 | *1 752 |
| Allowance for doubtful accounts | (17) | (16) |
| Total current assets | 127,772 | 136,037 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | *2 3,593 | *2 3,401 |
| Machinery and equipment | *2 1,193 | *2 1,564 |
| Tools, furniture and fixtures | 916 | 985 |
| Leased assets | 15,684 | 14,542 |
| Construction in progress | 812 | 6,929 |
| Other | *2 48 | *2 42 |
| Total property, plant and equipment | 22,248 | 27,466 |
| Intangible assets | | |
| Software | 5,978 | 14,699 |
| Software in progress | 10,594 | 1,235 |
| Other | 4 | 5 |
| Total intangible assets | 16,577 | 15,941 |
| Investments and other assets | | |
| Investment securities | 142 | 142 |
| Shares of subsidiaries and affiliates | 21,477 | 21,587 |
| Long-term loans receivable from subsidiaries and affiliates | 3,077 | 2,748 |
| Guarantee deposits | 5,887 | 5,850 |
| Deferred tax assets | 3,372 | 3,385 |
| Other | 862 | 880 |
| Allowance for doubtful accounts | (759) | (742) |
| Total investments and other assets | 34,060 | 33,852 |
| Total non-current assets | 72,887 | 77,260 |
| Total assets | 200,660 | 213,298 |

(Millions of yen)

| | As of May 20, 2023 | As of May 20, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | *1 45,390 | *1 46,957 |
| Electronically recorded obligations-operating | *3 33,683 | 26,007 |
| Current portion of long-term borrowings | 8,945 | 3,909 |
| Lease liabilities | 2,611 | 2,878 |
| Accounts payable-other | *1 11,585 | *1 13,993 |
| Income taxes payable | 2,035 | 6,799 |
| Accrued consumption taxes | - | 1,667 |
| Other | 2,064 | *1 2,237 |
| Total current liabilities | 106,317 | 104,451 |
| Non-current liabilities | | |
| Long-term borrowings | 9,234 | 11,325 |
| Lease liabilities | 14,382 | 13,037 |
| Allowance for retirement benefits | 3,283 | 3,361 |
| Asset retirement obligations | 2,662 | 2,666 |
| Other | 2,145 | 1,880 |
| Total non-current liabilities | 31,708 | 32,270 |
| Total liabilities | 138,025 | 136,722 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 21,189 | 21,233 |
| Capital surplus | | |
| Legal capital surplus | 13,669 | 13,713 |
| Other capital surplus | 1 | 11 |
| Total capital surplus | 13,671 | 13,725 |
| Retained earnings | | |
| Legal retained earnings reserve | 10 | 10 |
| Other retained earnings | | |
| Retained earnings brought forward | 27,855 | 43,414 |
| Total retained earnings | 27,865 | 43,425 |
| Treasury shares | (92) | (1,807) |
| Total shareholders' equity | 62,634 | 76,576 |
| Total net assets | 62,634 | 76,576 |
| Total liabilities and net assets | 200,660 | 213,298 |

2) Non-consolidated Statements of Income

(Millions of yen)

| | For the fiscal year ended May 20, 2023 | For the fiscal year ended May 20, 2024 |
|---|---|---|
| Net sales | *1 383,096 | *1 389,626 |
| Cost of sales | *1, *2 286,676 | *1, *2 287,288 |
| Gross profit | 96,419 | 102,337 |
| Selling, general and administrative expenses | *1, *3 83,393 | *1, *3 87,341 |
| Operating profit | 13,026 | 14,996 |
| Non-operating income | | |
| Interest and dividend income | *1 842 | *1 725 |
| Rental income | *1 5 | *1 4 |
| Other | *1 91 | *1 50 |
| Total non-operating income | 939 | 780 |
| Non-operating expenses | | |
| Interest expenses | 220 | 316 |
| Loss on sales of receivables | 9 | 10 |
| Other | 11 | *1 27 |
| Total non-operating expenses | 240 | 354 |
| Ordinary profit | 13,724 | 15,422 |
| Extraordinary income | | |
| Insurance claim income | *4 163 | - |
| Gain on sales of non-current assets | *1, *5 0 | - |
| Gain on sales of investment securities | 22 | - |
| Compensation for damage income | - | *6 11,862 |
| Gain on sales of subsidiaries’ shares | 573 | - |
| Other | - | 5 |
| Total extraordinary income | 759 | 11,867 |
| Extraordinary losses | | |
| Impairment losses | *7 36 | *7 13 |
| Loss on retirement of non-current assets | *8 46 | *8 35 |
| Loss on sales compensation | *1, *9 974 | - |
| Other | *1 62 | 1 |
| Total extraordinary losses | 1,120 | 51 |
| Profit before income taxes | 13,363 | 27,239 |
| Income taxes - current | 3,628 | 8,183 |
| Income taxes - deferred | (39) | (13) |
| Total income taxes | 3,589 | 8,170 |
| Profit | 9,774 | 19,069 |

3) Non-consolidated Statements of Changes in Equity

For the fiscal year ended May 20, 2023 (From May 21, 2022 through May 20, 2023)

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | |
| | | | | | | Other retained earnings | | | |
| | Share capital | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings reserve | Retained earnings brought forward | Total retained earnings | Treasury stocks | Total shareholders' equity |
| Balance at beginning of period | 21,189 | 13,669 | - | 13,669 | 10 | 21,199 | 21,210 | (118) | 55,950 |
| Changes during period | | | | | | | | | |
| Dividends of surplus | | | | | | (3,118) | (3,118) | | (3,118) |
| Profit | | | | | | 9,774 | 9,774 | | 9,774 |
| Purchase of treasury stocks | | | | | | | | (0) | (0) |
| Disposal of treasury stocks | | | 1 | 1 | | | | 26 | 28 |
| Total changes during period | - | - | 1 | 1 | - | 6,655 | 6,655 | 26 | 6,683 |
| Balance at end of period | 21,189 | 13,669 | 1 | 13,671 | 10 | 27,855 | 27,865 | (92) | 62,634 |

| | Total net assets |
|---|---|
| Balance at beginning of period | 55,950 |
| Changes during period | |
| Dividends of surplus | (3,118) |
| Profit | 9,774 |
| Purchase of treasury stocks | (0) |
| Disposal of treasury stocks | 28 |
| Total changes during period | 6,683 |
| Balance at end of period | 62,634 |

For the fiscal year ended May 20, 2024 (From May 21, 2023 through May 20, 2024)

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | | | Retained earnings | | | Treasury stocks | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings reserve | Other retained earnings<br>Retained earnings brought forward | Total retained earnings | | |
| Balance at beginning of period | 21,189 | 13,669 | 1 | 13,671 | 10 | 27,855 | 27,865 | (92) | 62,634 |
| Changes during period | | | | | | | | | |
| Issuance of new shares | 43 | 43 | | 43 | | | | | 87 |
| Dividends of surplus | | | | | | (3,509) | (3,509) | | (3,509) |
| Profit | | | | | | 19,069 | 19,069 | | 19,069 |
| Purchase of treasury stocks | | | | | | | | (1,749) | (1,749) |
| Disposal of treasury stocks | | | 10 | 10 | | | | 33 | 44 |
| Total changes during period | 43 | 43 | 10 | 54 | - | 15,559 | 15,559 | (1,715) | 13,941 |
| Balance at end of period | 21,233 | 13,713 | 11 | 13,725 | 10 | 43,414 | 43,425 | (1,807) | 76,576 |

| | Total net assets |
|---|---|
| Balance at beginning of period | 62,634 |
| Changes during period | |
| Issuance of new shares | 87 |
| Dividends of surplus | (3,509) |
| Profit | 19,069 |
| Purchase of treasury stocks | (1,749) |
| Disposal of treasury stocks | 44 |
| Total changes during period | 13,941 |
| Balance at end of period | 76,576 |

[Notes]

(Important accounting policies)

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries

Measured at cost determined by the moving-average method

Available-for-sale securities

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

Measured at fair value (valuation differences are recognized in net assets; the cost of securities sold is calculated by the moving average method)

Shares, etc. that do not have a market price

Measured at cost determined by the moving-average method

(2) Basis and method of valuation of derivatives

Derivatives

Measured at fair value

(3) Basis and method of valuation of inventories

Products

Measured at cost determined by the moving-average method

(the balance sheet values are measured with the method of devaluing book value based on declining profitability)

Supplies

Measured at cost determined by the last purchase price

(the balance sheet values are measured with the method of devaluing book value based on declining profitability)

2. Method of depreciation and amortization of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are depreciated using the declining balance method.

However, buildings (excluding attached facilities), all property, plant and equipment at Osaka DMC, and machinery, equipment and vehicles at Sendai DMC are depreciated using the straight-line method. In addition, attached facilities and structures acquired after April 1, 2016 are depreciated using the straight line method.

The range of useful lives is as follows.

| | |
|---|---|
| Buildings | 3 to 38 years |
| Machinery and equipment | 5 to 15 years |
| Tools, furniture and fixtures | 2 to 20 years |
| Other | 4 to 45 years |

(2) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method. Software for internal use is amortized using the straight-line method over the expected useful life in the Company (five years).

(3) Leased assets

Leased assets related to finance leases without transfer of ownership

Leased assets are amortized using the straight-line method based on the assumption that the useful lives are equivalent to the lease terms and the residual value is zero.

(4) Long-term prepaid expenses

Straight-line method

3. Basis for recording provisions

(1) Allowance for doubtful accounts

To prepare for potential loss on trade receivables, etc., the Company provides an allowance for the expected amount of irrecoverable loans determined based on the historical default rates for general receivables and an individual estimate of uncollectible amounts for specific doubtful receivables.

(2) Allowance for retirement benefits

1) Periodic allocation of projected retirement benefits

In calculating retirement benefit obligations, the attribution on a benefit formula basis is applied for allocation of projected benefits to the periods until the end of the current fiscal year.

2) Amortization of actuarial differences

Actuarial differences are amortized evenly using the straight-line method over the determined years (5 years) that are not longer than the average remaining service years of employees at the time of occurrence in each fiscal year, beginning from the fiscal year following the time of occurrence.

4. Basis for recording important revenue and expenses

The main performance obligations in the Company's main businesses relating to revenues from contracts with customers and the normal time at which such performance obligations are satisfied (the normal time for recognizing revenues) is as follows.

The Company deals with purchasing and sales of OA & PC supplies, stationery, office supplies, office furniture, foods, alcoholic beverages, pharmaceuticals, cosmetics, MRO supplies, pet goods, and other products. As these products are intended for domestic sales only and control over the concerned merchandise or finished goods moves to customers in a normal period after their shipment, the Group applies the alternative handling prescribed in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" and recognizes revenue at the point of their shipment.

5. Method of important hedge accounting

(1) Hedge accounting method

In principle, deferral hedge accounting is used. Forward exchange contracts that satisfy the requirements for appropriation treatment are subject to appropriation.

(2) Hedging instruments and hedged items

1) Hedging instruments

Forward exchange contracts

2) Hedged items

Accounts payable for procurement contracts denominated in foreign currencies and planned transactions denominated in foreign currencies

(3) Hedging policy

To reduce exchange-rate fluctuation risks, hedging transactions are carried out based on estimated future amounts of imports. No speculative transactions are undertaken.

(4) Method of assessing hedge effectiveness

Hedge effectiveness is assessed by examining whether exchange risks on hedged items are reduced.

6. Accounting treatment for retirement benefits

The accounting method for unrecognized actuarial differences related to retirement benefits is different from the accounting treatment of such amounts on the consolidated financial statements.

(Important accounting estimates)

(Loss on valuation of shares of subsidiaries and associates)

(1) Amount recorded in the financial statements for the fiscal year under review

The amount of shares of subsidiaries and associates recorded in the non-consolidated balance sheets at the end of the fiscal year under review in connection with the acquisition of shares of AP67 Co., Ltd. is as follows.

(Millions of yen)

| | Previous fiscal year (May 20, 2023) | Fiscal year under review (May 20, 2024) |
|---|---|---|
| Shares of subsidiaries and associates | 10,332 | 10,332 |

(2) Other information that helps users of the non-consolidated financial statements to understand the details of accounting estimates

For shares of subsidiaries and associates that do not have market prices, in the event that the actual value has declined significantly in comparison to the acquisition cost, the Group’s policy is to recognize impairment losses as shares with no possibility of recovery, unless there is reasonable counterevidence.

Actual values are estimated based on business plans. Under the medium-term management plan of AP67 Co., Ltd.’s group, the major assumptions are: net sales growth in the Dental business by increasing the number of active customers, nurturing stock customers, and expanding the product base; expansion of the growth model in the Dental business to other areas; and cost reduction by standardization of operations through the introduction of systems.

As these major assumptions are subject to uncertainty, if a review of the assumptions results in a significant impact on estimates of actual values, a loss on valuation of shares of subsidiaries and associates may be recorded in the non-consolidated financial statements in the next fiscal year.

(Non-consolidated balance sheet)

*1. Monetary claims and monetary obligations in relation to affiliates (excluding those that are presented separately)

| | Previous fiscal year (May 20, 2023) | Current fiscal year (May 20, 2024) |
|---|---|---|
| Short-term monetary claims | ¥2,130 million | ¥7,901 million |
| Short-term monetary obligations | ¥5,155 million | ¥5,537 million |

*2. Tax purpose reduction entry

The amount of the tax purpose reduction entry deducted from the acquisition cost of property, plant and equipment is as follows.

| | Previous fiscal year (May 20, 2023) | Current fiscal year (May 20, 2024) |
|---|---|---|
| Buildings | ¥20 million | ¥20 million |
| Machinery and equipment | ¥142 million | ¥142 million |
| Property, plant and equipment, “Other” | ¥0 million | ¥0 million |
| Total | ¥163 million | ¥163 million |

*3. The accounting method for electronically recorded obligations - operating at the end of the fiscal year is for them to be implemented as of the settlement date. Since the last day of the previous fiscal year was a holiday for financial institutions, the following electronically recorded obligations - operating at the end of the fiscal year are included in the balance at the end of the fiscal year.

| | Previous fiscal year (May 20, 2023) | Current fiscal year (May 20, 2024) |
|---|---|---|
| Electronically recorded obligations - operating | ¥8,444 million | - million |

4. Contingent liabilities

(1) The Company guarantees liabilities on accounts payable, etc. for the below affiliated companies as follows.

| | Previous fiscal year (May 20, 2023) | Current fiscal year (May 20, 2024) |
|---|---|---|
| charm Co., Ltd. | ¥234 million | ¥205 million |
| Total | ¥234 million | ¥205 million |

(2) The Company guarantees liabilities on loans from financial institutions for the below affiliated companies as follows.

| | Previous fiscal year (May 20, 2023) | Current fiscal year (May 20, 2024) |
|---|---|---|
| TSUMAGOI MEISUI Corporation | ¥453 million | ¥324 million |
| charm Co., Ltd. | ¥1,880 million | ¥1,380 million |
| Total | ¥2,333 million | ¥1,704 million |

(Non-consolidated statements of income)

*1. Transactions with affiliates

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Current fiscal year (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Net sales | ¥8,560 million | ¥7,376 million |
| Purchase amount | ¥8,523 million | ¥8,732 million |
| Amount of other operating transactions | ¥44,578 million | ¥44,918 million |
| Amount non-operating transactions | ¥8,367 million | ¥7,693 million |

*2. The breakdown of transfers to other accounts is as follows.

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Current fiscal year (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Transfers to selling, general and administrative expenses | ¥77 million | ¥69 million |

*3. The ratio of expenses that belong to selling is approximately 88% for the previous fiscal year and 85% for the fiscal year under review. The ratio of expenses that belong to general and administrative expenses is approximately 12% for the previous fiscal year and 15% for the fiscal year under review.

Major components and amounts of selling, general and administrative expenses were as follows.

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Current fiscal year (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Shipment expenses | ¥25,631 million | ¥24,832 million |
| Salaries and allowances | ¥5,494 million | ¥6,057 million |
| Retirement benefit expenses | ¥301 million | ¥311 million |
| Subcontract expenses | ¥4,383 million | ¥4,598 million |
| Business consignment expenses | ¥19,478 million | ¥18,843 million |
| Rents | ¥10,001 million | ¥10,025 million |
| Amortization of software | ¥2,211 million | ¥4,233 million |
| Depreciation | ¥3,190 million | ¥3,678 million |

*4. Insurance claim income

Previous fiscal year (from May 21, 2022 to May 20, 2023)

This is the amount of insurance benefits received for the earthquake damage sustained at the Company's distribution center Sendai DMC which occurred on March 16, 2022.

Current fiscal year (from May 21, 2023 to May 20, 2024)

Not applicable.

*5. The breakdown of gain on sale of non-current assets is as follows.

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Current fiscal year (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Tools, furniture and fixtures | ¥0 million | - million |
| Total | ¥0 million | - million |

*6. Compensation for damage income

Previous fiscal year (from May 21, 2022 to May 20, 2023)

Not applicable.

Fiscal year under review (from May 21, 2023 to May 20, 2024)

This is the amount of compensation for damages and delay damages, and court costs received in connection with the finalization of the judgment in the lawsuit claiming damages for the fire at the ALP Metropolitan.

*7. Impairment loss

Previous fiscal year (from May 21, 2022 to May 20, 2023)

In the fiscal year ended May 20, 2023, the Company recorded impairment loss as follows.

| Location | Utilization | Category | Amount (millions of yen) |
|---|---|---|---|
| Hidaka-shi, Saitama | Distribution center (ASKUL Value Center Hidaka) | Machinery and equipment | 30 |
| | | Tools, furniture and fixtures | 2 |
| | | Software | 3 |
| | | Total | 36 |

The Company categorizes its assets in the following manner: for the businesses in which merchandise is delivered from the Company's distribution centers, the assets are grouped by distribution center; for the businesses in which merchandise is not delivered from the Company's distribution centers, the assets are grouped by business; and head office facilities and other assets are classified as shared assets.

After assessing the recoverability of ASKUL Value Center Hidaka based on the continuous state of negative gain from operating activities, the Company recorded ¥36 million as impairment loss under extraordinary losses.

The recoverable amount, based on value in use calculations, was valued zero in each of the assets above.

Current fiscal year (from May 21, 2023 to May 20, 2024)

In the fiscal year ended May 20, 2024, the Company recorded impairment loss as follows.

| Location | Utilization | Category | Amount (millions of yen) |
|---|---|---|---|
| Hidaka-shi, Saitama | Distribution center (ASKUL Value Center Hidaka) | Machinery and equipment | 5 |
| | | Tools, furniture and fixtures | 0 |
| | | Software | 7 |
| | | Total | 13 |

The Company categorizes its assets in the following manner: for the businesses in which merchandise is delivered from the Company's distribution centers, the assets are grouped by distribution center; for the businesses in which merchandise is not delivered from the Company's distribution centers, the assets are grouped by business; and head office facilities and other assets are classified as shared assets.

After assessing the recoverability of ASKUL Value Center Hidaka based on the continuous state of negative gain from operating activities, the Company recorded ¥13 million as impairment loss under extraordinary losses.

The recoverable amount, based on value in use calculations, was valued zero in each of the assets above.

*8. The breakdown of loss on retirement of non-current assets is as follows.

| | Previous fiscal year (from May 21, 2022 to May 20, 2023) | Current fiscal year (from May 21, 2023 to May 20, 2024) |
|---|---|---|
| Buildings | ¥5 million | ¥7 million |
| Tools, furniture and fixtures | ¥12 million | ¥1 million |
| Leased assets | ¥8 million | ¥4 million |
| Property, plant and equipment, “Other” | ¥0 million | - million |
| Software | ¥5 million | ¥21 million |
| Dismantling and removal costs | ¥15 million | ¥1 million |
| Total | ¥46 million | ¥35 million |

*9. Loss on operational compensation

Previous fiscal year (from May 21, 2022 to May 20, 2023)

The Company recorded loss on compensation for agents in line with the revision of the agent system for the B-to-B business.

Current fiscal year (from May 21, 2023 to May 20, 2024)

Not applicable.

(Securities)

Previous fiscal year (May 20, 2023)

Shares of subsidiaries

(Millions of yen)

| Category | Amount on the balance sheet | Fair value | Difference |
|---|---|---|---|
| Shares of subsidiaries | 1,016 | 7,025 | 6,009 |
| Total | 1,016 | 7,025 | 6,009 |

(Notes) 1. Shares, etc. that do not have a market price not included above

(Millions of yen)

| Category | Amount on the balance sheet |
|---|---|
| Shares of subsidiaries | 20,461 |
| Total | 20,461 |

2. In the recognition of impairment losses for securities other than shares, etc. that do not have market prices, in the event that the fair value has declined significantly in comparison to the acquisition cost, the Company's policy is to recognize impairment losses as securities with no possibility of recovery, unless there is reasonable counterevidence.

Current fiscal year (May 20, 2024)

Shares of subsidiaries

(Millions of yen)

| Category | Amount on the balance sheet | Fair value | Difference |
|---|---|---|---|
| Shares of subsidiaries | 1,016 | 6,698 | 5,682 |
| Total | 1,016 | 6,698 | 5,682 |

(Notes) 1. Shares, etc. that do not have a market price not included above

(Millions of yen)

| Category | Amount on the balance sheet |
|---|---|
| Shares of subsidiaries | 20,571 |
| Total | 20,571 |

2. In the recognition of impairment losses for securities other than shares, etc. that do not have market prices, in the event that the fair value has declined significantly in comparison to the acquisition cost, the Company's policy is to recognize impairment losses as securities with no possibility of recovery, unless there is reasonable counterevidence.

(Tax effect accounting)

1. Breakdown of significant components of deferred tax assets and liabilities

| | Previous fiscal year (May 20, 2023) | Current fiscal year (May 20, 2024) |
|---|---|---|
| Deferred tax assets | | |
| Loss on evaluation of products | ¥74 million | ¥108 million |
| Accrued enterprise taxes | ¥174 million | ¥359 million |
| Accrued business office taxes | ¥33 million | ¥32 million |
| Allowance for doubtful accounts | ¥237 million | ¥232 million |
| Contract liabilities | ¥140 million | ¥146 million |
| Accrued bonuses | ¥181 million | ¥262 million |
| Loss on valuation of shares of subsidiaries and associates | ¥393 million | ¥393 million |
| Allowance for retirement benefits | ¥1,005 million | ¥1,029 million |
| Impairment loss | ¥421 million | ¥359 million |
| Loss on valuation of investment securities | ¥584 million | ¥584 million |
| Asset retirement obligations | ¥815 million | ¥816 million |
| Long-term accounts payable - other | ¥543 million | ¥445 million |
| Other | ¥1,019 million | ¥830 million |
| Subtotal | ¥5,626 million | ¥5,601 million |
| Valuation allowance for deductible temporary differences | ¥(2,022 million) | ¥(2,031 million) |
| Valuation allowance subtotal | ¥(2,022 million) | ¥(2,031 million) |
| Total | ¥3,604 million | ¥3,570 million |
| Deferred tax liabilities | | |
| Asset retirement obligations | ¥232 million | ¥185 million |
| Total | ¥232 million | ¥185 million |
| Net deferred tax assets | ¥3,372 million | ¥3,385 million |

2. Breakdown of items which caused any significant difference between the statutory tax rates and the effective tax rates after adoption of tax effect accounting

| | Previous fiscal year (May 20, 2023) | Current fiscal year (May 20, 2024) |
|---|---|---|
| Statutory tax rate | 30.62% | 30.62% |
| (Reconciliation) | | |
| Permanent difference due to non-deductible expenses such as entertainment expenses | 0.04% | 0.02% |
| Dividends income and other items not counted for tax purposes | (1.82)% | (0.72)% |
| Inhabitant tax on per capita basis | 0.07% | 0.04% |
| Valuation allowance | 1.24% | 0.04% |
| Tax credit | (3.30)% | -% |
| Other | 0.00% | 0.00% |
| Effective tax rate after adoption of tax effect accounting | 26.85% | 30.00% |

(Revenue recognition)

This information has been omitted as the information that serves as the basis for understanding revenue from contracts with customers is the same as that in “Notes (Revenue recognition)” of the consolidated financial statements.

(iv) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

| Class | Class of assets | Balance at the beginning of the year | Increase during the year | Decrease during the year | Amount amortized during the year | Balance at the end of the year | Accumulated depreciation |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | Buildings | 3,593 | 265 | 8<br>(-) | 447 | 3,401 | 4,126 |
| | Machinery and equipment | 1,193 | 654 | 5<br>(5) | 278 | 1,564 | 5,007 |
| | Tools, furniture and fixtures | 916 | 403 | 7<br>(0) | 327 | 985 | 3,035 |
| | Leased assets | 15,684 | 1,480 | 4<br>(-) | 2,617 | 14,542 | 12,772 |
| | Construction in progress | 812 | 6,928 | 810<br>(-) | - | 6,929 | - |
| | Other (tangible) | 48 | 0 | -<br>(-) | 6 | 42 | 40 |
| | Total | 22,248 | 9,732 | 837<br>(5) | 3,677 | 27,466 | 24,983 |
| Intangible assets | Software | 5,978 | 12,994 | 40<br>(7) | 4,233 | 14,699 | - |
| | Software in progress | 10,594 | 1,224 | 10,583<br>(-) | - | 1,235 | - |
| | Other (intangible) | 4 | 1 | -<br>(-) | 0 | 5 | - |
| | Total | 16,577 | 14,221 | 10,623<br>(7) | 4,234 | 15,941 | - |

(Notes) 1. Figures in parentheses under "Decrease during the year" is the recorded amount of impairment loss.

2. Main components of increase during the year are as follows.

| | | |
|---|---|---|
| Buildings | AVC Kansai: Construction work, etc. associated with the introduction of material-handling equipment | ¥163 million |
| Machinery and equipment | AVC Kansai: Conveyor equipment | ¥308 million |
| Leased assets | AVC Kansai: Automated transfer robot equipment | ¥1,480 million |
| Construction in progress | ASKUL Kanto DC: New establishment | ¥6,186 million |
| Construction in progress | AVC Kansai: Material-handling equipment | ¥479 million |
| Software | B-to-B business: New ASKUL website construction | ¥11,896 million |
| Software in progress | Core system replacement | ¥490 million |
| Software in progress | B-to-B business: New ASKUL website construction | ¥405 million |

3. Main components of decrease during the year are as follows.

| | | |
|---|---|---|
| Construction in progress | AVC Kansai: Transfer to leased assets associated with the introduction of automated transfer robot | ¥703 million |
| Software in progress | Transfer to software | ¥10,582 million |

[Annexed detailed schedule of provisions]

(Millions of yen)

| Accounting item | Balance at the beginning of the year | Increase during the year | Decrease during the year | Balance at the end of the year |
|---|---|---|---|---|
| Allowance for doubtful accounts | 776 | 37 | 55 | 758 |

(2) Components of major assets and liabilities

This information is omitted as the consolidated financial statements are prepared.

(3) Other

Not applicable.

## VI. Overview of the Submitting Company's Share Administration

| | |
|---|---|
| Fiscal year | From May 21 to May 20 |
| Annual General Meeting of Shareholders | Within three months after the end of each fiscal year |
| Record date | May 20 |
| Record date for dividends from surplus | May 20, November 20 |
| Number of shares per unit | 100 shares |
| Purchase of shares less than one unit | |
| Handling location | (Special account)<br>4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo<br>Stock Transfer Agency Business Planning Department at Sumitomo Mitsui Trust Bank, Limited |
| Administrator of shareholder registry | (Special account)<br>4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo<br>Sumitomo Mitsui Trust Bank, Limited |
| Intermediary agency | ― |
| Purchase fee | Amount to be separately determined as the amount equivalent to fees pertaining to the entrustment of stock transactions |
| Method of public notice | The Company has adopted the system of electronic public notice. However, when electronic public notices cannot be made due to an accident or other unavoidable circumstances, public notices shall be made by publication in the Nihon Keizai Shimbun.<br>URL for public notice:<br>https://kmasterplus.pronexus.co.jp/main/corp/2/6/2678/index.html (Japanese only) |
| Special benefit for shareholders | LOHACO discount coupons will be presented to shareholders listed in the Company's shareholder registry as of May 20 and November 20 of each year based on the number of shares held as follows.<br>100 or more shares: ¥2,000 LOHACO discount coupon(Note)<br>(Note) Shareholders may use 4 discount coupons of ¥500 each. One coupon may be redeemed for each product of ¥501 (including tax) or more. Other terms and conditions for use may apply. |

(Note) As stipulated in the Company's Articles of Incorporation, shareholders of the Company (including beneficial shareholders) may not exercise any rights for shares less than one unit, except for the following.

(1) Rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act;

(2) Rights to demand what is stipulated under Article 166, Paragraph 1, of the Companies Act;

(3) Right to receive an allotment of offered shares and offered new stock acquisition rights in proportion to the number of shares held; and

(4) Right to request purchase of additional shares of less than one unit

# VII. Reference Information of the Submitting Company

## 1. Information on Parent Company, etc. of the Submitting Company

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

## 2. Other Reference Information

The following documents were submitted during the period from the start of the current fiscal year to the date of submission of the Annual Securities Report.

(1) Annual Securities Report, its attached documents, and a confirmation letter

Fiscal year under review (60th fiscal year) from May 21, 2022 to May 20, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on August 2, 2023.

(2) Amendment report for Annual Securities Report and a confirmation letter

Fiscal year under review (60th fiscal year) from May 21, 2022 to May 20, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on December 28, 2023.

(3) Internal control report and its attached documents

Fiscal year under review (60th fiscal year) from May 21, 2022 to May 20, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on August 2, 2023.

(4) Extraordinary report

This is an extraordinary report based on the provisions of Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at General Meetings of Shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs

Submitted to the Director-General of the Kanto Local Finance Bureau on August 8, 2023.

This is an extraordinary report based on the provisions of Article 19, Paragraph 2, Item 12 (Event which may have serious effects on the financial position, operating results and cash flow status of a submitting company) and Item 19 (Event which may have serious effects on the financial position, operating results and cash flow status of the consolidated companies) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on March 15, 2024.

This is an extraordinary report based on the provisions of Article 19, Paragraph 2, Item 4 (Change to the major shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 3, 2024.

(5) Quarterly reports and confirmation letter

(First quarter of the 61st fiscal year) from May 21, 2023 to August 20, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on September 28, 2023.

(Second quarter of the 61st fiscal year) from August 21, 2023 to November 20, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau on December 28, 2023.

(Third quarter of the 61st fiscal year) from November 21, 2023 to February 20, 2024

Submitted to the Director-General of the Kanto Local Finance Bureau on March 29, 2024.

(6) Share Buyback Report

Reporting period (from March 1, 2024 to March 31, 2024)

Submitted to the Director-General of the Kanto Local Finance Bureau on April 10, 2024.

Reporting period (from April 1, 2024 to April 30, 2024)

Submitted to the Director-General of the Kanto Local Finance Bureau on May 10, 2024.

Reporting period (from May 1, 2024 to May 31, 2024)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 10, 2024.

Reporting period (from June 1, 2024 to June 30, 2024)

Submitted to the Director-General of the Kanto Local Finance Bureau on July 10, 2024.

## Part II Information on Guarantor Companies, etc. for the Submitting Company

Not applicable.

# INDEPENDENT AUDITOR’S REPORT

July 30, 2024

To the Board of Directors of ASKUL Corporation

Deloitte Touche Tohmatsu LLC

Tokyo office

| | | |
|---|---|---|
| Designated Limited Liability Partner, Engagement Partner | Certified Public Accountant | Hiroyuki Kobayashi |
| Designated Limited Liability Partner, Engagement Partner | Certified Public Accountant | Osamu Hattori |

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of ASKUL Corporation and its consolidated subsidiaries (the “Group”) included in the Financial Section, namely, the consolidated balance sheet as of May 20, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from May 21, 2023 to May 20, 2024, and a summary of significant accounting policies and other explanatory information, and the annexed consolidated detailed schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of May 20, 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. 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 the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

| Reliability of IT systems for recording sales in E-commerce business of ASKUL Corporation | |
|---|---|
| Key Audit Matter Description | How the Key Audit Matter was Addressed in the Audit |
| Within the ASKUL Group, ASKUL Corporation (hereinafter, the "Company") operates an e-commerce business through with the majority of orders are received via the Internet mainly through sites such as ASKUL, SOLOEL ARENA, SOLOEL Enterprise, and LOHACO, and the entire supply chain, including delivery of products to customers, is built on IT systems. For the fiscal year under review, net sales for the Company was ¥389,626 million, accounting for 82% of consolidated net sales. In addition, the new ASKUL website went into full operation in July 2023 and SOLOEL ARENA website was opened to the public, allowing customers to visit product pages directly from external search engines, increasing the number of customers purchasing via search engines, thereby boosting net sales in the E-commerce business.<br><br>In addition to office supplies, the E-commerce business handles many types of merchandise used in workplaces such as in the health and nursing-care industry and manufacturing industry, and is in a state that is highly dependent on IT systems as the large volume of transactions handled day-to-day require real time and accurate processing, and the series of processes from the start of a transaction to recording the sale, and interfaces between main IT systems are automated. In particular, shipment data from distribution centers is synchronized with data to record sales, and the sales amount is automatically calculated based on the unit price, etc.<br><br>We have determined net sales related to the Company's E-commerce business is highly important on a financial level, and in order to accurately record sales to customers, it is important for related IT systems to be appropriately established and operated. Therefore, this matter is a key audit matter. | In regard to the key audit matters stated to the left, together with evaluating the effectiveness of the internal control system by collaborating with our internal IT professionals, we have mainly implemented the following audit procedures.<br><br>(Evaluation of Internal Control)<br>・Understand the series of data flows of the IT systems from the start of a transaction to recording the sale, processing processes, and automated internal control systems through questions, observation, and inspecting documents.<br>・Evaluate the effectiveness of the overall IT system through inspecting the approval trail of persons responsible when updating programs in IT systems, and inspecting the regular inspection trail of approvals and access privileges for granting access and updating important data and files by responsible persons.<br>・Verify the integrity of shipment data synchronized with distribution systems of each distribution center and sales data through verifying the automated business processing controls that reflect shipment data to sales data which use IT systems for data extracted in the samples.<br>・Verify the integrity of recalculated results of sales data using unit price, etc. and actual net sales through verifying the accuracy of automated business processing controls that handle the calculation processing of net sales which use IT systems for data extracted in the samples.<br>・Verify the update history of IT systems during the period in order to ensure that dates, unit prices, and quantities are not changed after shipments have been confirmed in the IT systems.<br><br>(Verification Procedure)<br>・Verify the accuracy of transactions through confirmation procedures of accounts receivable - trade recorded in the system for data extracted in the samples. |

Other Information

Other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, non-consolidated financial statements, and our auditor's report thereon. Management is responsible for the composition and disclosure of other information. The Audit & Supervisory Board members and Audit & Supervisory Board are responsible for monitoring the Directors' execution of duties relating to designing and operating the reporting process for 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 or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this 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 Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the 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 whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board members and Audit & Supervisory Board are responsible for monitoring the Directors' execution of duties relating to designing and operating the financial reporting process.

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

Our responsibility is 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 express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence

obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

・Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

・Obtain sufficient and appropriate audit evidence regarding the financial information of the Group and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Board members and Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board members and Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any measures in place to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

We determine those matters that were of most significance in the audit of the consolidated financial statements of the current period from the matters discussed with the Audit & Supervisory Board members and Audit & Supervisory Board, and determine their prevalence as the key audit matters to be presented in the auditor's report. 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.

<Audit of Internal Control>

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of ASKUL Corporation as of May 20, 2024.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of ASKUL Corporation as of May 20, 2024, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management, Audit & Supervisory Board members and Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board members and Audit & Supervisory Board is responsible for monitoring and verifying the design and operating effectiveness of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our responsibility is to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and express an opinion on the internal control report from an independent standpoint in an audit report, based on our internal control audit.

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 regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures for the report on internal control selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
・Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
・Obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the report on internal control. The auditor is responsible for instructing, supervising, and implementing the audit of the internal control report, and is solely responsible for the audit opinion.

We communicate with the Audit & Supervisory Board members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also report to the Audit & Supervisory Board members and Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on our independence and any measures in place to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

<Remuneration Related Information>

The amount of remuneration to our firm and others in the same network as our firm for audit certification services and non-audit services for the Company and its subsidiaries is presented in "(3) Status of Audit" of "Status of Corporate Governance, etc." included in "Status of the Submitting Company."

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

# INDEPENDENT AUDITOR’S REPORT

July 30, 2024

To the Board of Directors of ASKUL Corporation

Deloitte Touche Tohmatsu LLC

Tokyo office

| | | |
|---|---|---|
| Designated Limited Liability Partner, Engagement Partner | Certified Public Accountant | Hiroyuki Kobayashi |
| Designated Limited Liability Partner, Engagement Partner | Certified Public Accountant | Osamu Hattori |

<Audit of Non-consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of ASKUL Corporation (the “Company”) included in the Financial Section, namely, the non-consolidated balance sheet as of May 20, 2024, and the non-consolidated statement of income and non-consolidated statement of changes in equity for the 61st fiscal year from May 21, 2023 to May 20, 2024, and a summary of significant accounting policies and other explanatory information, and the annexed detailed schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of May 20, 2024, and its financial performance 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 Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. 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 the most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Reliability of IT systems for recording sales in E-commerce business

Description of the matter is omitted as the contents is the same as the key audit matter (Reliability of IT systems for recording sales in E-commerce business of ASKUL Corporation) detailed on the independent auditor’s report of the consolidated financial statements.

Other Information

Other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, non-consolidated financial statements, and our auditor’s report thereon. Management is responsible for the composition and disclosure of other information. The Audit & Supervisory Board members and Audit & Supervisory Board are responsible for monitoring the Directors’ execution of duties relating to designing and operating the reporting process for other information.

Our opinion on the non-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 non-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 or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this 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 Audit & Supervisory Board for the Non-consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board members and Audit & Supervisory Board are responsible for monitoring the Directors' execution of duties relating to designing and operating the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

・Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

・In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.

・Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

・Determine whether it is appropriate for management to prepare the non-consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

・Besides assessing whether the presentation of and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements including related notes, and whether the non-consolidated financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit & Supervisory Board members and Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Board members and Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any measures in place to eliminate obstacles or safeguards applied to reduce obstacles to an acceptable level.

We determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period from the matters discussed with the Audit & Supervisory Board members and Audit & Supervisory Board, and determine their prevalence as the key audit matters to be presented in the auditor's report. 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.

<Remuneration Related Information>

Remuneration related information is included in the auditor's report on the consolidated financial statements.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.