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Annual Securities Report

The 11th Business Term

From April 1, 2025, to March 31, 2026

MACNICA HOLDINGS, INC.

Cover

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Part I. Corporate Information

I. Corporate Overview

1. Financial Highlights

(1) Consolidated Financial Statements

(Yen million unless otherwise stated)

Fiscal term	7th term	8th term	9th term	10th term	11th term
Year ended	March 2022	March 2023	March 2024	March 2025	March 2026
Net sales	761,823	1,029,263	1,028,718	1,034,180	1,214,196
Ordinary income	35,487	56,832	61,966	37,318	37,392
Net income attributable to parent shareholders	25,798	41,030	48,069	25,279	27,765
Comprehensive income	35,584	47,655	60,335	25,324	40,623
Net assets	179,764	207,762	256,420	261,477	289,115
Total assets	362,584	517,620	552,244	556,438	700,887
- Net assets per share (yen)	911.52	1,099.75	1,357.63	1,414.76	1,562.10
- Net income per share (yen)	138.30	221.63	264.88	140.93	155.54
- Adjusted net income per share (yen)	—	—	—	—	—
Equity ratio (%)	46.9	38.6	44.2	45.4	39.8
Return on equity (%)	16.5	22.2	21.6	10.2	10.5
Price earnings ratio	6.4	5.7	9.3	13.7	14.9
Cash flow from operating activities	△15,534	38,896	39,949	24,232	18,774
Cash flow from investing activities	△1,653	△869	△18,457	△9,573	△1,306
Cash flow from financing activities	14,368	△27,100	△23,014	△4,229	△15,158
Cash and cash equivalents at end of year	25,099	37,492	38,623	48,452	54,370
Number of employees	3,925	4,203	4,768	5,071	5,261
(Part-time employees)	(426)	(458)	(495)	(542)	(551)

1. A 3-for-1 share split was conducted on October 1, 2024. Net assets per share and net income per share have been calculated on the assumption that the share split took place at the beginning of the 7th fiscal year.
2. Adjusted net income per share not given as there are no potential shares.
3. Number of employees refers to active full-time members. Numbers in parentheses represent average annual number of part-time or temporary staff.

(2) Financial Statements of the Reporting Company

(Yen million unless otherwise stated)

Fiscal term	7th term	8th term	9th term	10th term	11th term
Year ended	March 2022	March 2023	March 2024	March 2025	March 2026
Operating income	8,656	10,778	21,017	14,368	14,026
Ordinary income	7,609	9,491	19,614	13,055	12,909
Net income	7,544	9,409	19,502	12,915	12,766
Paid-in capital	14,040	14,040	14,040	14,040	14,040
Total number of issued shares (thousands)	63,030	60,857	60,857	179,072	179,072
Net assets	88,746	84,681	90,104	86,828	87,383
Total assets	91,160	87,552	93,416	90,803	90,832
- Net assets per share (Yen)	475.48	466.13	500.70	486.67	489.37
- Dividend per share (Yen) (Interim dividend per share) (Yen)	100.00 (40.00)	140.00 (65.00)	200.00 (80.00)	140.00 (105.00)	70.00 (35.00)
- Earnings per share (Yen)	40.45	50.83	107.47	72.00	71.51
- Adjusted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	97.4	96.7	96.5	95.6	96.2
Return on equity (%)	8.7	10.9	22.3	14.6	14.7
Price-to-earnings ratio	21.8	24.7	23.0	26.8	32.3
Dividend payout ratio (%)	82.4	91.8	62.0	97.2	97.9
Employees	28	30	35	38	42
(Part-time employees)	(6)	(5)	(4)	(3)	(5)
Total shareholder return (%) (Benchmark: TOPIX Total Return) (%)	124.1 (102.0)	181.1 (107.9)	356.2 (152.5)	291.1 (150.2)	352.7 (202.2)
Highest share price (yen)	2,935	3,855	8,891	7 ,442 *2,100	2,823
Lowest share price (yen)	2,185	2,488	3,500	4,442 *1,676	1,561

1. A 3-for-1 share split was conducted on October 1, 2024. Net assets per share and net income per share have been calculat ed on the assumption that the share split took place at the beginning of the 7th term. The dividend per share for the 10th te rm has been calculated as the sum of the interim dividend per share of 105 yen before the split and the year-end dividend per share of 35 yen after the split. Adjusted to reflect the split, the interim dividend is 35 yen, and the annual dividend is 7 0 yen. The * symbol indicates the highest and lowest share prices on an ex-rights basis after the share split.
2. The year-end dividend for the 11th term of 35 yen per share is subject to a resolution at the Annual General Meeting of Sh areholders on June 24, 2026.
3. Adjusted net income per share not given as there are no potential shares.
4. Number of employees refers to active full-time members. Numbers in parentheses represent average annual numbers of p art-time or temporary staff.
5. High and low share prices from the First Section of the Tokyo Stock Exchange through April 3, 2022, and from the Prime Market of the Tokyo Stock Exchange from April 4, 2022.

2. Corporate History

The Company was established on April 1, 2015, as a joint holding company through a joint share transfer by Macnica, Inc. and Fuji Electronics Co., Ltd. with both companies becoming wholly owned subsidiaries.

The Company's history to date is as follows.

Date	Description
May 2014	Macnica, Inc. and Fuji Electronics Co., Ltd. entered a memorandum of understanding concerning business integration based in principle on the establishment of a joint holding company through a joint share transfer.
October 2014	Subject to approval at the shareholders' meetings of both companies, the two companies agreed to establish a joint holding company through a joint share transfer. Based on resolutions of the boards of directors of both companies, they executed an integration agreement and prepared a share transfer plan.
December 2014	Extraordinary shareholders' meetings of both companies resolved to approve the establishment of the Company through a joint share transfer by the two companies, with the two companies becoming wholly owned subsidiaries of the Company.
April 2015	The two companies established the Company through a joint share transfer. The Company's common shares were listed on the First Section of the Tokyo Stock Exchange.
October 2020	Macnica, Inc. and Fuji Electronics Co., Ltd. merged with Macnica, Inc. as the surviving company.
October 2021	Macnica, Inc. absorbed Macnica Networks Corp. through a merger.
April 2022	With the restructuring of the Tokyo Stock Exchange's market segments, the Company transferred from the First Section to the Prime Market.
August 2022	The Company changed its trade name to Macnica Holdings, Inc.
October 2025	Macnica, Inc. absorbed Glosel Co., Ltd. through a merger.

3. Business Overview

The Macnica Group (“Macnica”) consists of the Company, and its subsidiaries and affiliates (56 companies in total) and is engaged primarily in the sale of integrated circuits, electronic devices, and network-related products.

The business positioning of the main affiliates involved in the Group's businesses is as follows.

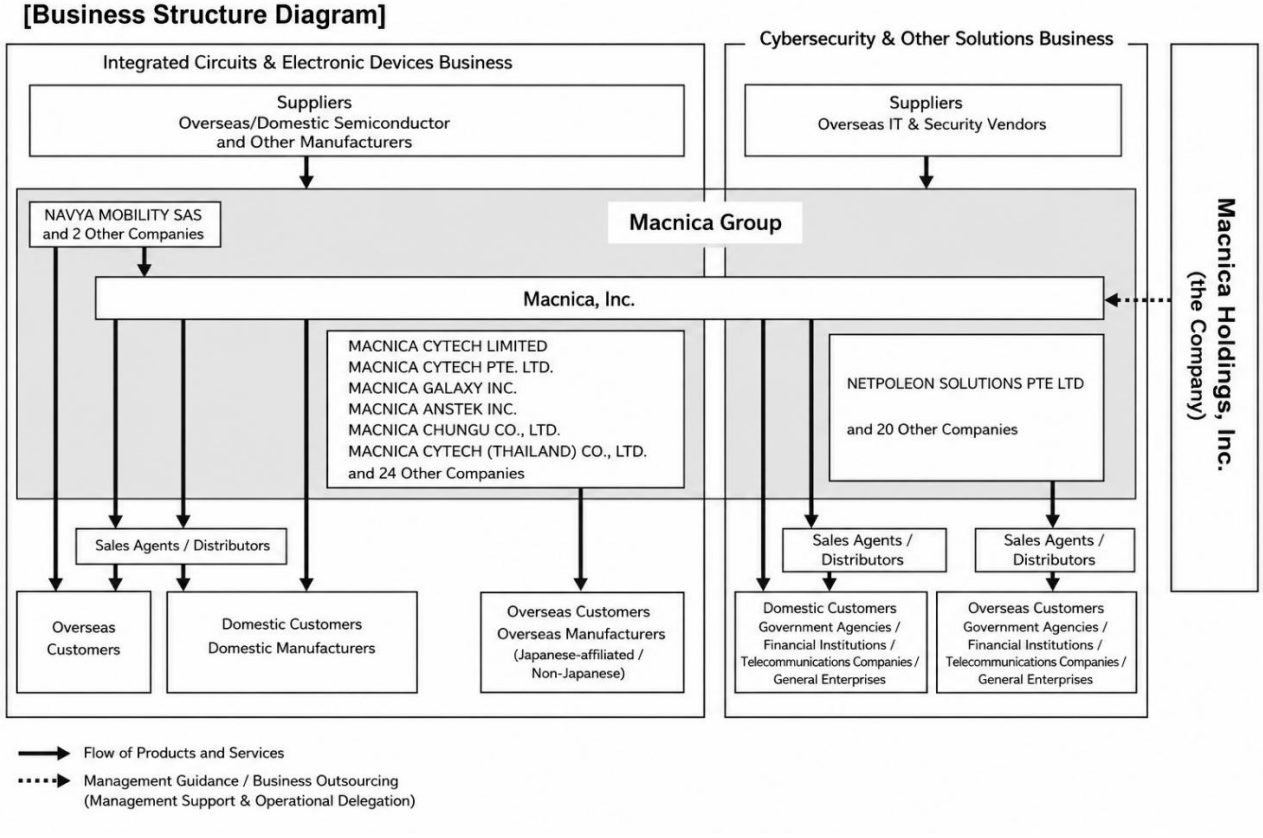
The segment names are consistent with the business segment classification set out in V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes (Segment Information)." Effective from the fiscal year ended March 31, 2026, the segment name "Network Business" was changed to "Cybersecurity and Other IT Solutions Business." This is a change in name only; there are no changes in segment classification, scope, or measurement method. In addition, segment information for the previous fiscal year is presented using the revised segment name.

In addition, the Company qualifies as a "specified listed company" as prescribed in Article 49, Paragraph 2 of the Cabinet Office Ordinance on Regulations on Securities Transactions. Therefore, the materiality thresholds for material facts under insider trading regulations are determined on a consolidated basis.

Classification	Company name	Segment	Business description
Major consolidated subsidiaries	Macnica, Inc.	ICs, Electronic Devices and Other Business; Cybersecurity and Other IT Solutions Business	Sales of semiconductors and electronic components; sales of network-related products
	MACNICA CYTECH LIMITED	ICs, Electronic Devices and Other Business	Sales of semiconductors and electronic components
	MACNICA CYTECH PTE. LTD.	ICs, Electronic Devices and Other Business	Sales of semiconductors and electronic components
	MACNICA GALAXY INC.	ICs, Electronic Devices and Other Business	Sales of semiconductors and electronic components
	MACNICA ANSTEK INC.	ICs, Electronic Devices and Other Business	Sales of semiconductors and electronic components
	MACNICA CHUNGJU CO., LTD.	ICs, Electronic Devices and Other Business	Holding company
	MACNICA CYTECH (THAILAND) CO., LTD.	ICs, Electronic Devices and Other Business	Sales of semiconductors and electronic components
	NAVYA MOBILITY SAS	ICs, Electronic Devices and Other Business	Development, manufacture and sales of autonomous driving systems
	NETPOLEON SOLUTIONS PTE LTD	Cybersecurity and Other IT Solutions Business	Sales of network-related products

The business structure is as follows.

[Business Structure Diagram]



4. Affiliated Companies

Name	Location	Capital or capital contribution	Major business	Voting rights ratio (%)	Relationship
Consolidated subsidiaries Macnica, Inc. (Notes 3, 4)	Kohoku-ku, Yokohama	11,194 million yen	ICs, Electronic Devices and Other Business; Cybersecurity and Other IT Solutions Business	100.0	Management oversight; concurrent officer appointments; loans; service outsourcing; real estate lease; debt guarantee
MACNICA CYTECH LIMITED (Notes 3, 4)	Hong Kong, China	HK$304,556 thousand	ICs, Electronic Devices and Other Business	100.0 (100.0)	Debt guarantee
MACNICA CYTECH PTE. LTD.	Singapore	US$500 thousand	ICs, Electronic Devices and Other Business	100.0 (100.0)	Debt guarantee
MACNICA GALAXY INC. (Note 4)	Taipei, Taiwan	NT$761 million	ICs, Electronic Devices and Other Business	67.6 (67.6)	Debt guarantee
MACNICA ANSTEK INC. (Note 4)	Taipei, Taiwan	NT$666 million	ICs, Electronic Devices and Other Business	51.0 (51.0)	—
MACNICA CHUNGJU CO., LTD. (Note 4)	Taipei, Taiwan	NT$1,998 million	ICs, Electronic Devices and Other Business	100.0 (100.0)	—
MACNICA CYTECH (THAILAND) CO., LTD.	Bangkok, Thailand	THB 100,000 thousand	ICs, Electronic Devices and Other Business	100.0 (100.0)	—
NAVYA MOBILITY SAS (Note 4)	Lyon, France	€34,306 thousand	ICs, Electronic Devices and Other Business	70.9 (70.9)	—
NETPOLEON SOLUTIONS PTE LTD	Singapore	S$3,195 thousand	Cybersecurity and Other IT Solutions Business	100.0 (100.0)	—
27 other companies					

1. The "Major business" column uses the segment names shown in the Segment Information.
2. Figures in parentheses in the Voting rights ratio" column represent indirectly owned voting rights.
3. Macnica, Inc. and MACNICA CYTECH LIMITED account for more than 10% of consolidated net sales (excluding inter-company sales). The principal results of these companies are as follows.

Millions of yen	Key Financial Information, etc.				
	Net sales	Ordinary income/loss	Net income/loss	Net assets	Total assets
Macnica, Inc.	648,192	17,815	12,400	123,128	389,995
MACNICA CYTECH LIMITED	301,876	6,123	5,181	59,151	141,232

4. These are specified subsidiaries.

II. Business Summary

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

Forward-looking statements in this section are based on the Group's judgment as of the end of the current consolidated fiscal year.

(1) Corporate Philosophy System

(i) Corporate Philosophy

Sowing seeds continuously under our feet

Sowing seeds continuously under our feet has been our group’s corporate philosophy since its founding. To ensure that all employees understand our corporate philosophy, management policies, and behavioral guidelines and align the direction of their daily business activities, we distribute the management policy and Code of Conduct to all employees, and all employees read them repeatedly. Our corporate philosophy is stated at the beginning of the management policy document and has become part of the employees' DNA and embedded in the Group’s culture.

(ii) Purpose

Leading in an ever-changing world,
we seek technology and intelligence beyond the cutting-edge,
while envisioning the future and creating the 'Now.'

We at Macnica, in this era of unpredictability,
stand at the forefront of environmental and social change,
anticipating, without fear of failure.
Excited, pioneering First Penguins, infused with the spirit of challenge.

Beyond the cutting-edge, no one yet knows,
technologies around the world, evolving exponentially:
Technology and Intelligence.
Sowing seeds continuously beneath our feet: nurture, gather, and hold them.

A vision of the future, prosperous, secure, and sustainable,
combining Technology and Intelligence with professionals around the world.
Implementing precision solutions, creating the 'Now,'
We are committed, we will create new value, with passion!

Be bright, fun, and vibrant!

Together, we'll aim for a prosperous future, full of smiles.
Your partner, with endless success.

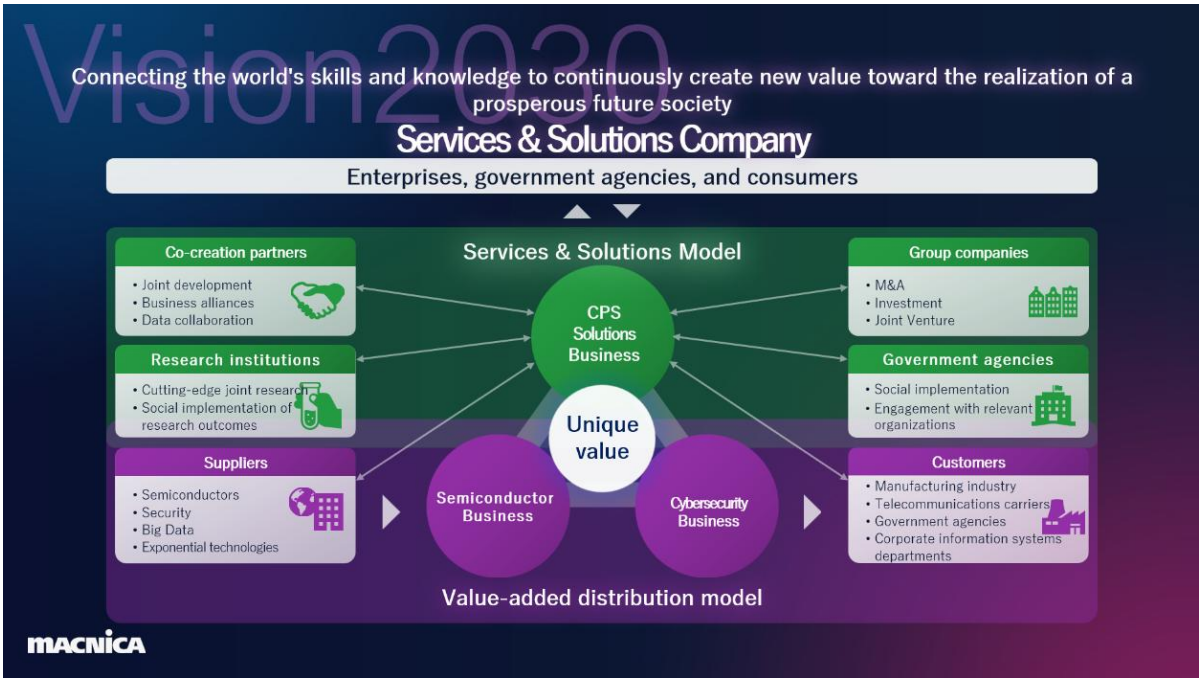
This Purpose represents the universally shared aspirations of our group across our past, present, and future businesses. Our group has leveraged its discerning eye, discovering and refining new technologies faster than anywhere else to provide cutting-edge semiconductors, electronic devices, networks, and cybersecurity products.
In recent years, we have leveraged these experiences and insights to expand our activities into new fields and conduct business operations. The Macnica group is committed to continuing to connect cutting-edge technology and intelligence, aiming to be a co-creation partner that combines future vision capabilities with high-resolution implementation capabilities, contributing to the development of future society.

(iii) Vision: Vision 2030

The Service & Solutions Company represents our vision of transforming into a new business model - the Service & Solutions Model - that leverages our strengths, whilst expanding the high-value-added distribution business model that has underpinned the Group's growth for over 50 years.

The Service & Solutions Model combines the 'Cyber' and 'Physical' strengths cultivated in our semiconductor and cyber security businesses; the pioneering spirit refined in our continuous pursuit of cutting-edge technology and knowledge since our founding; and our rapidly expanding network of co-creation partners, research institutions, traditional suppliers, customers, public agencies, and group companies acquired through M&A. By combining these elements, we aim to provide high value-added Services & Solutions that only our Group and its ecosystem partners can deliver.

The Group's business has historically developed on B2B platforms, but in future the Group will aim to expand through B2C solutions for consumers to provide Services & Solutions platform that will balance social and economic value.



(iv) Values

Trust Excitement Aggressiveness Move Stretch

The Group's values, "T.E.A.M.S," summarize the values to which employees return when they are uncertain of decisions or everyday actions. When employees align their vectors based on values, high-quality teamwork is achieved, generating the energy and momentum to shape the future.

(2) Basic Sustainability Policy

The Group positions response to global environmental and social issues as one of the most important items in its management policy and will devote itself to activities aimed at realizing the Group's Purpose: "Leading in an ever-changing world, we seek technology and intelligence beyond the cutting-edge, while envisioning the future and creating the 'Now.'"

i. Identify key issues and promote business and investment management that contributes to solving social issues and building a sustainable society

The Group strives to contribute to society and the environment and to enhance corporate value through its business activities.

ii. Promoting global management that respects the environment and human rights, and strengthening the supply chain

The Group conducts business with due regard for environmental conservation, human rights and fundamental labor rights. It aims to build a value chain in which suppliers and customers understand our approach to sustainability, whilst also conducting our business activities fairly and with integrity, based on an understanding of the cultures and customs of countries around the world.

iii. Building public trust and strengthening our governance and risk management systems

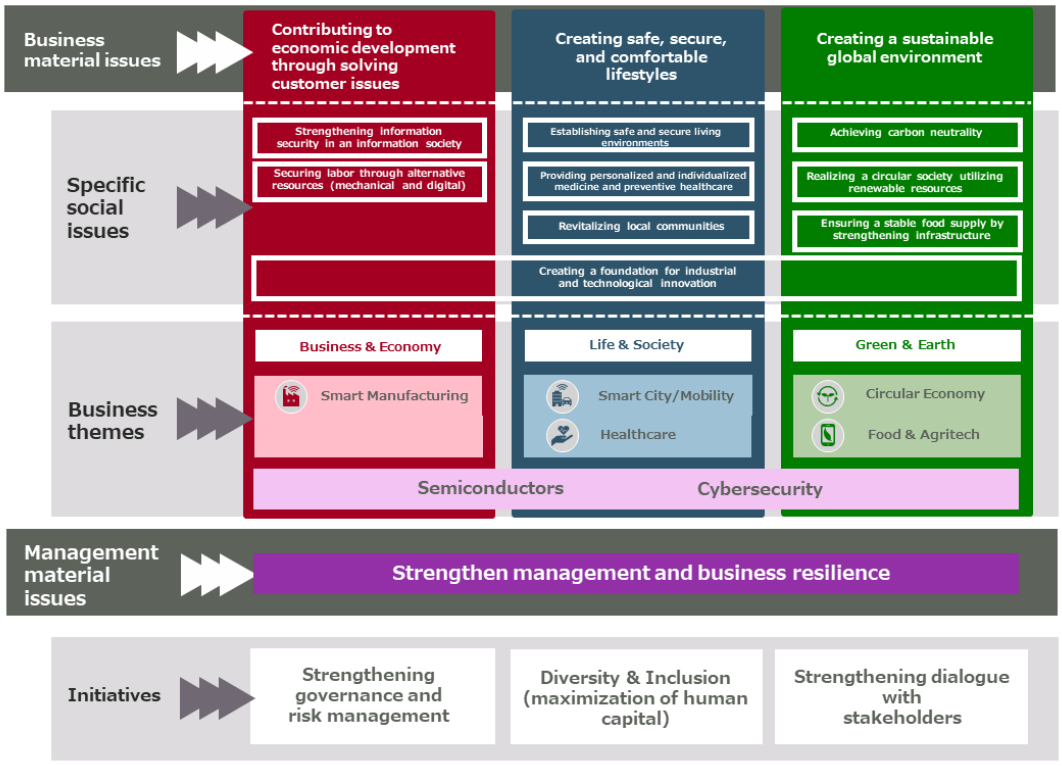
The Group will ensure accurate, clear, and timely disclosure and dialogue with stakeholders. It will build and strengthen a governance framework that prevents misconduct and enables sustainable management.

iv. Employee training and awareness-raising

As all employees bear responsibility for promoting sustainability, we will conduct training and awareness-raising activities for employees regarding the promotion of sustainability.

(3) Materiality (Material Issues) and Relationship between Management and Business Activities

The Group has identified the following material issues as important to society and stakeholders as well as having a significant management impact on the Group.



i. Contributing to economic development through solving customer issues

Through the Smart Manufacturing business, the Group will focus on solving customer issues such as securing labor force through alternative resources.

ii. Creating safe, secure and comfortable lifestyles

Through the Healthcare business, the Group will contribute to the development of personalized and preventive medicine tailored to the individual. Through the Smart City / Mobility business, the Group will also contribute to the development of safe and secure living environments and the revitalization of local communities.

iii. Creating a sustainable global environment

Through the Circular Economy business, the Group will contribute to the realization of carbon neutrality and a recycling-oriented society that utilizes renewable resources. Through the Food & Agri-tech business, the Group will realize a stable supply of food through strengthening the infrastructure of daily life.

Across all three of these material issues, the Group will work to create the foundation for industry and technological innovation through the provision of cutting-edge semiconductors and IT products.

Note: The Smart Manufacturing business, Smart City / Mobility business, Healthcare business, Circular Economy business and Food & Agri-tech business are themes within the Services & Solutions Model.

iv. Strengthen management and business resilience

The Group will strengthen management resilience under the following three themes:

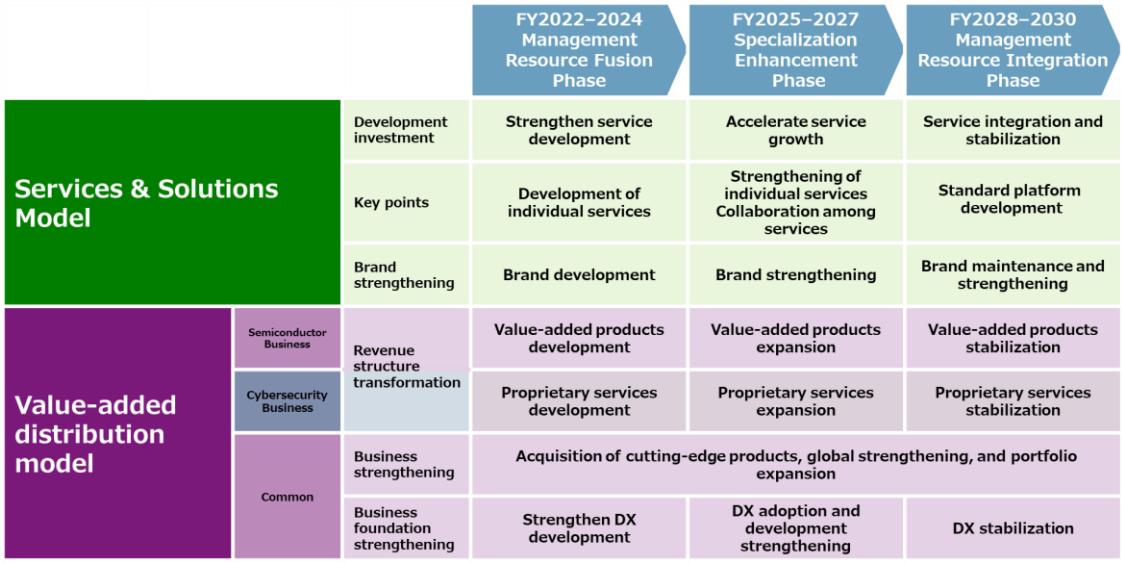
- Strengthening governance and risk management
- Diversity & Inclusion (maximization of human capital)
- Strengthening dialogue with stakeholders

(4) Long-Term Management Targets

As long-term management targets, the Group aims to achieve both social value and economic value (corporate value). In terms of social value, the Group will pursue the three materialities: (i) Contributing to economic development through solving customer issues; (ii) Creating safe, secure, and comfortable lifestyles; and (iii) Creating a sustainable global environment. In terms of economic value, in addition to the current value-added distribution model, the Group will strengthen the Services & Solutions Model, thereby transforming its business model and aiming to achieve consolidated net sales of 2 trillion yen, consolidated operating income of 150 billion yen, a consolidated operating profit margin of 7.5%, and consolidated ROE of 15.0%, while pursuing the sustainable growth of its businesses.

	FY2030 Management Targets
Consolidated net sales	2 trillion yen
Consolidated operating income	150 billion yen
Consolidated operating profit margin	7.5%
Consolidated ROE	15.0%

1. Operating income of 150 billion yen represents the total of the three pillars: Semiconductor Business, Cybersecurity Business, and CPS Solutions Business.
2. From Fiscal 2025, the segment *Network Business* was changed to *Cybersecurity and Other IT Solutions Business*, referred to as *Cybersecurity Business* This change is in name only; there are no changes in segment classification, scope, or measurement method.



			FY2022–2024 Management Resource Fusion Phase	FY2025–2027 Specialization Enhancement Phase	FY2028–2030 Management Resource Integration Phase
Services & Solutions Model		Development investment	Strengthen service development	Accelerate service growth	Service integration and stabilization
		Key points	Development of individual services	Strengthening of individual services Collaboration among services	Standard platform development
		Brand strengthening	Brand development	Brand strengthening	Brand maintenance and strengthening
Value-added distribution model	Semiconductor Business	Revenue structure transformation	Value-added products development	Value-added products expansion	Value-added products stabilization
	Cybersecurity Business		Proprietary services development	Proprietary services expansion	Proprietary services stabilization
	Common	Business strengthening	Acquisition of cutting-edge products, global strengthening, and portfolio expansion		
		Business foundation strengthening	Strengthen DX development	DX adoption and development strengthening	DX stabilization

(5) Medium-Term Management Plan (FY2025-FY2027)

(i) The Group Operating Environment

As an independent technology trading company specialized in electronics, the Group has made it its mission, from the dawn of the electronics market to the present day when sophisticated information terminals such as smartphones have permeated every corner of daily life and become indispensable to society, to provide world-leading products and technologies such as semiconductors and cybersecurity. In a rapidly changing electronics and information & communications industry, the Group has differentiated itself from competitors by providing not only product logistics functions but also accurate proposals for customer issues and technical support that enable customers to master new technologies.

Regarding the current business environment surrounding the Group and the outlook going forward, our performance will inevitably be affected by cyclical fluctuations in demand and supply driven by capital investment trends in Japan and overseas, particularly in data centers, as well as by changes in market conditions for smartphones, consumer electronics, automobiles, industrial equipment, and others. In addition, we are facing significant changes in the operating environment, including trade frictions resulting from policy changes in the United States, shifts in the global geopolitical landscape such as wars, intensifying competition among semiconductor distributors against a backdrop of consolidation and strategic alliances among semiconductor manufacturers, and ongoing industry restructuring in Japan through mergers and acquisitions among trading companies. Within the IT industry, cyberattacks, including ransomware incidents and attacks conducted through supply chains, have become increasingly prevalent, causing severe damage such as information leaks and business disruptions. As a result, a growing number of companies are recognizing cybersecurity risk as a key management issue. Furthermore, the widespread adoption of cloud services and the normalization of remote work have increased external connectivity, expanding the scope of areas that companies must protect. At the same time, the deployment of generative AI is expected to accelerate across society and the corporate sector. Significant expectations are being placed on the use of AI, autonomous driving technologies and others to address challenges such as Japan’s declining workforce and the issues faced by regional communities.

Amid this environment, the Group has newly formulated its Medium-Term Management Plan (FY2025-FY2027) to realize Vision 2030, and is promoting strategic transformation of the Group's management.

(ii) Medium-Term Management Plan

a. Medium-Term Management Targets

	FY2027 Targets
Consolidated net sales	1.4 trillion yen
Consolidated operating income	80 billion yen
Consolidated operating profit margin	5.7%
Consolidated ROE	15.0%

Consolidated ROE = Net income attributable to owners of parent / Consolidated shareholders' equity.
(Net assets excluding non-controlling interests, period-end).

b. Medium-Term Management Strategy

Group-wide Strategy

- Growth investments toward Vision 2030
- Business model transformation
- Strengthening AI-related businesses

Semiconductor Business

- Priority investments in growth countries
- Continued strengthening of growth markets
- Strengthening AI-related businesses

Cybersecurity Business

- Expansion of the value-added distribution model
- Strengthening value-added operational support services
- Expansion of services and solutions

CPS Solutions Business

- Business expansion in Smart City / Mobility and Smart Manufacturing
- Individual strengthening of Circular Economy, Healthcare, and Food & Agritech

c. Strengthening the Management Foundation

- Strengthen financial strategy
- Strengthen human capital
- Strengthen Investor Relations
- Strengthen branding
- Strengthen IT/DX
- Strengthen corporate governance

2. Sustainability Approach and Initiatives

The Group's approach and initiatives related to sustainability are as follows. This section describes environmental issues caused by climate change and matters related to human resource development and the internal environment. For other items, please refer to "II. Business Overview, 1. Management Policy, Business Environment, and Issues to be Addressed." Forward-looking statements are based on the Group's judgment as of the end of the current consolidated fiscal year.

(1) Governance

To promote sustainability management across the Group, the Company has established the Sustainability Promotion Committee. Representative Director and the President serves as the Chairperson of the Sustainability Promotion Committee and as the Chair of the Group Management Committee, the highest decision-making body for business execution, and bears ultimate responsibility for management decisions concerning environmental issues.

The Sustainability Promotion Committee formulates policies relating to the Group's environmental issues and monitors the progress of related initiatives. Based on the policies and directions established by the Committee, the Sustainability Promotion Project and the Sustainability Promotion Office at Macnica, Inc., the Group's operating company, are responsible for formulating and executing concrete plans. These plans and policies are deliberated and resolved at the Group Management Committee and subsequently reported to the Board of Directors. The Board of Directors discusses and oversees the reported matters, working to strengthen sustainability management across the entire Group.

(2) Strategy

(i) Policy and Strategy Regarding Environmental Issues

Based on TCFD recommendations, the Company has identified and assessed risks and opportunities and conducted scenario analysis, assuming the three major domestic businesses in 2030 (Note 1), to understand the medium- to long-term impact of climate-related issues on its businesses.

The analysis adopted a 4°C scenario, assuming global average temperature rise of approximately 4°C by 2100 compared with pre-industrial levels, and a 1.5°C scenario, assuming a 1.5°C rise. Under each scenario, the Company analyzed transitions in policy and market trends (transition risks and opportunities) and physical changes due to disasters and the like (physical risks and opportunities). The principal scenarios used are as follows:

a. Principal scenarios used to analyze transition risks and opportunities

- 4°C scenario: Stated Policy Scenario (STEPS) by IEA
- 1.5°C scenario: The Net Zero Emissions by 2050 Scenario (NZE) by IEA

b. Principal scenarios used to analyze physical risks and opportunities

- 4°C scenario: RCP8.5 by IPCC
- 2°C scenario: RCP2.6 by IPCC

Through the analysis process, we identified climate change-related impact factors for each scenario and assessed their potential impact on the business across approximately 400 items. From these, scenarios deemed particularly significant were identified. For each of the identified scenarios, the degree of impact and the time horizon were assessed both quantitatively and qualitatively, as shown in the table below. The degree of impact was classified into a three-level scale of Large, Medium, or Small, and the time horizon was classified into a three-level scale of Short-term, Medium-term, and Long-term.

	Category / Type		Risks / Opportunity	Business Impact	Impact	Timeline	Response policy
Risk	Transition	Policy & Regulations	Introduction of carbon tax	Procurement prices rise as carbon taxes are passed on to manufacturing and logistics costs	Large	Long-term	Securing earning power through DX (Medium-Term Management Plan)
			Tightening regulations on internal combustion engine vehicles due to the shift to EVs	As the EV market expands, sales of parts for existing internal combustion engine vehicles decline	Large	Medium-term	Focus on the EV market (Medium-Term Management Plan)
			Increase in energy and power procurement costs	Surging renewable energy prices and additional procurement costs due to worsening geopolitical conditions.	Small	Short-term	Introduction and switching to energy-efficient equipment
		Technology	Increased capital investment and fuel costs	Capital investment costs rise due to introduction of low-carbon technologies in offices	Medium	Medium-term	Reducing GHG emissions on a medium- to long-term profit-and-loss neutral basis
			Proliferation of low-GHG semiconductor products	As semiconductor manufacturing processes become low-GHG, large volumes of EOL/PCN (Note 2) occur, and response costs rise	Small	Medium-term	Promoting automation through DX (Medium-Term Management Plan)
		Market	Acceleration of direct sales between manufacturers and customers	To reduce GHG emissions in logistics, direct sales between manufacturers and customers progress	Small	Medium-term	Strengthening customer touchpoints through DX and expanding direct shipment to customers
		Reputation	Behavioral changes among stakeholders (investors, customers, applicants, etc.)	Loss of business opportunities and damage to corporate and brand value caused by delayed or low-level environmental response	Medium	Long-term	Proactive and continuous climate-change response
	Physical	Acute physical risk	Impact of flooding, storm surge on offices and logistics centers	Losses due to intensifying and increasingly frequent extreme weather, employees unable to work, reducing business activity, and damage to offices and logistics centers located in coastal areas	Small	Long-term	Development of BCP response manuals
Opportunity	Market	—	Sales expansion in line with EV market expansion	Increased sales of semiconductors for EVs as the EV market expands	Large	Short to Medium-Term	Focus on the EV market (Medium-Term Management Plan)
			Growth of businesses addressing social issues	Expansion of new circular economy solution businesses such as renewable energy, Foodtech, and energy management	Medium	Short to Medium-Term	Active expansion into related markets (Medium-Term Management Plan)
			Sales expansion of semiconductors for solutions contributing to the environment	Increased adoption of semiconductors in various IT systems contributing to emissions reduction, energy saving, clean energy, and smart grids	Large	Short to Medium-Term	Active expansion into related markets (Medium-Term Management Plan)
			Increased business opportunities in Smart City / Mobility promoting decarbonization	As Smart City / Mobility progresses and contributes to decarbonization, business opportunities and sales expand in the Group's business domains such as semiconductors, cybersecurity, and circular economy	Medium	Medium to Long-term	Active expansion into related markets (Medium-Term Management Plan)
			Increased sales in related markets driven by the promotion of climate change adaptation measures	Increase in sales of the semiconductor and solutions businesses accompanying the expansion of markets that contribute to preventing and recovering from damage caused by climate change (such as extreme heat and heavy rainfall)	Medium	Short to Medium-Term	Active expansion into related markets (Medium-Term Management Plan)

1. The major domestic businesses analyzed are the three businesses: Semiconductor Business, Cybersecurity and Other IT Solutions Business, and CPS Solutions Business.
2. EOL/PCN (End Of Life / Product Change Notice): a notice issued by a manufacturer to customers regarding the end of production or sale of a product, changes or additions to manufacturing processes or plants, or changes in product specifications.

(ii) Policy and Strategy Regarding Human Resource Development and Internal Environment

Based on the belief that people are assets ("human capital"), the Group positions its people as "an important capital that creates value and serves as the driving force for increasing competitiveness and sustaining growth toward the realization of its Vision," and continues to invest in maximizing the value of its human capital. As an initiative for human resource development, the Group has set forth "securing and utilizing diverse human resources = Diversity, Equity & Inclusion (DEI)" as a theme and has established a human resource development policy so that diverse human resources can flourish and the value of human resources can be maximized.

a. Approach to Ensuring Diversity (Basic Policy for Promoting Diversity)

◎ Purpose of promoting DEI: enhancing the Company's competitiveness and maximizing economic and social value

- Creating innovation and fostering growth of existing personnel by accepting diverse experiences
- Evolving the corporate culture by incorporating different cultures
- Solving future challenges such as severe labor shortages (in Japan)

◎ Human resource utilization:

- Since the Company's founding, priority has been placed on promoting human resources under the policies of "fairness," "meritocracy," "promotion by selection," and "empowerment"
- A culture and foundation for promoting capable people regardless of gender, nationality, race, religion, age, disability, or sexual orientation

◎ Policy:

- Continuing to improve the workplace environment (both physical and non-physical) to accommodate diversity
- Building an environment in which various employees can autonomously and proactively think, choose, and decide, and fully demonstrate their individual capabilities

b. Human Resource Development Policy

◎ Supporting each individual's career design and providing educational opportunities that foster career ownership

◎ Promoting individual performance and accelerating growth by trusting and entrusting individuals

◎ Implementing merit-based promotion by selection, irrespective of age or experience

c. Initiatives for Internal Environment Development

◎ Promotion of DEI

- Developing an environment in which people can flourish regardless of gender, nationality, race, religion, age, disability, sexual orientation, status, or position
- Continuous awareness-raising of employees using e-learning and leadership by example from management

◎ Promotion of Health & Productivity Management and Well-Being Management

- Enhancement of health promotion measures in cooperation with the health insurance association
- Strengthening labor management and overtime countermeasures
- Promoting health-oriented management; certified as a 2025 Outstanding Organization of KENKO Investment for Health (Large Enterprise Category)

◎ Promotion of Work-Style Reform

- Continued operation of a work style in which each organization or team autonomously and proactively decides on the methods and locations that maximize productivity

◎ Enhancement of Employee Engagement
- Holding the "Management Plan Presentation" (held annually, bringing together Group employees from Japan and overseas to share policies and strategies and present awards)
- Setting "Action Themes" (or slogans for employees to bear in mind during the fiscal year to align vectors)
- Conducting the "Building a Strong Company Questionnaire" (for over 10 years, based on employee- survey results, every department has set issues and countermeasures to improve the organization)

◎ Development of HR Systems and Compensation Frameworks
- Reviewing systems to make the workplace comfortable for diverse human resources
- Reviewing compensation levels so that employees can work with peace of mind
- From April 2024, beginning operation of a new HR system aimed at realizing the Purpose, strengthening capabilities and accelerating transformation

(3) Risk Management

We recognize that the appropriate identification and management of risks and business opportunities is a management issue essential to the sustainable growth of the Company. Under the Risk Management Committee, chaired by the Representative Director and President, we conduct risk assessments aligned with management issues. Significant risks are managed through a selective and focused approach, while we also respond promptly and flexibly to changes in the operating environment.

Likewise, the Sustainability Promotion Committee, along with the Sustainability Promotion Project and the Sustainability Promotion Office at Macnica, Inc., identifies and evaluates climate change-related risks and opportunities through scenario analysis, and addresses them appropriately in coordination with the Risk Management Committee.

(4) Indicators and Targets

(i) Content of Indicators Related to Policies on Environmental Issues, and Targets and Results using such Indicators; Indicators and Targets

On May 8, 2024, the Macnica Group obtained a Science Based Targets initiative (SBT) Certification, and based on this certification the Group has established greenhouse-gas (GHG) emissions reduction targets and is promoting CO2 emissions reduction initiatives in its business activities. The Company will continue to proactively reduce its environmental load in order to achieve the "1.5°C target" of the Paris Agreement.

Metric	Base year	Target year	Target
Scope 1, 2 reduction rates	FY2022	2030	△42.0%
		2050	△100%
Scope 3 reduction rates	FY2022	2030	△25.0%

Note:

SBT is an abbreviation for Science Based Targets, greenhouse gas emission reduction targets set by companies on a scientific basis, with the aim of achieving the long-term goal of the COP21 Paris Agreement of limiting global temperature rise due to climate change to below 2°C.

GHG Emissions (t-CO2)						
Item	Scope of Coverage	Emission Results (t-CO2)				
		FY2022 (Base year)	FY2023	FY2024	vs. base year	YoY
Scope 1	Including overseas consolidated subsidiaries	752.20	896.95	162.08	△78.5%	△81.9%
Scope 2	Same as above	1,544.56	1,193.69	1,291.85	△16.4%	+8.2%

Scope 3	(1)	Data for Category 1 products, calculated using the CDP Supply Chain Program		—	1,567,341.03	1,231,878.24	—	△21.4%
	(2)	Calculated using the conventional input-output table		5,033,963.58	4,416,150.02	4,008,371.59	△20.4%	△9.2%
Total Emissions	Total Scope 1–3 emissions based on the above Scope 3 classification		(1)	—	1,569,431.67	1,233,332.17	—	△21.4%
			(2)	5,036,260.34	4,418,240.66	4,009,825.52	△20.4%	△9.2%

1. Figures for FY2023 and thereafter have been subject to third-party verification.
2. With respect to Scope 1, the Company revised part of its classification method beginning in FY2024.
3. From FY2023 onward, Scope 3 Category 1 GHG emissions have been calculated using the CDP Supply Chain Program, and the Company treats the Scope 3 emissions calculated by this method as its official data.

The Group's FY2025 GHG emission results are still being aggregated as of the filing date of this Annual Securities Report; once aggregation is complete, the results will be reported on the Company's website, on the sustainability information page.

(ii) Content of Indicators Related to Policy on Human Resource Development and Internal Environment Development, and Targets and Results using such Indicators; Indicators and Targets

Regarding the indicators related to the Group's policies on human resource development, including ensuring diversity, and on internal environment development, as set forth in '(2) Strategy' above: while the Company has been implementing specific initiatives and managing the relevant indicator data, these initiatives have not yet been rolled out across all companies in the consolidated group. As a result, it is difficult to provide disclosures on a consolidated group basis. Therefore, the targets and results for the following indicators are disclosed for Macnica, Inc., a subsidiary of the reporting company that operates the major business of the consolidated group.

Indicator	Target	Result (current consolidated fiscal year)
Ratio of female employees in management positions	10% by FY2030 (March 2031)	9.7%

3. Business Risks

Among the matters regarding business conditions and financial conditions stated in this Annual Securities Report, the principal risks that management recognizes as having the potential to materially affect the financial position, operating results, and cash flows of the consolidated group are as follows. Forward-looking statements in this section are based on the Group's judgment as of the end of the current consolidated fiscal year.

(1) Risks Relating to the External and Internal Management Environment

(i) Impact of the Silicon Cycle, Supply-Demand Balance and Economic Fluctuations

The semiconductor industry, to which the Group belongs, is known to experience cycles of boom and bust called "silicon cycles." In an upturn, many companies rush to expand production, and the subsequent manufacturing facilities arrive simultaneously, leading to oversupply, price declines and a drop or stagnation of net sales. In a downturn, investment is restrained simultaneously, after which supply shortages occur, price declines halt, utilization rates rise, and the market enters a boom again. The Group may be affected by such cycles of boom and bust peculiar to the semiconductor industry. In addition, although the Group constantly shares the latest information with customers and suppliers, changes in demand for the semiconductors handled by the Group, changes in semiconductor supply capacity, changes in the prices and life cycles of products incorporating semiconductors, separate from the cycle, may affect the Group's business performance and financial conditions, as has been seen recently.

(ii) Supply Chain in General

In its core Semiconductor Business, the Group procures products from semiconductor manufacturers primarily in the US and sells them to customers (various manufacturing businesses) around the world. Semiconductor manufacturing processes consist of front-end, back-end, and shipment test processes; for each product, these processes are located across the world, primarily in Asia, and many of the customer production sites are also located across Asia. The Group likewise has operating bases in 33 countries and regions worldwide, centered on Asia. While the Group conducts various business continuity initiatives, if the current supply chain model becomes dysfunctional due to pandemic lockdowns, natural disasters or events such as wars and armed conflicts, and business continuity becomes difficult, the Group's business performance and financial conditions may be affected.

(iii) Relationships with Suppliers

The Group has as its suppliers various domestic and overseas companies with cutting-edge technologies and products. The Group maintains close relationships with these suppliers through distributorship and other agreements; however, if a supplier is subject to M&A or if the distributor arrangements are reorganized after review of the supplier's distributor policy, a change in distribution rights may occur and business performance may be affected. Furthermore, while the semiconductor and IT and security industries are subject to rapid technological innovation, if a supplier's product development capabilities decline significantly and its products cease to be competitive, the Group's business performance and financial conditions may be affected.

(iv) Continuous Development of New Suppliers

The Group has expanded and strengthened its product lineup by quickly identifying companies with cutting-edge technologies and competitive products and services in Japan and overseas and entering into distributorship agreements with them. Competition to secure such companies is intense. If continuous development of new suppliers becomes difficult, the execution of the Group's business plans may be affected.

(v) Building the Services & Solutions Model

The Group aims to expand the value-added distribution business model cultivated in the semiconductor and network businesses and to transform into a value-added Services & Solutions Model that creates value beyond the framework of a technology trading company, by collaborating, in addition to existing suppliers and customers, with research institutions, government agencies, and Group companies acquired through M&A. The Group has already acquired the specialized technologies and partners necessary in each market and has steadily recorded a certain level of transactions in fields such as autonomous driving solutions and Smart Manufacturing; however, if progress in these new businesses is delayed, the execution of the Group's business plans aimed at future earnings expansion may be affected.

(vi) Maintenance of Advanced Technological Capabilities and Securing Talent

The semiconductor and IT and security industries, to which the Group belongs, experience rapid technological innovation, and future growth and profitability improvement depend significantly on providing solutions tailored to customer issues based on advanced expertise in semiconductors, security, AI, and digital technologies. Providing such value to customers requires raising internal technological capabilities and recruiting and developing talented personnel. Competition to secure talented engineers is particularly intense in recent years; the Group is focused on securing talented engineers through various initiatives that support the performance of highly specialized personnel and maximize human capital. However, if the Group is unable to recruit sufficient engineers or if talented engineers leave, the execution of the Group's business plans may be affected.

(vii) Country Risk

The Group has bases in 33 countries and regions worldwide, centered on Asia. If, in each country or region where the Group conducts business, unforeseeable events such as significant changes in laws and regulations, terrorism, war, export restrictions on semiconductor products to China due to intensified US-China tensions or boycott movements in China, rapid changes in other political or economic conditions, wars and armed conflicts, or outbreaks of disease occur and business activities are significantly affected, the Group may face stagnation of overseas operations or the occurrence of unexpected losses, which may have a material impact on the Group's business performance and financial condition.

(2) Financial Risks

(i) Impact of Exchange Rate Fluctuations

In the Group's business, the proportion of US dollar-denominated purchases in the fiscal year ended March 31, 2026 was 82.0% of domestic purchases, and the proportion of US dollar-denominated sales was 43.9% of total sales including overseas sales, so the proportion of foreign currency denominated transactions is high and exchange rate fluctuations may have a material impact on the Group's operating results. Specifically, exchange rate fluctuations between the occurrence of receivables/payables and their settlement may cause fluctuations in sales for US dollar-denominated sales, fluctuations in cost of sales for US dollar-denominated purchases, and the occurrence of non-operating gains or losses. In addition, transactions with major US suppliers include terms under which purchase price discounts are settled at the time of sale, several months after the purchase, during which the receivable equivalent to the purchase discount may fluctuate. Furthermore, the Group prepares its consolidated financial statements by translating the local currency-based assets and liabilities of overseas subsidiaries into yen and therefore bears translation risk due to exchange rate fluctuations. While the Group hedges foreign currency denominated receivables and payables, such exchange rate risk cannot be fully eliminated, and exchange rate fluctuations may affect the Group's business performance and financial conditions.

(ii) Impact of Inventory Write-offs and Valuation Losses

In the Group's business, in order to respond quickly to customers' required quantities and delivery dates, several months' worth of inventory is held. The Group manages inventory so as to maintain appropriate levels by adjusting orders to suppliers while considering demand forecasts for end products in which the Group's products are incorporated and customers' required quantities and order status. However, in the event of a sharp change in customer required quantities, or if products designated as end-of-production items or held as maintenance inventory differ from initially projected customer required quantities, disposal or reassessment of carrying value may be required. In such cases, the Group’s business performance and financial conditions may be affected.

(iii) Business Investment Risk

The Group has conducted M&A and acquired subsidiaries to establish firm positions in existing businesses and to expand globally. In addition, aiming for continuous growth, the Group invests not only in existing businesses but also in companies in new business areas such as AI and healthcare. With respect to these investments, the appropriateness and fairness of the investment are deliberated and examined by the Business Investment Committee, and a final decision is made by the Group Management Committee, Board of Directors, or other authorized decision-making bodies, with ongoing monitoring of the performance of such companies. However, if the value of investee companies or the market value of their shares declines, the Group may lose all or a substantial part of the investment amount. In such cases, the Group's business performance and financial condition may be affected.

(3) Legal and Other Risks

(i) Export Control Regulations and Tariffs

Since the Group imports and exports cutting-edge electronic components such as semiconductors and integrated circuits, as well as network-related products, security-related products, and

associated technologies, it is subject to export-related laws and regulations and related rules. The Group complies with export-related laws and regulations and related rules to appropriately conduct security trade control. However, there remains a possibility that products handled by the Group may, without the Group's knowledge, be diverted through a user to a country of concern and used in part for military purposes.

The Group takes maximum measures to mitigate this risk, including export control classification determinations and reviews of destinations, end users, intended uses, transaction routes, and other relevant factors. In addition, where appropriate, the Group requests customers to submit written undertakings confirming that the products will not be used for military purposes without the required governmental approvals and procedures, and confirming compliance with applicable export control laws, regulations, and related requirements. If, despite these measures, products traded by the Group are used by unexpected users or for unexpected purposes, the Group's business performance may be affected as a result. In addition, developments in tariff policies, including those of the United States, may affect the Group's business performance and financial conditions.

(ii) Information Security

Through the sale of its products and services, the Group may come to know various confidential information such as personal information held by customer companies. In such circumstances, service outages or leaks, alterations, or loss of personal or confidential information may occur due to cyberattacks or human error. The Company has introduced cutting-edge cybersecurity products and has organized a team that can immediately analyze and respond when systems detect cyberattacks. In addition, the Group continuously conducts education and awareness activities for employees, including on related laws and regulations in each region of the world, and is taking maximum measures to mitigate such risks. However, despite these efforts, if information leaks or the like occur, claims for damages from customer companies or a loss of trust in the Group may affect the Group's business performance and financial conditions.

(iii) Indemnity Risk

Because of the nature of its business, the products and services handled by the Group are used in various products and services of customer companies, so the Group may be required to bear damages due to product defects and similar issues. The Group takes maximum measures to prevent and mitigate risks through contractual measures and through cooperation and coordination with supplier manufacturers in response to product claims; however, despite such measures, if serious problems occur, the Group's business performance and financial conditions may be affected as a result.

4. Management's Analysis of Financial Positions, Operating Results and Cash Flows

(1) Overview of Operating Results

The overview of the financial positions, operating results, and cash flows (hereinafter referred to as "operating results, etc.") of the Group (the Company, its consolidated subsidiaries, and equity method affiliates) for the current consolidated fiscal year is as follows.

(i) Financial Positions and Operating Results

During the current fiscal year, the Japanese economy continued to recover gradually, supported by recovery in employment and incomes, steady improvement in corporate earnings, and a gradual rebound in capital investment, despite the ongoing impact of rising prices. Globally, in addition to concerns about trade friction stemming from changes in US policy and existing geopolitical risks, newly heightened tensions in the Middle East have added further uncertainty, and the outlook remains unclear.

In the electronics industry, to which the Company belongs, demand for high-performance semiconductors such as memory and GPUs surged on the back of increased demand for generative AI servers, and the global semiconductor market reached a record size. In the industrial equipment market, capital investment in semiconductor manufacturing equipment used to produce these semiconductors remained strong. In the automotive market, although the overall market is sluggish,

partly because the EV (electric vehicle) market grew more slowly than expected, demand for advanced control systems aimed at improved safety and automation has continued.

In the IT industry, the IT investment environment for enterprises remained favorable. With respect to security, ransomware attacks and supply-chain-based cyberattacks have occurred frequently, causing serious damage including information leakage and business disruption, and an increasing number of companies recognize cybersecurity risk as a management issue. In addition, as cloud usage and remote work have become established, external connections of corporate IT systems have grown and the areas that companies need to address have expanded. Interest is rising in zero trust, which assumes that users and devices on internal systems should not be trusted by default, in attack surface management (ASM), which visualizes and manages risks associated with information assets, and in solutions for data analysis and visualization.

As a result of the above, net sales for the current fiscal year were 1,214,196 million yen, up 17.4% year on year, operating income was 41,950 million yen, up 5.8% year on year, ordinary income was 37,392 million yen, up 0.2% year on year, and net income attributable to owners of the parent was 27,765 million yen, up 9.8% year on year.

Results by segment are as follows. Effective from the fiscal year ended March 31, 2026, the segment name "Network Business" has been changed to "Cybersecurity and Other IT Solutions Business." This is a change in name only; there are no changes in segment classification, scope, or measurement method.

ICs, Electronic Devices and Other Business

In this business segment, in the industrial equipment market, in addition to share expansion through new business channels in overseas markets, the market itself recovered, led by semiconductor manufacturing equipment. In the computer market, accelerating investment in generative AI drove increased demand both in Japan and overseas, particularly for high-performance AI servers. In the automotive market, although the market itself remained stagnant, our sales activities were recognized, leading to progress in the transfer of distribution channels.

As a result, net sales in this business for the fiscal year ended March 31, 2026 were 1,040,045 million yen, up 18.2% year on year. Operating income was 24,735 million yen, down 6.1% year on year, due to an increase in the proportion of overseas sales with relatively low profit margins, and an increase in selling, general and administrative (SG&A) expenses arising from investment for medium- to long-term business expansion into new businesses.

Cybersecurity and Other IT Solutions Business

In this business segment, awareness of the importance of security measures for client terminals continued to permeate, and endpoint security-related products continued to perform steadily. Against the backdrop of expanded use of cloud services and the spread of zero-trust security, solutions supporting safe content management on the cloud, as well as SASE (Secure Access Service Edge)-related products that integrate networks and security, grew steadily. In addition, overseas cybersecurity operations centered in Southeast Asia continued to grow steadily.

As a result, net sales in this business for the current fiscal year were 174,230 million yen, up 13.2% year on year, and operating income was 17,213 million yen, up 29.2% year on year.

Assets

Current assets increased by 142,936 million yen compared to the end of the previous fiscal year, due to increases of 15,942 million yen in electronically recorded receivables, 62,659 million yen in accounts receivable, 29,362 million yen in product, and 29,578 million yen in other current assets.

Fixed assets increased by 1,512 million yen compared to the end of the previous fiscal year. This was mainly due to an increase of 1,558 million yen in net defined benefit asset.

Liabilities

Current liabilities increased by 116,509 million yen compared to the end of the previous fiscal year. This was mainly due to increases of 77,367 million yen in notes and accounts payable, 3,202 million yen in accrued income taxes, 5,304 million yen in contract liabilities, 22,276 million yen in deposits received, and 5,808 million yen in other current liabilities.

Long-term liabilities increased by 301 million yen compared to the end of the previous fiscal year. This was mainly due to increases of 370 million yen in lease obligations and 203 million yen in deferred tax liabilities, despite a decrease of 263 million yen in other long-term liabilities.

Net Assets
Net assets increased by 27,638 million yen compared to the end of the previous fiscal year. This was mainly due to increases of 15,271 million yen in retained earnings, 11,259 million yen in translation adjustments, and 1,119 million yen in non-controlling interests.

(ii) Cash Flows

The balance of cash and cash equivalents at the end of the current fiscal year was 54,370 million yen, up 5,917 million yen from 48,452 million yen at the end of the previous fiscal year.

Cash Flows from Operating Activities
Net cash provided by operating activities was 18,774 million yen, compared to 24,232 million yen in the previous fiscal year. This was mainly due to recording 38,641 million yen of income before income taxes and an increase in trade payable, despite increases in notes and accounts receivable and inventories.

Cash Flows from Investing Activities
Net cash used in investing activities was 1,306 million yen, compared to 9,573 million yen in the previous fiscal year. This was mainly due to disbursement of loans and purchases of property and equipment and intangible assets, despite proceeds from collection of loans and proceeds from sales of investment securities.

Cash Flows from Financing Activities
Net cash used in financing activities was 15,158 million yen, compared to 4,229 million yen in the previous fiscal year. This was mainly due to repayment of long-term debt and cash dividends paid.

(iii) Purchases, Orders Received and Sales

a. Purchase Results
Purchase results for the current consolidated fiscal year, by segment, are as follows.

Segment	Purchases (Millions of yen)	Year-on-year (%)
ICs, Electronic Devices and Other Business	946,130	+23.3
Cybersecurity and Other IT Solutions Business	168,494	+14.6
Total	1,114,624	+21.9

Inter-segment transactions are eliminated.

b. Orders Received
Orders received for the current consolidated fiscal year, by segment, are as follows.

Segment	Orders received (Millions of yen)	Year-on-year (%)	Order backlog (Millions of yen)	Year-on-year (%)
ICs, Electronic Devices and Other Business	1,384,181	+77.5	826,795	+71.3
Cybersecurity and Other IT Solutions Business	188,858	+13.7	71,460	+25.9
Total	1,573,040	+66.3	898,256	+66.5

1. Inter-segment transactions are eliminated.
2. The increase in orders received and order backlog in the ICs, Electronic Devices and Other Business segment was mainly attributable to the transfer of distribution channel from overseas suppliers.

c. Sales Results

Sales results for the current consolidated fiscal year, by segment, are as follows.

Segment	Sales (Millions of yen)	Year-on-year (%)
ICs, Electronic Devices and Other Business	1,040,045	+18.2
Cybersecurity and Other IT Solutions Business	174,150	+13.1
Total	1,214,196	+17.4

Inter-segment transactions are eliminated.

(2) Analysis and Discussion of Operating Results from Management's Perspective

Management's recognition, analysis, and discussion of the Group's operating results, from management's perspective are as follows.

Forward-looking statements herein are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(i) Recognition and Analysis / Discussion of the Operating Results for the Current Consolidated Fiscal Year

During the current fiscal year, in the electronics industry, to which the Company belongs, demand for high-performance semiconductors, including GPUs and memory devices, for generative AI applications increased throughout the year. In the automotive market, although vehicle production volumes declined, semiconductor content per vehicle continued to increase, driven by demand for advanced control systems aimed at enhancing safety and automation, as well as the ongoing shift toward electric vehicles (EVs) in support of decarbonization. In the industrial equipment market, recovery in the domestic market was delayed during the first half of the fiscal year due to customer inventory adjustments, while overseas markets experienced a recovery. In the IT industry, the environment for corporate IT investment remained favorable. In the area of cybersecurity, ransomware attacks and cyberattacks conducted through supply chains have become increasingly frequent, causing significant damage, including information leaks and business disruptions. As a result, a growing number of companies now recognize cybersecurity risk as a key management issue. Furthermore, the widespread adoption of cloud services and the normalization of remote work have increased external connectivity, expanding the range of areas requiring security measures. Within internal systems, interest is growing in zero-trust security models, which assume no inherent trust in users or devices; ASM (Attack Surface Management), which visualizes and manages risks associated with information assets; and solutions for data analytics and visualization.

Under this economic environment, net sales for the current fiscal year were 1,214,196 million yen, up 17.4% year on year, operating income was 41,950 million yen, up 5.8% year on year, ordinary income was 37,392 million yen, up 0.2% year on year, and net income attributable to owners of the parent was 27,765 million yen, up 9.8% year on year.

a. Net Sales

Net sales for the current consolidated fiscal year increased 17.4% year on year to 1,214,196 million yen.

In the ICs, Electronic Devices and Other Business, sales relating to industrial equipment in Japan declined slightly during the first half of the fiscal year due to customer inventory adjustments. Overseas, however, sales increased as a result of both market recovery and market share expansion driven by the acquisition of new distribution channels, particularly for analog ICs. In addition, sales of AI servers for data centers increased, primarily in overseas markets, resulting in a significant increase in sales of computers. As a result, sales increased 18.2% year on year to 1,040,045 million yen.

In the Cybersecurity and Other IT Solutions Business, in Japan, demand from large enterprises continued to expand as the scope of cybersecurity measures broadened, while the adoption of

security solutions also increased among small and medium-sized enterprises. As a result, sales grew significantly, particularly for endpoint security-related products. Demand for cybersecurity solutions also remained strong in overseas operations, mainly in Southeast Asia. Consequently, sales increased 13.2% year on year to 174,230 million yen.

b. Cost of Sales, and Selling, General & Administrative Expenses

Cost of sales increased by 18.7% from 912,928 million yen in the previous consolidated fiscal year to 1,083,758 million yen. The ratio of cost of sales to net sales was 89.3%. Selling, general & administrative expenses increased by 8.4% from the previous consolidated fiscal year to 88,487 million yen. The ratio of selling, general & administrative expenses to net sales was 7.3%.

c. Operating income

Operating income increased by 5.8% from 39,649 million yen in the previous consolidated fiscal year to 41,950 million yen, due to an increase in gross profit.

d. Non-Operating income

Non-operating income increased by 63.3% from 1,732 million yen in the previous consolidated fiscal year to 2,829 million yen, due to increases in dividend income of 247 million yen and insurance proceeds of 477 million yen, among other factors, despite a decrease in interest income of 286 million yen.

e. Non-Operating Expenses

Non-operating expenses increased by 81.7% from 4,064 million yen in the previous consolidated fiscal year to 7,387 million yen, due to increases in interest expense of 495 million yen and foreign exchange losses of 2,640 million yen, among other factors.

f. Ordinary Income

Ordinary income increased by 0.2% from 37,318 million yen in the previous consolidated fiscal year to 37,392 million yen.

g. Extraordinary Income

Extraordinary income increased by 56.1% from 1,158 million yen in the previous consolidated fiscal year to 1,807 million yen, due to an increase in proceeds from sale of investment securities of 1,020 million yen, among other factors.

h. Extraordinary losses

Extraordinary losses decreased by 43.3% from 984 million yen in the previous consolidated fiscal year to 558 million yen, due to a decrease in impairment loss of 355 million yen, among other factors.

i. Income before income taxes

Income before income taxes increased by 3.1% from 37,491 million yen in the previous consolidated fiscal year to 38,641 million yen.

j. Corporate, Inhabitant and Enterprise Taxes and Income Taxes-Deferred

The ratio of income taxes to income before income taxes decreased by 2.3 percentage points from 28.4% in the previous consolidated fiscal year to 26.1%.

k. Net income attributable to owners of parent

Net income attributable to owners of parent increased by 9.8% from 25,279 million yen in the previous consolidated fiscal year to 27,765 million yen.

(ii) Analysis and Discussion of Cash Flow Situation, and Information on Sources of Capital and Fund Liquidity

a. Financial Position

Please refer to "II Business Summary, 4. Management's Analysis of Financial Positions, Operating Results, and Cash Flows, (1) Overview of Operating Results, (i) Financial Positions and Operating Results."

b. Cash Flows

Please refer to "II Business Summary, 4. Management's Analysis of Financial Positions, Operating Results, and Cash Flows, (1) Overview of Operating Results, (ii) Cash Flows."

c. Funding Needs

The Group's primary working capital requirements arise from the difference between payment and collection terms associated with sales growth and from the holding of product inventory. The difference in terms is mainly attributable to the fact that the payment terms for purchases payable to overseas suppliers are shorter than the collection terms from domestic and overseas customers. With respect to product inventory, the Group maintains appropriate levels in order to meet delivery deadlines for customers.

d. Financial Policy

Increases in working capital within the Group are funded through internal funds, the securitization of notes and accounts receivable, and borrowings from financial institutions. Regarding funding requirements of each Group company, we take into account overall capital efficiency across the Group, as well as the funding environment and market conditions, and flexibly determine whether funds will be raised by each company independently or through intercompany loans from our subsidiary, Macnica, Inc.

(iii) Key Accounting Estimates and the Assumptions Used

The Group's consolidated financial statements are prepared in accordance with accounting standards generally accepted in Japan.

In preparing these consolidated financial statements, estimates that affect the carrying amounts of assets and liabilities and the reported amounts of income and expenses primarily relate to inventories, allowance for doubtful accounts, impairment of investments, deferred tax assets, accrued bonuses, retirement benefit expenses, and other items, and these estimates are continuously evaluated. Estimates and judgments are made based on various factors considered reasonable in light of past performance and circumstances; however, due to the inherent uncertainty of estimates, actual results may differ.

The Company considers the following significant accounting policies in particular to have a material impact on the judgments and estimates used by the Company in preparing the Group's consolidated financial statements.

a. Inventories

The Group recognizes write-downs based on net realizable value when the net realizable value falls below the carrying amount, on the basis that profitability has declined, in light of future demand, market conditions, and other factors. The Group also records write-downs for slow-moving inventory, under which carrying amounts are written down to a specified amount in accordance with the number of days the inventory has been held, as well as individual write-downs based on estimates of future sales potential.

b. Allowance for Doubtful Accounts

The Group records an allowance for doubtful accounts based on the estimated amount of losses that may arise in the event of customer insolvency. If the financial condition of customers deteriorates and their ability to pay declines, additional provisions may become necessary.

c. Impairment of Investments

The Group holds shares on an exceptional basis only when such holdings are deemed to contribute to the enhancement of corporate value over the medium- to long-term. Such holdings are maintained not only to preserve and strengthen relationships with business partners, but also for the purposes of capital and business alliances and participation in, or creation of, new business areas. The Group also invests in investment limited partnerships and similar partnerships (those deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) for the purpose of gathering information aimed at developing new suppliers. These investments include investments in publicly listed companies and others with market prices, as well as investments in unlisted companies and others without market prices. With respect to investments with market prices, impairment is recognized unconditionally when the market price has declined by 50% or more from the acquisition cost; when the decline is 30% or more but less than 50%, impairment is recognized on an individual basis after considering the trend of the rate of decline, the financial condition of the issuer, and other factors.

On the other hand, with respect to impairment of investments without market prices, when the substantive value has significantly declined and recoverability is not deemed possible based on reasonable business plans and other factors, impairment is recognized down to the substantive value.

Shares of non-consolidated subsidiaries and affiliates are also accounted for in accordance with the method for valuation of securities.

During the current consolidated fiscal year, impairment was recognized, and a loss on valuation of investment securities of 409 million yen was recorded. There remains a possibility that valuation losses may be recorded in the future due to deterioration in the stock market, poor business performance of investees, or other factors.

d. Deferred Tax Assets

The Group records deferred tax assets after carefully considering future taxable income and continuous business plans that are highly likely to be realized. However, if the Group determines that all or a portion of the deferred tax assets cannot be recovered or realized, an adjustment to deferred tax assets may be recognized as an expense in the period in which such determination is made.

e. Accrued bonuses

Accrued bonuses is recorded based on the portion of the estimated payment amount attributable to the current period, in accordance with business performance during the period subject to payment. However, since the actual amount of payment is determined at the time of payment after taking into consideration the external environment and the situation of the Group, additional expenses may need to be recognized if the actual amount of payment differs from the estimate.

f. Retirement Benefit Expenses and Net Defined Benefit Liability

Retirement benefit expenses and net defined benefit liability are calculated based on assumptions set forth in actuarial calculations. The assumptions include the discount rate applied to retirement benefit obligations, future compensation levels, retirement rates, mortality rates calculated based on the most recent statistical figures, and the expected rate of return on plan assets, among others. If actual results differ from the assumptions, or if the assumptions are changed, this may affect expenses to be recognized and liabilities to be recorded in the future.

5. Material Contracts

On April 1, 2015, the Company entered into a management-guidance agreement and a business entrustment agreement with its consolidated subsidiary Macnica, Inc. concerning management oversight and guidance, and the entrustment of business operations. Major agreements between the Group and suppliers follow.

Company	Counterparty	Contract items	Type	Contract period
Macnica, Inc.	Analog Devices, Inc.	Semiconductor integrated circuits and other related products	Distributorship Agreement	Effective from August 13, 2018 to December 31, 2019, and further extended for one year from January 1, 2020; automatically renewed for one-year periods thereafter, terminable by written notice to the other party 90 days in advance.
	Infineon Technologies Japan K.K.	Semiconductor integrated circuits and other related products	Distributorship Agreement	Effective from November 1, 2020; terminable by written notice to the other party three months in advance.
	Renesas Electronics Corporation	Semiconductor integrated circuits and other related products	Distributorship Agreement	Effective from November 20, 2019 and remains in effect unless a cause for termination arises.
MACNICA CYTECH LIMITED	Analog Devices, Inc.	Semiconductor integrated circuits and other related products	Distributorship Agreement	Effective from August 13, 2018 to December 31, 2019; renewed annually thereafter until cancelled by either party.
	Altera Semiconductor Technology Inc.	Semiconductor integrated circuits and other related products	Distributorship Agreement	Effective from August 1, 2018 to December 31 of the same year, and automatically renewed for successive one-year periods thereafter; may be terminated by written notice given at least 30 days in advance.

6. Research and Development

As a Services & Solutions Company, the Group's research activities are centered on technical support to address customer issues. The Group does not conduct research and development on fundamental technologies (elemental technologies), but it does plan and develop software supporting the latest specifications and boards, modules, and the like. The Group is also advancing the development of software, hardware, and services that serve as the foundation of its service and solutions business model.

Total research and development expenses for the current consolidated fiscal year were 2,510 million yen. Research and development activities by segment are as follows.

(1) ICs, Electronic Devices and Other Business

In the ICs, Electronic Devices and Other Business, the Group has been developing software, including software for autonomous EV buses used in Smart City/Mobility business. Leveraging these achievements, EVO, a Level 4 autonomous EV bus, has entered regular operation on public roads, contributing to the Group’s differentiation and sales promotion efforts. Research and development expenses in this segment for the current fiscal year amounted to 2,510 million yen.

(2) Cybersecurity and Other IT Solutions Business

Not applicable.

III. Facility Status

1. Overview of Capital Investment

Total capital expenditures made during the current consolidated fiscal year by the Company and its consolidated subsidiaries amounted to 4,333 million yen. The breakdown by segment is as follows. Amounts include investment in intangible assets as well as property, plant and equipment.

(1) ICs, Electronic Devices and Other Business

Major capital expenditures for the current consolidated fiscal year were made to build a management system infrastructure that can accommodate the future business model transformation, including the global rollout of the next-generation ERP system. Total investment was 3,293 million yen.

No significant retirement or sale of facilities occurred.

(2) Cybersecurity and Other IT Solutions Business

Major capital expenditures for the current fiscal year consisted primarily of the expansion of hardware maintenance equipment to support the growth of the cybersecurity business, with total capital expenditures amounting to 1,040 million yen.

No significant retirement or sale of facilities occurred.

(3) Corporate (Common)

There is no matter to be specifically noted, and no significant retirement or sale of facilities occurred.

2. Major Facilities

(1) The Reporting Company

There are no significant facilities.

(2) Domestic Subsidiaries

As of March 31, 2026

Company	Office (Location)	Segment	Type of facility	Book value (Amounts in millions of yen)							Employees [temp.]
				Buildings and structures	Tools, furniture and fixtures	Machinery, equipment and vehicles	Land (m²)	Lease assets	Software	Total	
Macnica, Inc.	Macnica Building No. 1 (Kohoku-ku, Yokohama)	ICs, Electronic Devices and Other Business	Office, warehouse	1,081	219	99	777 (1,499)	17	4,108	6,303	1,306 (235)
Macnica, Inc.	Macnica Building No. 2 (Kohoku-ku, Yokohama)	ICs, Electronic Devices and Other Business; Cybersecurity and Other IT Solutions Business	Office, warehouse	603	163	8	600 (1,284)	3	123	1,502	879 (213)
Macnica, Inc.	Logistics Center (Kanagawa-ku, Yokohama)	ICs, Electronic Devices and Other Business; Cybersecurity and Other IT Solutions Business	Warehouse, office	11	58	44	–	52	0	166	1 (3)
Macnica, Inc.	Shinagawa Office (Minato-ku, Tokyo)	ICs, Electronic Devices and Other Business	Office	211	3	–	–	–	0	216	112 (9)

Figures in parentheses in the Employees column represent the annual average number of temporary workers.

(3) Overseas Subsidiaries

There are no significant facilities.

3. Capital Investment, Disposals of Facilities

(1) Significant New Additions, etc.

There is no matter to be specifically noted.

(2) Significant Retirement, etc.

Other than retirement or sale of facilities in the ordinary course of replacement, there are no plans for significant retirement or sale of facilities.

IV. Information on the Reporting Company

1. Stock Information

(1) Total Number of Shares, etc.

(i) Total Number of Shares

Class	Total number of authorized shares (Shares)
Common shares	600,000,000
Total	600,000,000

(ii) Shares Issued

Class	Shares issued at fiscal year-end (March 31, 2026)	Shares issued at filing date (June 23, 2026)	Listed exchange or certified financial instruments business association	Description
Common shares	179,072,146	179,072,146	Tokyo Stock Exchange (Prime Market)	One trading unit is 100 shares.
Total	179,072,146	179,072,146	—	—

(2) Status of Share Acquisition Rights, etc.

(i) Details of Share Option Plans

Not applicable.

(ii) Details of Rights Plans

Not applicable.

(iii) Status of Other Share Acquisition Rights, etc.

Not applicable.

(3) Status of Exercise of Bonds with Share Acquisition Rights with Exercise Price Adjustment Clauses

Not applicable.

(4) Changes in the Total Number of Shares Issued, Capital, etc.

Date	Change in shares issued (Thousand shares)	Shares issued balance (Thousand shares)	Change in capital (Millions of Yen)	Capital balance (Millions of Yen)	Change in capital surplus (Millions of Yen)	Capital surplus balance (Millions of Yen)
March 31, 2023 (Note 1)	△2,173	60,857	—	14,040	—	6,540
October 1, 2024 (Note 2)	121,714	182,572	—	14,040	—	6,540
January 31, 2025 (Note 1)	△3,500	179,072	—	14,040	—	6,540

1. Decrease due to cancellation of treasury shares.
2. A 3-for-1 common share split was implemented effective October 1, 2024, increasing the total number of shares issued by 121,714 thousand shares.

(5) Shareholder Composition by Type

As of March 31, 2026

Category	Status of Shares (1 trading unit: 100 shares)								Status of Shares Less Than One Trading Unit (shares)
	Gov't & municipalities	Financial institutions	Financial instruments dealers	Other corporations	Foreign corporations, etc.		Individuals & other	Total	
					Non-individual	Individual			
Number of shareholders (persons)	—	36	46	199	275	50	27,426	28,032	—
Shares held (trading units)	—	466,403	29,129	322,581	548,695	1,067	420,791	1,788,666	205,546
Shareholding ratio (%)	—	26.08	1.63	18.03	30.68	0.06	23.53	100.00	—

1. Treasury shares of 509,089 are included in "Individuals & other" (5,090 trading units) and in "Shares less than 1 trading unit" (89 shares).
2. The "Shares less than one trading unit" column includes 61 shares registered in the name of the Japan Securities Depository Center, Inc.

(6) Major Shareholders

As of March 31, 2026

Name	Address	Shares held (thousands)	Ratio to total shares issued (excl. treasury) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	23,577	13.20
Kamiyama Foundation (General Incorporated Foundation)	2-6-1 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa	18,000	10.08
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	13,896	7.78
Seeds Technology Inc.	2-6-1 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa	10,500	5.88
Haruki Kamiyama	Aoba-ku, Yokohama, Kanagawa	9,600	5.38
JP MORGAN CHASE BANK 380055 (Standing Proxy: Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY 10017, USA (2-15-1 Konan, Minato-ku, Tokyo)	7,021	3.93
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd.)	One Congress Street, Suite 1, Boston, Massachusetts (2-15-1 Konan, Minato-ku, Tokyo)	3,040	1.70
Yuko Kamiyama	Aoba-ku, Yokohama, Kanagawa	2,940	1.65
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	2,579	1.44
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. Box 351 Boston Massachusetts 02101 USA (2-15-1 Konan, Minato-ku, Tokyo)	2,469	1.38
Total	—	93,626	52.43

1. In addition to the above, the Company holds 509 thousand treasury shares.

2. Of the shares shown above, the number of shares related to trust business activities is as follows:
   The Master Trust Bank of Japan, Ltd. (Trust Account): 23,484 thousand shares
   Custody Bank of Japan, Ltd. (Trust Account): 12,896 thousand shares
   The Nomura Trust and Banking Co., Ltd. (Investment Trust Account): 2,579 thousand shares

3. Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders filed an amendment report dated September 19, 2025 (reporting obligation date: September 15, 2025), reporting the shareholdings shown below. However, as the actual shareholdings as of March 31, 2026 could not be confirmed, these holders are not included in the list of major shareholders above.

Name	Address	Shares held (thousand)	Ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	4,603	2.57
Amova Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku Tokyo	8,002	4.47

4. Columbia Wanger Asset Management, LLC and its joint holders filed an amendment report dated February 5, 2026 (reporting obligation date: January 30, 2026), reporting the shareholdings shown below. However, as the actual shareholdings as of March 31, 2026 could not be confirmed, these holders are not included in the list of major shareholders above.

Name	Address	Shares held (thousand)	Ratio (%)
Columbia Wanger Asset Management, LLC	71 South Wacker Drive, Suite 2500, Chicago, Illinois 60606-4637, USA	0	0.00
Threadneedle Asset Management Ltd.	Cannon Place, 78 Cannon Street, London, EC4N 6AG, United Kingdom	2,370	1.32
Columbia Management Investment Advisers, LLC	290 Congress Street, 7th Floor, Boston, Massachusetts 02210, USA	8,786	4.91
Columbia Threadneedle Management Ltd.	Cannon Place, 78 Cannon Street, London, EC4N 6AG, United Kingdom	23	0.01

5. Dalton Investments, Inc. filed an amendment report dated March 18, 2026 (reporting obligation date: March 11, 2026), reporting the shareholdings shown below. However, as the actual shareholdings as of March 31, 2026 could not be confirmed, this holder is not included in the list of major shareholders above.

Name	Address	Shares held (thousand)	Ratio (%)
Dalton Investments, Inc	9440 West Sahara Avenue, Suite 215, Las Vegas, Nevada 89117, USA	14,653	8.18

(7) Status of Voting Rights

(i) Shares Issued

As of March 31, 2026

Category	Number of shares	Number of voting rights	Description
Non-voting shares	—	—	—
Restricted voting shares (treasury shares, etc.)	—	—	—
Restricted voting shares (other)	—	—	—
Full voting shares (treasury shares, etc.)	(Treasury shares held) Common shares: 509,000	—	Standard shares with no restrictions on shareholders' rights
Full voting shares (other)	Common shares: 178,357,600	1,783,576	Same as above
Shares less than one trading unit	Common shares: 205,546	—	Shares of less than one trading unit (100 shares)
Total shares issued	179,072,146	—	—
Total voting rights of all shareholders	—	1,783,576	—

1. The "Full voting shares (other)" column includes 11,000 shares registered in the name of the Japan Securities Depository Center, Inc.; the "Number of voting rights" column includes 110 voting rights associated with those shares.
2. The "Shares less than one trading unit" column includes 61 shares registered in the name of the Japan Securities Depository Center, Inc. and 89 treasury shares held by the Company.

(ii) Treasury Shares, etc.

As of March 31, 2026

Name of holder	Address	Shares held in own name	Shares held in other names	Total shares held	Ratio to total shares issued (%)
(Treasury shares held) Macnica Holdings, Inc.	1-6-3 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa	509,000	—	509,000	0.28
Total	—	509,000	—	509,000	0.28

2. Acquisition of Treasury Shares

[Class of shares] Acquisition of common share pursuant to Article 155, Item 7 of the Companies Act

(1) Acquisition by Resolution of the Shareholders' Meeting

Not applicable.

(2) Acquisition by Resolution of the Board of Directors

Not applicable.

(3) Acquisitions Not Based on a Resolution of the Shareholders' Meeting or Board of Directors

Category	Number of shares	Total value (Millions of Yen)
Treasury shares acquired during the current fiscal year	50	0
Treasury shares acquired during the current period	—	—

The number of treasury shares acquired during the current period does not include shares acquired through the purchase of shares less than one trading unit between June 1, 2026 and the filing date of this Annual Securities Report.

(4) Status of Processing and Holding of Treasury Shares

Category	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)
Treasury shares solicited to subscribers	—	—	—	—
Treasury shares disposed of for cancellation	—	—	—	—
Treasury shares transferred in connection with a merger, share exchange, share issuance, or corporate split	—	—	—	—
Other (disposal of treasury shares pertaining to restricted share remuneration)	148,446	300	—	—
Number of treasury shares held	509,089	—	509,089	—

The number of treasury shares held during the current period does not include shares acquired through purchases of less than one unit shares or shares sold in response to requests for the additional purchase during the period from June 1, 2026, to the filing date of this Annual Securities Report.

3. Dividend Policy

The Company's shareholder return policy is to secure the internal reserves necessary to further enhance and strengthen future business development and the Company's management structure, while returning profits to shareholders to the maximum extent possible and maintaining stable and continuous dividends after taking into account various circumstances.

Based on this policy, an interim dividend of 35 yen per share has been paid, and a year-end dividend of 35 yen per share is scheduled to be paid following approval at the Annual General Meeting of Shareholders to be held on June 24, 2026.

Dividend of surplus for which the record date falls within the current fiscal year

Date of resolution	Total dividends (Millions of Yen)	Dividend per share (Yen)
Resolution of the Board of Directors on October 27, 2025	6,249	35.00
Resolution of the Annual General Meeting of Shareholders on June 24, 2026 (Scheduled)	6,249	35.00

The Company's basic policy is to distribute surplus twice per year, as an interim dividend and a year-end dividend. The decision-making body is the Board of Directors for the interim dividend and the Annual General Meeting of Shareholders for the year-end dividend. Pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation also provide that dividends of surplus may be paid by resolution of the Board of Directors.

In the Medium-Term Management Plan (FY2025-FY2027), the shareholder return policy has been partially revised. Specifically, taking into account consolidated performance trends and targets, financial condition, investment plans, business environment and other factors, the Company will aim to achieve stable and continuous dividends targeting a consolidated dividend on equity ratio (DOE) of 5%, and to purchase treasury shares taking capital efficiency, market conditions and other factors into account, aiming for a total return ratio of 40-50%.

4. Corporate Governance

(1) Overview of Corporate Governance

(i) Basic Views on Corporate Governance

The Macnica Group is structured so that the Company assumes responsibility for corporate governance across the entire Group, for the basic management policy, and for the formulation of strategy based thereon, while the Group's operating companies execute such strategy. The Group's basic policy is, in order to fulfill the expectations of stakeholders, including customers, shareholders, and employees, and to achieve sustainable growth and improvement of corporate value, to make prompt and decisive decisions and conduct business execution while securing transparency and fairness through management oversight.

Furthermore, to respond appropriately and quickly to rapid changes in the business environment, the Company has adopted an Executive Officer system with the aim of separating decision-making and supervisory functions from business-execution functions, enhancing management agility and clarifying responsibilities for business execution.

(ii) Overview of the Corporate Governance System and Reasons for Its Adoption

Overview of the corporate governance system

In pursuit of a more competitive company and to enhance medium- to long-term corporate value, the Company continuously works to enhance and strengthen corporate governance. The Company has adopted the organizational structure of a Company with an Audit and Supervisory Committee.

This structure is designed to delegate the decision-making on significant business execution from the Board of Directors to the directors, thereby further expediting decision-making and business execution, while the Board of Directors focuses on discussion and decision of important management issues such as strategy, human resources and risk, and monitoring business execution by management. In addition, by establishing an Audit and Supervisory Committee, which has the right to state opinions at the General Meeting of Shareholders concerning the appointment and compensation of directors, the monitoring function over business execution is strengthened, aiming to enhance the Company's competitiveness and corporate value with supervision and execution as the two wheels of management.

An overview of the Company's corporate bodies is as follows.

(a) Board of Directors

As of the filing date of this Annual Securities Report (June 23, 2026), the Company's Board of Directors consists of 11 members in total: 8 directors (excluding directors who are Audit and Supervisory Committee members) (of whom 4 are outside directors), and 3 directors who are Audit and Supervisory Committee members (of whom 2 are outside directors).

Adopting the Monitoring Model, the Board of Directors makes decisions on basic management policies such as the Company's Purpose, Vision, Values, and medium- to long-term management strategies and plans based on the Board of Directors Regulations and other related rules, and focuses on discussing important management issues such as strategy, human resources, and risk, while strengthening the oversight function over business execution by management. The Board of Directors is held in principle once a month.

The composition of the Company's Board of Directors is as follows.

Chairperson: Kazumasa Hara (Representative Director and President)

Members: Akinobu Miyoshi (Representative Director and Vice President), Makoto Okawara (Director), Eiichi Nishizawa (Non-executive Director), Shinichiro Omori (Lead Outside Director), Tsunesaburo Sugaya (Outside Director), Yasuaki Mori (Outside Director), Shinichi Abe (Outside Director), Shinichi Onodera (Non-executive Director, Full-time Audit and Supervisory Committee Member), Kay Miwa (Outside Director, Audit and Supervisory Committee Member), Yukie Sugita (Outside Director, Audit and Supervisory Committee Member)

The Company has proposed, as items for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026, the "Election of Eight (8) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and the "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members." If these proposals are approved, all directors will be reappointed, and there will be no change to the composition of the Board of Directors.

(b) Group Management Committee

The Company has adopted the structure of a Company with an Audit and Supervisory Committee, under which authority over a portion of the Group's business execution has been delegated by the Board of Directors to individual directors. The Group Management Committee, chaired by the Representative Director and President and Executive Officer, is composed of Business Executive Directors and Executive Officers, and discusses and decides on matters related to business execution within the Group. The Committee aggregates and analyzes information and makes decisions regarding issues related to the progress of the Group's annual key policies, as well as challenges raised by business divisions, Group companies, and corporate departments. In addition, for important matters relating to medium- to long-term strategies of each business segment, Group Management Committee members hold management retreats twice a year to engage in intensive discussions.

(c) Audit and Supervisory Committee

The Audit and Supervisory Committee consists of 3 directors who are Audit and Supervisory Committee members (of whom 2 are outside directors).

The Committee audits the directors' execution of duties and performs other duties prescribed by laws, regulations, and the Articles of Incorporation based on the Audit and Supervisory Committee Regulations and internal rules regarding audit and supervision by the Audit and Supervisory Committee.

The Committee meets monthly to share information and check the progress of the audit plan, and also regularly holds information exchanges and meetings with the Corporate Audit Department and the Accounting Auditor.

As outside directors who are Audit and Supervisory Committee members, the Company selects persons with high expertise and knowledge who are independent from management, major shareholders and major business partners and who have no interest-related relationship with the Company. By incorporating objective opinions, the Company aims to maintain and strengthen the soundness of management.

In addition, by selecting a full-time Audit and Supervisory Committee member and providing opportunities for departmental heads to report to the Audit and Supervisory Committee, a mechanism is built to fulfil the audit function over business execution, enhancing the effectiveness of the Audit and Supervisory Committee.

The composition of the Audit and Supervisory Committee as of the filing date of this Annual Securities Report (June 23, 2026) is as follows:

Chairperson:

· Shinichi Onodera (Non-executive Director, Full-time Audit and Supervisory Committee Member)

Members:

· Kay Miwa (Outside Director, Audit and Supervisory Committee Member)

· Yukie Sugita (Outside Director, Audit and Supervisory Committee Member)

In addition, the "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members" has been proposed as an item for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026. If this proposal is approved, all members are expected to be reappointed, and there will be no change to the composition of the members.

(d) Nomination and Compensation Advisory Committee

As of the filing date (June 23, 2026), as an advisory body to the Board of Directors, and from the perspective of emphasizing procedures and deliberations with a high degree of independence, objectivity and transparency, the Nomination and Compensation Advisory Committee, composed of 5 outside directors (including 1 outside director who is an Audit and Supervisory Committee member) and 1 non-executive director, makes recommendations to the Board of Directors regarding the appointment of the Representative Director and President, the selection of director candidates (including confirmation and examination of their content), and the compensation of each director and Executive Officer (including share remuneration). In addition, by appointing one outside director who is an Audit and Supervisory Committee member as a member of the Committee, a mechanism is in place to enable the Audit and Supervisory Committee to form its opinions after confirming the appropriateness of the Committee's deliberations.

The members of the Nomination and Compensation Advisory Committee are as follows.

Chairperson:

· Eiichi Nishizawa (Non-executive Director)

Members:

· Shinichiro Omori (Lead Outside Director)

· Tsunesaburo Sugaya (Outside Director)

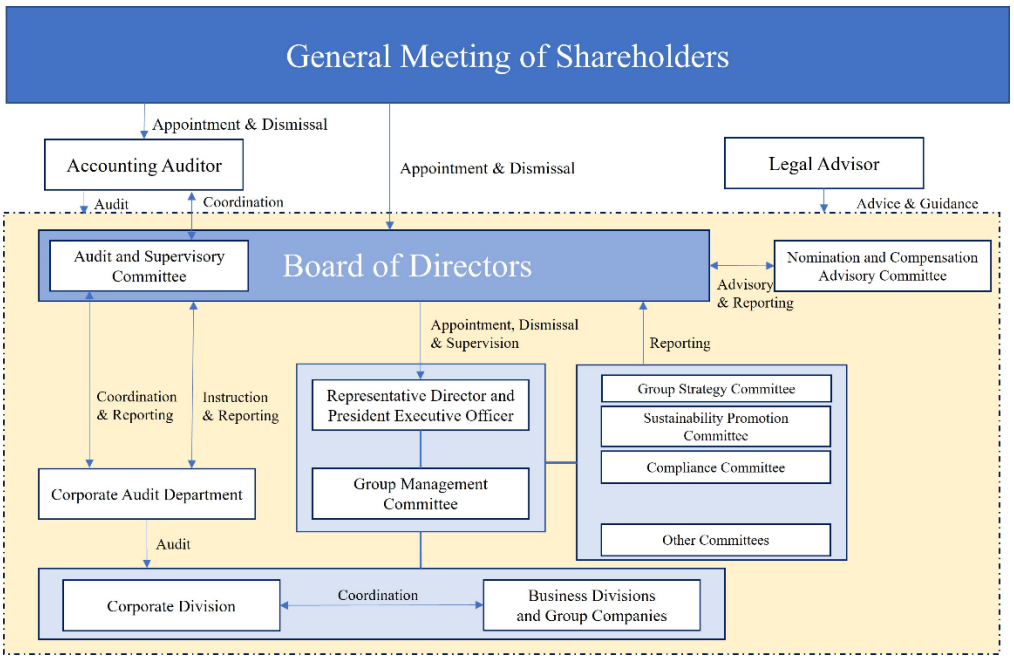
· Yasuaki Mori (Outside Director)

· Shinichi Abe (Outside Director)

· Kay Miwa (Outside Director, Audit and Supervisory Committee Member)

In addition, the "Selection of Members of the Nomination and Compensation Advisory Committee" is scheduled to be submitted as a matter for resolution at the Board of Directors meeting to be held immediately following the Annual General Meeting of Shareholders scheduled for June 24, 2026. If this proposal is approved, all members will be reappointed, and there will be no change to the composition of the members.

(e) Schematic Diagram of the Company's Bodies and Internal Controls



(2) Reasons for adopting the current system

The Company has adopted the corporate governance system of a company with an Audit and Supervisory Committee. Under this structure, the Board's authority is delegated to directors within the scope permitted by law and the Articles of Incorporation, enabling faster decision-making than before; the Board of Directors has as its primary role the determination of basic management policies and important matters for enhancing corporate value, as well as the monitoring of management, while management is tasked with appropriately executing business in accordance with such policies. Through this mechanism, whereby the Board of Directors, drawing on the insights of independent outside directors, monitors the business execution of management while securing objectivity and fairness, the Company has built a system that contributes to the enhancement of corporate value.

As of the filing date (June 23, 2026), the Company's Board of Directors consists of 11 directors, including 6 independent outside directors, with independent outside directors constituting a majority. The Company believes that this framework enhances oversight from a position independent of management and improves the transparency and soundness of management. Directors who are Audit and Supervisory Committee members have voting rights at the Board of Directors and have the right to state opinions at the General Meeting of Shareholders regarding the appointment and compensation of directors as the Audit and Supervisory Committee, enhancing the supervisory function over executive directors.

Moreover, the Company has established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors and has adopted a framework that complements the Board's supervisory functions.

Furthermore, the "Election of Eight (8) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and the "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members" have been proposed as items for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026. If these proposals are approved, all directors will be reappointed, with no change to the composition of the Board of Directors, and the majority of directors will continue to be outside directors.

(iii) Other Matters Regarding Corporate Governance

1) Basic Stance and Status of the Internal Control System, the Status of Its Development and Operation, and the Development of the Risk Management System

For the purpose of ensuring the appropriateness of the Group's business, the Company has established a basic policy on the internal control system under Article 362 of the Companies Act and Article 100 of the Enforcement Regulations of the Companies Act, by resolution of the Board of Directors.

For the schematic diagram of the oversight and monitoring mechanism of business execution and the status of the internal control system, please refer to "(E) Schematic Diagram of the Company's Bodies and Internal Controls."

Basic policy on the internal control system

1) System to ensure that the execution of duties by directors and employees complies with laws, regulations and the Articles of Incorporation

(A) Based on the recognition that compliance with laws and regulations is a fundamental premise of corporate activities, directors, executive officers, and employees shall take the initiative in ensuring thorough compliance with laws and regulations throughout the Company and the Group as a whole. Directors shall, in principle, attend Board of Directors meetings held monthly in accordance with the Board of Directors Regulations and other relevant rules, fostering mutual communication among directors and mutually monitoring and supervising the execution of their duties.

(B) As the foundation of the compliance framework, the Compliance Regulations shall be established. The Executive Officer in charge of compliance shall be responsible for promoting compliance across the Company and the Group, while the Compliance Committee, chaired by the President, shall deliberate on and approve issues and corresponding measures.

(C) The Company works to build a system to exclude antisocial forces and ensures that all officers and employees of the Group adopt a resolute posture toward antisocial forces and refuse to respond to unjust or improper demands.

(D) The Company develops and operates internal controls for ensuring the reliability of financial reporting, and evaluates their effectiveness appropriately.

(E) The Corporate Audit Department, which is responsible for internal audits, shall audit the status of compliance with laws and regulations and submit a report to the Board of Directors. A copy of the report shall also be submitted to the Audit and Supervisory Committee.

(F) The Company and its Group companies shall establish and operate an internal reporting system for matters concerning violations of laws and regulations and other compliance-related issues. In addition to an internal reporting desk, the system shall include an internal reporting system through which reports are received directly by a third-party organization or similar entity. The Compliance Committee shall monitor the operation of this system.

(G) If the Audit and Supervisory Committee recognizes an issue with the compliance system or the operation of the internal reporting system of the Company and the Group, it may express its opinion and may request the Board of Directors to formulate remedial measures.

2) System for preservation and management of information relating to the execution of duties by directors

Information relating to the execution of duties by directors shall, pursuant to the "Document Management Regulations," be preserved and managed appropriately and reliably depending on the preservation medium in a highly searchable state, and be maintained in a state that allows inspection for a certain period.

3) Regulations and other systems for management of the risk of loss

(A) In order to establish a risk management framework, the Risk Management Regulations shall be established, and a Risk Management Committee shall be set up to conduct various risk management activities. The Committee shall monitor the progress of risk management initiatives, formulate necessary measures, and report regularly to the Board of Directors and the Group Management Committee.

(B) The Company establishes a cross-company management system capable of prompt response, including the establishment of a response headquarters and information management at the occurrence of a risk, to prevent the expansion of secondary damage and recurrence.

4) System to ensure that the execution of duties by directors is performed efficiently

(A) The Board of Directors shall, in principle, hold regular meetings once a month and convene extraordinary meetings as necessary. The Company delegates a portion of its important business execution authority from the Board of Directors to certain directors, enabling prompt decision-making at the Group Management Committee chaired by the Representative Director. Important matters are reported to the Board of Directors, which exercises oversight under this framework.

(B) With respect to the execution of duties based on decisions of the Board of Directors, the Company aims for efficient execution through the allocation of duties and command-and-control relationships in accordance with the "Regulations on Division of Duties" and "Regulations on Authority."

5) System to ensure appropriateness of business in the corporate group comprising the Company and its subsidiaries

(A) The Group management philosophy applies to all Group companies. Group companies establish their own rules based on this philosophy. Important matters of Group companies are subject to the Company's approval or reporting pursuant to business management agreements concluded with direct investee companies, so that the Company appropriately manages Group companies.

(B) Pursuant to the "Group Company Management Regulations," the Company manages and monitors Group companies as necessary.

(C) When a director of the Company discovers in a Group company a violation of laws and regulations or other material compliance-related matter, the director reports to the Audit and Supervisory Committee.

(D) The Corporate Audit Department, in accordance with the "Internal Audit Regulations," performs internal audits of Group companies as necessary. With respect to internal audits performed by Group companies, the Office receives copies of the reports and conducts monitoring.

6) Items concerning employees assisting in the duties of Audit and Supervisory Committee and items concerning their independence from directors

(A) Upon request by the Audit and Supervisory Committee, the Company appoints an Audit and Supervisory Committee support staff (Audit and Supervisory Committee staff) from among the Company's employees. Personnel evaluation of the staff is carried out by the Audit and Supervisory Committee; appointment, dismissal, personnel transfers, and salary revisions of the staff are decided by the Board of Directors with the consent of the Audit and Supervisory Committee, thereby ensuring independence from directors.

(B) If such staff concurrently serve in other departments, they shall give priority to their duties relating to the Audit and Supervisory Committee.

7) System for directors and employees to report to the Audit and Supervisory Committee

(A) Upon request by the Audit and Supervisory Committee, directors and employees report to the Audit and Supervisory Committee from time to time important matters that affect the business or results of the Company or the Group. In addition, the Audit and Supervisory Committee may at any time, as necessary, request directors and employees to report. Internal audit results conducted by the Corporate Audit Department and the status of reports under the "Macnica Group Internal Reporting Regulations" are reported to the Audit and Supervisory Committee.

(B) If a director or employee discovers facts that may cause significant damage to the Company, they shall immediately report to the Audit and Supervisory Committee.

(C) When a director, employee or the like reports to the Audit and Supervisory Committee, they shall not be subject to any disadvantageous treatment on the grounds of having made such report.

8) Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively

(A) In carrying out audits of the business and asset position of the Company and the Group, as well as other audit duties, the Audit and Supervisory Committee shall receive reports from the Corporate Audit Department on the results of internal audits and other matters, and may request the Corporate Audit Department to conduct investigations as necessary. The Audit and Supervisory Committee shall maintain close coordination with the Ccorporate Audit Department and the Accounting Auditor to ensure a framework for conducting efficient audits.

(B) The Representative Director holds regular meetings with the Audit and Supervisory Committee and exchanges opinions on issues facing the Company and the Group. The Company also cooperates so that the Audit and Supervisory Committee can coordinate with outside legal advisors and the like.

(C) The Company bears the expenses necessary for the execution of the duties of the Audit and Supervisory Committee.

2) Status of system to ensure appropriateness of business at subsidiaries

As its group-wide management policy system, the Company has established its Corporate Philosophy and Purpose as the overarching concepts, applied in conjunction with its Vision and Values. In addition, under the "Group Company Management Regulations," important matters at group companies are subject to reporting to, or approval by, the Company, and are deliberated at the Group Management Committee.

(iv) Activities of the Board of Directors

The Company held 13 meetings of the Board of Directors during the current fiscal year. Attendance of individual directors is as follows.

Name	Meetings held	Meetings attended
Kiyoshi Nakashima	3	3
Kazumasa Hara	13	13
Akinobu Miyoshi	13	13
Makoto Okawara	13	13
Eiichi Nishizawa	13	13
Shinichiro Omori	13	13
Tsunesaburo Sugaya	13	13
Makiko Noda	3	3
Yasuaki Mori	13	13
Shinichi Abe	10	10
Shinichi Onodera	13	13
Kay Miwa	13	13
Yukie Sugita	13	13

1. For Kiyoshi Nakashima and Makiko Noda, meetings held and attended are those held before their retirement on June 25, 2025.
2. The number of meetings held and attended for Shinichi Abe reflects Board of Directors meetings held on or after his appointment on June 25, 2025.

The Company defines the purpose of the Board of Directors as "a body that carries out important management decisions and monitors business execution, seeking to enhance corporate value in the relationships with all stakeholders, not only shareholders." Based on this purpose and on the Chairperson's policy, discussions are conducted from the three key governance perspectives of "human resources," "business portfolio," and "management foundation," with themes set as appropriate. In the current fiscal year, in formulating the new Medium-Term Management Plan (FY2025-FY2027), the Board held focused discussions on key issues such as the medium-term strategy and plan toward realizing the long-term vision planned and proposed by the executive side, as well as the direction of capital allocation based on that plan.

1) Regarding the monitoring of the new Medium-Term Management Plan (FY2025-FY2027)

In connection with the formulation of the Medium-Term Management Plan, the Board of Directors discussed the key matters to be monitored on a regular basis, including major changes in the business environment underlying the plan, the risks arising from such changes, and the strategies designed to address those risks, and confirmed these matters with management. In addition, through discussions with the executive side, the Board enhanced its understanding of the current state of the semiconductor and cybersecurity businesses, which form the basis of the plan, as well as the challenges expected to arise in the future. The Board also reviewed the progress of capital allocation initiatives in each business segment.

2) Governance relating to "Human Resources," "Business Portfolio," and "Management Foundation"

With respect to "Human Capital," the Board receives annual reports from the executive side on the results of the Company's organizational engagement surveys. Through discussions with the executive side regarding the background to and factors driving changes in those results, the Board monitors signs of changes in the corporate culture that the Company values.

With respect to the "Business Portfolio," as described above, the Board monitors the Medium-Term Management Plan and, at the same time, reviews the progress of capital allocation by business segment, thereby confirming the restructuring of the Company's business portfolio aimed at achieving its long-term vision.

With respect to the "Management Foundation," the Board received reports from the Sustainability Promotion Committee on the Company's assessment results from various organizations, including CDP, as well as on human rights initiatives within the supply chain, and engaged in related discussions. Regarding Group risk management, the Board received reports on the status of internal whistleblowing situation and measures implemented by the executive side to address material risks.

In addition, alongside discussions based on periodic reports on the activities regarding Investor Relations, the Board discussed the direction the Company should pursue with respect to its cost of capital, taking into account comparisons with companies in the same industry and the Company's current circumstances.

(v) Activities of the Nomination and Compensation Advisory Committee

The Company has established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors. Its purposes are (i) to make recommendations on the appointment and dismissal of the Representative Director and President, the formulation and promotion of succession plans, and the confirmation of the content of director candidate selection, and (ii) to make recommendations on the compensation and bonuses of the Company's directors, including examination of their framework and determination process and recommendations on compensation proposals. The main deliberation topics include reviews of the President's performance and activities, confirmation of director candidate selection, updates to the Skills Matrix, confirmation and examination of the appropriateness of the level and framework of officer compensation, and setting and review of the KPI for officer bonuses. After deliberations, the Committee summarizes the results in a recommendation report and submits it to the Board of Directors. In the current fiscal year, we confirmed the expiration of each director's term of office and the mandatory retirement age, prioritized succession based on the skills matrix, prepared the list of director candidates, and conducted interviews with candidates in preparation for the future. Furthermore, with regard to CEO succession, we reviewed the process as well as the long- and medium-term strategy and organizational challenges, and based on these, discussed and defined the requirements for the CEO role. Based on the list of next-generation management candidates and the assessment results provided by the executive side, we narrowed down and selected candidates and discussed their future development plans. With regard to compensation, we reviewed the level of director compensation, revised the level as necessary, and began considering a director compensation framework better aligned with the roles that directors should fulfill.

The Company held 7 meetings of the Nomination and Compensation Advisory Committee during the current fiscal year. Attendance of individual members is as follows.

Name	Meetings held	Meetings attended
Eiichi Nishizawa	7	7
Shinichiro Omori	7	7
Tsunesaburo Sugaya	7	7
Makiko Noda	1	1
Yasuaki Mori	7	7
Shinichi Abe	6	6
Kay Miwa	7	5

For Shinichi Abe, meetings held and attended are those held after their assumption of office on June 25, 2025.

For Makiko Noda, meetings held and attended are those held before her retirement on June 25, 2025.

(vi) Overview of Liability Limitation Agreements

Pursuant to Article 427, Paragraph 1 of the Companies Act and the provisions of the Company’s Articles of Incorporation, the Company has entered into agreements with each Outside Director and each Director serving as an Audit and Supervisory Committee Member to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. Under such agreements, the maximum amount of liability for damages is limited to the minimum liability amount prescribed by law.

(vii) Overview of Company Indemnification Agreements

As of the filing date (June 23, 2026), the Company has entered into indemnification agreements as stipulated in Article 430-2, Paragraph 1 of the Companies Act with all directors (Kazumasa Hara, Akinobu Miyoshi, Makoto Okawara, Eiichi Nishizawa, Shinichiro Omori, Tsunesaburo Sugaya, Yasuaki Mori, Shinichi Abe, Shinichi Onodera, Kay Miwa, and Yukie Sugita), under which the Company will indemnify the expenses under Item 1 and losses under Item 2 of said paragraph within the scope permitted by law. However, in order to prevent the appropriateness of the execution of duties by officers from being impaired, the following matters are excluded from the scope of indemnification.

a. The portion of the expenses under Article 430-2, Paragraph 1, Item 1 of the Companies Act that exceeds the amount normally required.

b. If, as a result of the Company compensating for damages, etc., the indemnified person would be liable to the Company under Article 423, Paragraph 1 of the Companies Act, the portion of such damages, etc. corresponding to such liability.

c. The entire amount of damages, etc. for which the indemnified person is liable due to bad faith or gross negligence in the execution of duties that caused the loss.

Furthermore, if the indemnified person receives compensation from a Directors and Officers (D&O) liability insurance policy for expenses or damages, the Company will not provide indemnification to the extent of such compensation, and if the indemnified person, after receiving indemnification based on this agreement, subsequently receives compensation from the D&O liability insurance, the indemnified person shall return to the Company an amount equal to the amount of such compensation.

The Company has proposed, as items for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026, the "Election of Eight (8) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and the "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members." If these proposals are approved, all directors will be reappointed, and the relevant agreements are expected to remain in effect.

(viii) Overview of Directors and Officers Liability Insurance

The Company has entered into a D&O liability insurance policy, as provided for in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company. The policy covers damages, litigation expenses, and other costs that may be incurred as a result of insured persons being held liable in connection with the performance of their duties or being subject to claims seeking to pursue such liability. However, in order to ensure that the proper execution of duties by officers and other personnel is not compromised, the policy excludes coverage for losses incurred by an insured person as a result of criminal acts, such as bribery, or intentional violations of laws or regulations. The insured persons under the policy are directors, corporate auditors, executive officers and employees of the Company and its domestic and overseas subsidiaries (excluding MACNICA GALAXY INC., MACNICA ANSTEK INC., and their respective subsidiaries). The Company bears the full amount of the insurance premiums for all insured persons. The policy is renewed annually on April 1, and is expected to be renewed on substantially the same terms at the next renewal date.

(ix) Number of Directors and Resolution at the Shareholders' Meeting for Appointment of Directors

The Articles of Incorporation of the Company provide that the maximum number of directors is 15 (of which the maximum number of directors who are Audit and Supervisory Committee members is 5). The Articles also provide that resolutions for the appointment of directors are made by a majority of the voting rights present, at a meeting at which shareholders holding at least one-third of the voting rights exercisable by all shareholders are present, with directors who are Audit and Supervisory Committee members and other directors elected separately, and that the appointment of directors shall not be by cumulative voting.

(x) Decisions on Dividends of Surplus, etc.

The Articles of Incorporation of the Company provide that, except as otherwise provided by law, the matters set forth in Article 459, Paragraph 1 of the Companies Act, including dividends of surplus, may be determined by resolution of the Board of Directors.

(xi) Requirements for Special Resolutions of the Shareholders' Meeting

The Articles of Incorporation of the Company provide that special resolutions of shareholders' meetings under Article 309, Paragraph 2 of the Companies Act shall be made by at least two-thirds of the voting rights present, at a meeting at which shareholders holding at least one-third of the voting rights exercisable by all shareholders are present. This is intended to enable the smooth conduct of shareholders' meetings by relaxing the quorum for special resolutions.

(2) Status of Officers

(i) List of Officers

a. The status of the officers as of the filing date of the Annual Securities Report is as follows.

Men: 9 / Women: 2 (Ratio of women among officers: 18.18%)

Position	Name	Date of birth	Career summary	Term of office	Shares held (shares)
Representative Director and President	Kazumasa Hara	October 18, 1971	Sep. 1995 Joined Macnica, Inc. Apr. 2007 General Manager, TecStar Company First Sales Apr. 2011 President, TecStar Company Apr. 2018 General Manager, Strategic Innovation Business Group Jun. 2018 Director, Macnica, Inc. Jun. 2019 Representative Director and President, the Company (to present) President and CEO, Macnica, Inc. (to present)	(Note) 2	240,936
Representative Director and Vice President	Akinobu Miyoshi	July 13, 1971	Jul. 1995 Joined Macnica, Inc. Apr. 2007 General Manager of Product Sales, ALTIMA Corp. (currently Altima Company, Macnica, Inc.) Jun. 2009 Director, ALTIMA Corp. Jun. 2010 Executive Vice President, ALTIMA Corp. Jun. 2011 President and CEO, ALTIMA Corp. Oct. 2011 General Manager, Asia Pacific Business Group, Macnica, Inc. President, MACNICA ASIA PACIFIC PTE LTD President, MACNICA HONG KONG, LIMITED Apr. 2015 General Manager, Global Business Development Office, Macnica, Inc. CEO, MACNICA AMERICAS, INC. Jun. 2018 Director, Macnica, Inc, Jun. 2019 Representative Director and Vice President, the Company (to present) Representative Director and Vice President, Macnica, Inc. (to present)	(Note) 2	101,010
Director	Makoto Okawara	October 3, 1963	Apr. 1987 Joined Mitsubishi Corporation Jun. 2006 Seconded to Mitsubishi Corporation Finance Plc as Managing Director Apr. 2010 General Manager, Investor Relations Department, Mitsubishi Corporation Jul. 2011 Senior Vice President, New Industry Finance Business Group, Mitsubishi Corporation of America Jun. 2017 General Manager, Finance Department, Mitsubishi Corporation Apr. 2020 Executive Officer and General Manager, Finance Department, Mitsubishi Corporation Apr. 2023 General Manager, Financial Group, Macnica, Inc. (to present) Jun. 2023 Managing Executive Officer, the Company (to present) Jun. 2024 Managing Executive Director, Macnica, Inc. (to present) Director, the Company (to present)	(Note) 2	20,721
Director	Eiichi Nishizawa	March 26, 1957	Apr. 1982 Joined Toho Mutual Life Insurance Company (currently The Gibraltar Life Insurance Co., Ltd.) Dec. 1999 Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.) May 2001 Head of Strategic Planning Office, Fuji Electronics Co., Ltd. May 2006 Executive Officer, Head of Strategic Planning Office and General Manager of General Affairs Div., Fuji Electronics Co., Ltd. May 2010 Senior Executive Officer and General Manager of Strategic Planning Div., Fuji Electronics Co., Ltd. May 2011 Director and General Manager of Financial & Accounting Div., Fuji Electronics Co., Ltd. May 2014 Managing Director, Fuji Electronics Co., Ltd.	(Note) 2	48,976

Position	Name	Date of birth	Career summary	Term of office	Shares held (shares)
			Apr. 2015 Director, the Company (to present) Jun. 2017 Representative Director Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Jun. 2019 Executive Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)		
Director	Shinichiro Omori	February 6, 1956	Apr. 1978 Joined Hitachi, Ltd. Apr. 2016 Senior Vice President and Executive Officer (retired in March 2019) Jun. 2017 Outside Director, Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.) Director, Hitachi Chemical Co., Ltd. (currently Resonac Holdings Corporation) (retired in June 2018) Jun. 2019 Chairperson of the Board, Hitachi Metals, Ltd. (currently Proterial, Ltd.) (retired as Chairperson in March 2020, retired as Director in June 2020) Jul. 2020 Chairman of the Board, Hitachi High-Tech Corporation (retired in March 2021) Mar. 2022 Outside Director of the Board, KOKUYO Co., Ltd. (to present) Jun. 2022 Director, the Company (to present) Jun. 2023 Outside Director, Kansai Paint Co., Ltd. (to present)	(Note) 1 (Note) 2	—
Director	Tsunesaburo Sugaya	November 24, 1963	Apr. 1988 Joined Motorola, Co., Ltd. Jun. 1999 Joined JAFCO Co., Ltd. (currently JAFCO Group Co., Ltd.) Jan. 2003 President & CEO, JAFCO America Ventures Inc. (currently Icon Ventures), JAFCO Co., Ltd. Mar. 2008 Executive Officer responsible for United States, JAFCO Co., Ltd. Jun. 2015 Outside Director, Plat'Home Co., Ltd. (to present) Jul. 2015 Outside Director, I'Peace, Inc. (to present) Dec. 2015 Representative Director, MIYAKO CAPITAL (to present) Aug. 2017 Outside Director, AerNos Inc. (retired in November 2024) Jun. 2019 Director, the Company (to present) Oct. 2022 Audit & Supervisory Board Member, Artiza Networks, Inc. (to present)	(Note) 1 (Note) 2	—
Director	Yasuaki Mori	October 12, 1961	Nov. 1984 Joined Advanced Micro Devices, Inc. Apr. 1997 General Manager, Marketing Department, Tokyo Branch, AMD Japan Ltd. Aug. 1998 Director and General Manager, Sales and Marketing Department, AMD Japan Ltd. Nov. 2000 President and Representative Director, Infineon Technologies Japan K.K. (retired in February 2018) Oct. 2018 Vice President, Sight Machine Inc. (retired in October 2019) Wibu-Systems A.G Advisor (to present) Wibu-Systems K.K. Advisor (to present) Oct. 2019 Corporate Supervisor, AvioCast Inc. (retired in December 2024) Mar. 2020 Advisor, Osaro Inc. (retired in June 2024) Nov. 2022 Advisor, RGO Robotics Inc. (retired in March 2026) Jun. 2024 Director, the Company (to present)	(Note) 1 (Note) 2	—
Director	Shinichi Abe	August 7, 1968	May 1993 Joined Axiomatics Corporation Nov. 1995 Joined Asahi Audit Corporation (currently KPMG AZSA LLC) Jan. 1998 Joined J.D. Edwards Japan K.K. (currently ORACLE CORPORATION JAPAN) Nov. 2003 Joined PeopleSoft Japan K.K. Apr. 2005 Director, International Business, Availvs Corporation Dec. 2005 Director, Applications Business Group, Oracle Information Systems Japan K.K. Aug. 2006 Vice President in charge of Applications Business Headquarters and General Manager, Global Strategic Accounts, ORACLE CORPORATION JAPAN Feb. 2011 Managing Director, Enterprise Business, Google Japan Inc. (currently Google Japan G.K.) Jan. 2017 Managing Director, Google Cloud Japan G.K. Apr. 2020 Representative Director, President and CEO, MNES Inc. (to present) Apr. 2022 Outside Director of the Board, Sekisui House, Ltd. (to present)	(Note) 1 (Note) 2	—

Position	Name	Date of birth	Career summary		Term of office	Shares held (shares)
			Jun. 2025 May 2026	Director, the Company (to present) Director, Global Transformation Forum Japan, General Incorporated Association (to present)		
Director (Full-time Audit and Supervisory Committee Member)	Shinichi Onodera	January 8, 1956	Apr. 1978 Dec. 1987 Apr. 2010 May 2010 May 2011 May 2012 May 2014 Apr. 2015 Jun. 2017 Jun. 2020 Jun. 2024	Joined Wacoal Corp. Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.) Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Executive Officer and General Manager of General Affairs Div., Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Executive Officer and Deputy General Manager of Marketing Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Director and Deputy General Manager of Sales Management Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Managing Director, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Director, the Company Representative Director and President (CEO), Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Audit & Supervisory Board Member, Macnica, Inc. (to present) Corporate Auditor, Macnica Solutions Corp. (to present) Standing Audit & Supervisory Board Member, the Company Director (Full-time Audit and Supervisory Committee Member), the Company (to present)	(Note) 3	30,642
Director (Audit and Supervisory Committee Member)	Kay Miwa	February 22, 1969	Feb. 1992 Apr. 1998 Apr. 2004 Dec. 2011 Apr. 2014 Apr. 2019 Oct. 2020 Jun. 2022 Jun. 2023 Jun. 2024	Lawyer, Haidian Lawyer Office, China Legal Division, NEC Corporation Assistant General Counsel of Legal Department, Nissan Motor Co., Ltd. Deputy General Manager, Legal Department, Nissan Motor Co., Ltd. General Manager of Strategic Partnerships and Projects, Corporate Strategy Division, Nissan Motor Co., Ltd. General Manager of Corporate Management Office, Nissan Motor Co., Ltd. General Manager of Corporate Planning Office, Corporate Strategy Group, Hitachi Construction Machinery Co., Ltd. Outside Director, MEIWA CORPORATION (to present) Audit & Supervisory Board Member, the Company Director (Audit and Supervisory Committee Member), the Company (to present)	(Note) 1 (Note) 3	—
Director (Audit and Supervisory Committee Member)	Yukie Sugita	May 19, 1965	Oct. 2001 Apr. 2005 Oct. 2018 Nov. 2019 Mar. 2020 Aug. 2021 Jun. 2022 Jun. 2023 Jun. 2024	Joined ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC) (retired in September 2018) Registered as a certified public accountant Established Sugita Certified Public Accountant Firm Representative Partner (to present) Representative Director, Ayumu Advisory Co., Ltd. (to present) Outside Corporate Auditor, NAKANO REFRIGERATORS CO., LTD (retired in November 2025) Outside Director, NEXT EDUCATION inc. (Audit and Supervisory Committee Member) (retired in April 2022) Auditor, Saitama housing inspection center (to present) Audit & Supervisory Board Member, the Company Outside Director, SANYEI CORPORATION (to present) Director (Audit and Supervisory Committee Member), the Company (to present)	(Note) 1 (Note) 3	—
Total						442,285

1. Shinichiro Omori, Tsunesaburo Sugaya, Yasuaki Mori, Shinichi Abe, Kay Miwa and Yukie Sugita are outside directors.

2. The term of office is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2025 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2026.
3. The term of office is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2024 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2026.

b. The "Election of Eight (8) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and the "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members" have been proposed as items for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026. If these proposals are approved, the status of the directors will be as follows.

Men: 9 / Women: 2 (Ratio of women among officers: 18.18%)

Position	Name	Date of birth	Career summary	Term of office	Shares held (shares)
Representative Director and President	Kazumasa Hara	October 18, 1971	Sep. 1995 Joined Macnica, Inc. Apr. 2007 General Manager, TecStar Company First Sales Apr. 2011 President, TecStar Company Apr. 2018 General Manager, Strategic Innovation Business Group Jun. 2018 Director, Macnica, Inc. Jun. 2019 Representative Director and President, the Company (to present) President and CEO, Macnica, Inc. (to present)	(Note) 2	240,936
Representative Director and Vice President	Akinobu Miyoshi	July 13, 1971	Jul. 1995 Joined Macnica, Inc. Apr. 2007 General Manager of Product Sales, ALTIMA Corp. (currently Altima Company, Macnica, Inc.) Jun. 2009 Director, ALTIMA Corp. Jun. 2010 Executive Vice President, ALTIMA Corp. Jun. 2011 President and CEO, ALTIMA Corp. Oct. 2011 General Manager, Asia Pacific Business Group, Macnica, Inc. President, MACNICA ASIA PACIFIC PTE LTD President, MACNICA HONG KONG, LIMITED Apr. 2015 General Manager, Global Business Development Office, Macnica, Inc. CEO, MACNICA AMERICAS, INC. Jun. 2018 Director, Macnica, Inc. Jun. 2019 Representative Director and Vice President, the Company (to present) Representative Director and Vice President, Macnica, Inc. (to present)	(Note) 2	101,010
Director	Makoto Okawara	October 3, 1963	Apr. 1987 Joined Mitsubishi Corporation Jun. 2006 Seconded to Mitsubishi Corporation Finance Plc as Managing Director Apr. 2010 General Manager, Investor Relations Department, Mitsubishi Corporation Jul. 2011 Senior Vice President, New Industry Finance Business Group, Mitsubishi Corporation of America Jun. 2017 General Manager, Finance Department, Mitsubishi Corporation Apr. 2020 Executive Officer and General Manager, Finance Department, Mitsubishi Corporation Apr. 2023 General Manager, Financial Group, Macnica, Inc. (to present) Jun. 2023 Managing Executive Officer, the Company (to present) Jun. 2024 Managing Executive Director, Macnica, Inc. (to present) Director, the Company (to present)	(Note) 2	20,721
Director	Eiichi Nishizawa	March 26, 1957	Apr. 1982 Joined Toho Mutual Life Insurance Company (currently The Gibraltar Life Insurance Co., Ltd.) Dec. 1999 Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.) May 2001 Head of Strategic Planning Office, Fuji Electronics Co., Ltd. May 2006 Executive Officer, Head of Strategic Planning Office and General Manager of General Affairs Div., Fuji Electronics Co., Ltd. May 2010 Senior Executive Officer and General Manager of Strategic Planning Div., Fuji Electronics Co., Ltd. May 2011 Director and General Manager of Financial & Accounting Div., Fuji Electronics Co., Ltd.	(Note) 2	48,976

Position	Name	Date of birth	Career summary	Term of office	Shares held (shares)
			May 2014 Managing Director, Fuji Electronics Co., Ltd. Apr. 2015 Director, the Company (to present) Jun. 2017 Representative Director Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Jun. 2019 Executive Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)		
Director	Shinichiro Omori	February 6, 1956	Apr. 1978 Joined Hitachi, Ltd. Apr. 2016 Senior Vice President and Executive Officer (retired in March 2019) Jun. 2017 Outside Director, Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.) Director, Hitachi Chemical Co., Ltd. (currently Resonac Holdings Corporation) (retired in June 2018) Jun. 2019 Chairperson of the Board, Hitachi Metals, Ltd. (currently Proterial, Ltd.) (retired as Chairperson in March 2020, retired as Director in June 2020) Jul. 2020 Chairman of the Board, Hitachi High-Tech Corporation (retired in March 2021) Mar. 2022 Outside Director of the Board, KOKUYO Co., Ltd. (to present) Jun. 2022 Director, the Company (to present) Jun. 2023 Outside Director, Kansai Paint Co., Ltd. (to present)	(Note) 1 (Note) 2	—
Director	Tsunesaburo Sugaya	November 24, 1963	Apr. 1988 Joined Motorola, Co., Ltd. Jun. 1999 Joined JAFCO Co., Ltd. (currently JAFCO Group Co., Ltd.) Jan. 2003 President & CEO, JAFCO America Ventures Inc. (currently Icon Ventures), JAFCO Co., Ltd. Mar. 2008 Executive Officer responsible for United States, JAFCO Co., Ltd. Jun. 2015 Outside Director, Plat'Home Co., Ltd. (to present) Jul. 2015 Outside Director, I'Peace, Inc. (to present) Dec. 2015 Representative Director, MIYAKO CAPITAL (to present) Aug. 2017 Outside Director, AerNos Inc. (retired in November 2024) Jun. 2019 Director, the Company (to present) Oct. 2022 Audit & Supervisory Board Member, Artiza Networks, Inc. (to present)	(Note) 1 (Note) 2	—
Director	Yasuaki Mori	October 12, 1961	Nov. 1984 Joined Advanced Micro Devices, Inc. Apr. 1997 General Manager, Marketing Department, Tokyo Branch, AMD Japan Ltd. Aug. 1998 Director and General Manager, Sales and Marketing Department, AMD Japan Ltd. Nov. 2000 President and Representative Director, Infineon Technologies Japan K.K. (retired in February 2018) Oct. 2018 Vice President, Sight Machine Inc. (retired in October 2019) Wibu-Systems A.G Advisor (to present) Wibu-Systems K.K. Advisor (to present) Oct. 2019 Corporate Supervisor, AvioCast Inc. (retired in December 2024) Mar. 2020 Advisor, Osaro Inc. (retired in June 2024) Nov. 2022 Advisor, RGO Robotics Inc. (retired in March 2026) Jun. 2024 Director, the Company (to present)	(Note) 1 (Note) 2	—
Director	Shinichi Abe	August 7, 1968	May 1993 Joined Axiomatics Corporation Nov. 1995 Joined Asahi Audit Corporation (currently KPMG AZSA LLC) Jan. 1998 Joined J.D. Edwards Japan K.K. (currently ORACLE CORPORATION JAPAN) Nov. 2003 Joined PeopleSoft Japan K.K. Apr. 2005 Director, International Business, Availvs Corporation Dec. 2005 Director, Applications Business Group, Oracle Information Systems Japan K.K. Aug. 2006 Vice President in charge of Applications Business Headquarters and General Manager, Global Strategic Accounts, ORACLE CORPORATION JAPAN Feb. 2011 Managing Director, Enterprise Business, Google Japan Inc. (currently Google Japan G.K.) Jan. 2017 Managing Director, Google Cloud Japan G.K. Apr. 2020 Representative Director, President and CEO, MNES Inc. (to present)	(Note) 1 (Note) 2	—

Position	Name	Date of birth	Career summary	Term of office	Shares held (shares)
			Apr. 2022 Outside Director of the Board, Sekisui House, Ltd. (to present) Jun. 2025 Director, the Company (to present) May 2026 Director, Global Transformation Forum Japan, General Incorporated Association (to present)		
Director (Full-time Audit and Supervisory Committee Member)	Shinichi Onodera	January 8, 1956	Apr. 1978 Joined Wacoal Corp. Dec. 1987 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.) Apr. 2010 Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.) May 2010 Executive Officer and General Manager of General Affairs Div., Fuji Electronics Co., Ltd. (currently Macnica, Inc.) May 2011 Executive Officer and Deputy General Manager of Marketing Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) May 2012 Director and Deputy General Manager of Sales Management Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) May 2014 Managing Director, Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Apr. 2015 Director, the Company Jun. 2017 Representative Director and President (CEO), Fuji Electronics Co., Ltd. (currently Macnica, Inc.) Jun. 2020 Audit & Supervisory Board Member, Macnica, Inc. (to present) Corporate Auditor, Macnica Solutions Corp. (to present) Standing Audit & Supervisory Board Member, the Company Jun. 2024 Director (Full-time Audit and Supervisory Committee Member), the Company (to present)	(Note) 3	30,642
Director (Audit and Supervisory Committee Member)	Kay Miwa	February 22, 1969	Feb. 1992 Lawyer, Haidian Lawyer Office, China Apr. 1998 Legal Division, NEC Corporation Apr. 2004 Assistant General Counsel of Legal Department, Nissan Motor Co., Ltd. Dec. 2011 Deputy General Manager, Legal Department, Nissan Motor Co., Ltd. Apr. 2014 General Manager of Strategic Partnerships and Projects, Corporate Strategy Division, Nissan Motor Co., Ltd. Apr. 2019 General Manager of Corporate Management Office, Nissan Motor Co., Ltd. Oct. 2020 General Manager of Corporate Planning Office, Corporate Strategy Group, Hitachi Construction Machinery Co., Ltd. Jun. 2022 Outside Director, MEIWA CORPORATION (to present) Jun. 2023 Audit & Supervisory Board Member, the Company Jun. 2024 Director (Audit and Supervisory Committee Member), the Company (to present)	(Note) 1 (Note) 3	—
Director (Audit and Supervisory Committee Member)	Yukie Sugita	May 19, 1965	Oct. 2001 Joined ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC) (retired in September 2018) Apr. 2005 Registered as a certified public accountant Oct. 2018 Established Sugita Certified Public Accountant Firm Representative Partner (to present) Nov. 2019 Representative Director, Ayumu Advisory Co., Ltd. (to present) Mar. 2020 Outside Corporate Auditor, NAKANO REFRIGERATORS CO., LTD (retired in November 2025) Aug. 2021 Outside Director, NEXT EDUCATION inc. (Audit and Supervisory Committee Member) (retired in April 2022) Jun. 2022 Auditor, Saitama housing inspection center (to present) Jun. 2023 Audit & Supervisory Board Member, the Company Outside Director, SANYEI CORPORATION (to present) Jun. 2024 Director (Audit and Supervisory Committee Member), the Company (to present)	(Note) 1 (Note) 3	—
Total					442,285

1. Shinichiro Omori, Tsunesaburo Sugaya, Yasuaki Mori, Shinichi Abe, Kay Miwa and Yukie Sugita are outside directors.
2. The term of office is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2026 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2027.
3. The term of office is from the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2026 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended March 2028.

(ii) Status of Outside Officers

As of the filing date (June 23, 2026), the Company has 4 outside directors (excluding directors who are Audit and Supervisory Committee members), and 2 outside directors who are Audit and Supervisory Committee members.

1) Relationships between the Company and each outside officer

a. After joining a global operating company, Shinichiro Omori has extensive knowledge and broad experience in management as an executive and as a chair of the Board of Directors. Other than his position as a director of the Company, he has no personal, capital, business, or other interests with the Company.

b. Tsunesaburo Sugaya, after careers at a semiconductor manufacturer and a venture-capital firm, manages an investment company. There are no personal, capital, business, or other interests between the companies where he concurrently serves as officer and the Company.

c. Yasuaki Mori has experience in the management of a semiconductor manufacturer and currently serves globally as an advisor to advanced-technology venture companies. There are no personal, capital, business, or other interests between the companies where he serves as advisor and the Company.

d. Shinichi Abe, after experience in global core systems and cloud services, manages a medical cloud-service company. There are no personal, capital, business, or other interests between the companies where he concurrently serves as officer and the Company.

e. Kay Miwa, after serving as a lawyer in China, worked as in-house counsel at several companies and concurrently serves as an outside officer of other companies. There are no personal, capital, business, or other interests between the companies where he concurrently serves as officer and the Company.

f. Yukie Sugita has extensive knowledge and experience as a Certified Public Accountant. There are no personal, capital, business, or other interests between the companies where she concurrently serves as officer and the Company.

Furthermore, there are no personal, capital, business, or other interests between the six outside directors and the Company.

The "Election of Eight (8) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and the "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members" have been proposed as items for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026. If these proposals are approved, all directors will be reappointed, with no change to the composition of the Board of Directors and no change to the relationships between the Company and each of the outside officers.

2) Functions and roles of outside directors (excluding directors who are Audit and Supervisory Committee members) and outside directors who are Audit and Supervisory Committee members in corporate governance

Outside directors provide advice and supervision from an independent position based on their expertise, experience, and insight. All outside directors, excluding those who are Audit and Supervisory Committee members, are appointed as members of the Nomination and Compensation Advisory Committee, thereby advising on director-related matters and enhancing the effectiveness of the Group's governance. In addition, by appointing one outside director who is an Audit and Supervisory Committee member as a member of the Nominating and Compensation Committee, a mechanism is built to enable the Audit and Supervisory Committee to form its opinions after confirming the appropriateness of the Committee's deliberations.

3) Policy and independence criteria for selection of outside directors (excluding directors who are Audit and Supervisory Committee members) and outside directors who are Audit and Supervisory Committee members

At the Company, the selection of director candidates, including outside officers, is structured so that the Nomination and Compensation Advisory Committee makes recommendations to the Board of Directors. For details, see " IV. Status of the Reporting Company, 4. Corporate Governance, (1) Overview of Corporate Governance, (ii) Overview of the Corporate Governance System and Reasons for Its Adoption, a. Overview of the corporate governance system, (d) Nomination and Compensation Advisory Committee" In appointing outside officers, to secure the transparency and objectivity of governance, the Company has established, in addition to the independence criteria set by the Tokyo Stock Exchange, the Company's own independence criteria as follows.

The Board of Directors of the Company shall determine that an outside officer has sufficient independence from the Company (which includes its Group companies) when the officer is judged to satisfy the following requirements, in addition to the independence criteria set by the Tokyo Stock Exchange, Inc.

1. The person himself/herself is not and has not been, during the current or previous year, any of the following:
   (1) An executive officer (Note 2) of a major shareholder (Note 1) of the Company.
   (2) An executive officer of a major business partner (Note 3) of the Company, or of a company for which the Company is a major business partner.
   (3) An executive officer of a supplier (including its overseas head office and local subsidiaries) with which the Company has concluded a distributorship agreement.
   (4) An executive officer of a major lender (Note 4) of the Company.
   (5) An executive officer of the audit firm that conducts the statutory audit of the Company, or a person engaged in the audit services for the Company.
   (6) A consultant, accounting expert or legal expert (or, if it is a corporation, association, etc., its executive officer) receiving a substantial amount (Note 5) of money or other assets from the Company other than director compensation.
   (7) A director (limited to those who execute business operations) or other executive officer of an organization (e.g., a public interest incorporated foundation, public interest incorporated association, non-profit organization) receiving donations or grants of more than 10 million yen from the Company or its subsidiaries.
2. A close relative (Note 6) of the person himself/herself shall not, during the current or previous year, fall under any of 1(1) through 1(7).
3. The person himself/herself shall not be an executive officer, corporate auditor, or accounting advisor of a company or of its parent company or subsidiaries to which the Company or its subsidiaries have sent directors (full-time or non-full-time).
4. Even if a person falls under any of 1(1) through 1(7), the Company may appoint such person as an outside officer if the Company considers the person appropriate to serve as an outside officer, on condition that the reason why the Company considers the person appropriate is explained externally.
5. The person himself/herself shall not be a person for whom a substantial conflict of interest with general shareholders of the Company is likely to arise on a continuous basis for reasons other than those considered in 1(1) through 1(7).

1. Major shareholders directly or indirectly hold more than 10% of the total voting rights at the end of the fiscal year.
2. Executive Officers refer to important employees including Business Executive Directors, Executives or Executive Officers (Corporate Auditors, Audit and Supervisory Committee Members and Accounting Advisors are not considered Executive Officers).
3. Major business partners refer to business partners of Macnica Holdings whose annual sales exceed 2% of consolidated net sales of Macnica Holdings or the other party.
4. Major borrowers are defined as the top three borrowers of Macnica Holdings in terms of outstanding loans in the most recent fiscal year.
5. A large amount refers to consideration received from Macnica Holdings in excess of 10 million yen per year.
6. Close relatives refer to the spouse or relatives within the second degree of kinship of the person or relatives living with the person.

(iii) Mutual Coordination of Supervision or Audit by Outside Directors (excluding Directors Who Are Audit and Supervisory Committee Members) or Audits by Outside Directors Who Are Audit and Supervisory Committee Members with Internal Audits, Audit and Supervisory Committee Audits, and Accounting Audits, and Relationship with the Internal Control Departments

While separating the supervision by directors from the execution by management, the Company fulfills its supervisory function by establishing a system under which Executive Officers responsible for business divisions and corporate departments regularly report to the Board of Directors, quarterly, semi-annually and the like, on the progress of business execution and significant issues, with directors able to express opinions. In particular, at the Group Management Committee retreats centered on the executive side at which medium- to long-term management strategies and plans of the Group are deliberated, directors may participate, providing opinions from diverse and objective perspectives and confirming and improving the direction of strategy as supervisors. In addition, in response to requests from Group companies, directors provide advice on business investment, finance and compliance. Furthermore, outside directors, excluding those who are Audit and Supervisory Committee members, and directors who are Audit and Supervisory Committee members hold regular information exchanges. The mutual coordination between outside directors who are Audit and Supervisory Committee members and internal audit, Audit and Supervisory Committee audits, and accounting audits is as described in "(3) Status of Audits." The relationship between outside directors who are Audit and Supervisory Committee members and internal control departments is as described in "(1) Overview of Corporate Governance, (ii) Overview of the Corporate Governance System and Reasons for Its Adoption" and "(3) Status of Audits."

(3) Status of Audits

(i) Status of Audits by the Audit and Supervisory Committee

a. Organization and personnel

As of the filing date (June 23, 2026), the Company's Audit and Supervisory Committee consists of 1 internal full-time Audit and Supervisory Committee member and 2 outside Audit and Supervisory Committee members, 3 members in total. Each can appropriately state opinions on the execution of duties by directors from an independent position and possesses character, insight and ethics appropriate for an Audit and Supervisory Committee member. All outside Audit and Supervisory Committee members have a high level of independence as independent officers. Shinichi Onodera, the full-time Audit and Supervisory Committee member, has experience as the Representative Director and President of a company. Yukie Sugita, an outside Audit and Supervisory Committee member, has professional expertise and experience as a Certified Public Accountant. Both have a significant level of knowledge in finance and accounting. Kay Miwa, an outside Audit and Supervisory Committee member, has experience as in-house counsel at multiple companies, with expertise in legal affairs, overseas M&A, corporate governance and related fields, and significant knowledge of corporate legal matters.

The "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members" has been proposed as an item for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026. If this proposal is approved, the Audit and Supervisory Committee will continue to consist of one internal director and two outside directors.

b. Activities of the Audit and Supervisory Committee

During the current fiscal year, the Audit and Supervisory Committee was held 13 times, and the attendance of the Audit and Supervisory Committee Members was as follows.

Name	Meetings held	Meetings attended
Shinichi Onodera	13	13
Kay Miwa	13	13
Yukie Sugita	13	13

At the Audit and Supervisory Committee, the audit policy for each fiscal year, priority audit items, regular audit items and the division of duties of each committee member are deliberated and determined, and at each monthly meeting, each Audit and Supervisory Committee member reports on the status of activities. In addition, the Audit and Supervisory Committee regularly holds exchanges of opinions with the Representative Director and information exchanges with outside directors, holds regular meetings with the Internal Audit Department, and receives regular reports from the Accounting Auditor on audit procedures and results, with opportunities for opinion exchange. As necessary, current conditions and issues relating to internal controls are discussed, with efforts to enhance the effectiveness and efficiency of audits.

As activities of the Audit and Supervisory Committee, the full-time Audit and Supervisory Committee member mainly attends the Board of Directors and other important internal meetings and checks internal approval documents, in order to routinely monitor and verify the deliberations and decisions of important matters and the status of execution of duties by directors.

(ii) Status of Internal Audits

The Company has established a Corporate Audit Department (16 members) as an organization under the direct supervision of the Board of Directors. The Department conducts internal audits through reviews of contracts, internal approval documents, and other materials, as well as interviews with each subsidiary, and submits audit reports to the Board of Directors. To ensure the effectiveness of internal audits, the Internal Audit Department attends the Board of Directors and the Audit and Supervisory Committee quarterly and directly reports the audit results. In addition, the Office holds semi-annual meetings with the full-time Audit and Supervisory Committee member and the Accounting Auditor to share information.

(iii) Status of Accounting Audits

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

28 years

The Company was established in 2015 as a joint holding company through a share transfer by Macnica, Inc. and Fuji Electronics Co., Ltd. The continuous audit period stated above includes the continuous audit period of Macnica, Inc.

c. Certified public accountants who performed the audit, their audit firms, and the continuous audit years for the reporting company

Category	CPA name	Audit firm
Designated Limited Liability Partner / Engagement Partner	Tetsuya Yoshida	Ernst & Young ShinNihon LLC
	Yutaka Mishima	Ernst & Young ShinNihon LLC

Continuous audit years have been omitted because all are within 7 years.

d. Composition of audit-support staff

Certified public accountants: 12 / Other: 29

e. Policy and reasons for selection of the audit firm

The reason for selecting Ernst & Young ShinNihon LLC is that, as a result of comprehensive examination based on the Company's Audit and Supervisory Committee's Accounting Auditor Evaluation Criteria, the auditor was judged to continue to be appropriate.

If the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will dismiss the Accounting Auditor with the unanimous consent of all Audit and Supervisory Committee members. In addition, if it is recognized that the proper execution of audits is difficult due to events that impair the qualifications or reliability of the Accounting Auditor, the Audit and Supervisory Committee

will determine the content of the proposal to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the Accounting Auditor.

f. Evaluation of the audit firm by the Audit and Supervisory Committee

The Audit and Supervisory Committee has established Accounting Auditor Evaluation Criteria and evaluates the quality control of the Accounting Auditor, independence of the audit team, reasonableness of audit fees, coordination with Company staff, global audit structure, and consideration for fraud risks, among other matters.

(iv) Content of Audit Fees, etc.

a. Fees paid to audit certified public accountants, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit certification fees (Millions of Yen)	Non-audit fees (Millions of Yen)	Audit certification fees (Millions of Yen)	Non-audit fees (Millions of Yen)
Reporting Company	65	－	76	－
Consolidated subsidiaries	145	－	145	－
Total	210	－	222	－

(Content of non-audit services by the audit certified public accountants, etc. provided to the Reporting Company and consolidated subsidiaries)

Previous Consolidated Fiscal Year

Not applicable.

Current Consolidated Fiscal Year

Not applicable.

b. Fees to organizations in the same network as the audit certified public accountants (EY Global Network; excluding a.)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit certification fees (Millions of Yen)	Non-audit fees (Millions of Yen)	Audit certification fees (Millions of Yen)	Non-audit fees (Millions of Yen)
Reporting Company	－	12	－	9
Consolidated subsidiaries	103	87	103	76
Total	103	99	103	85

(Content of non-audit services provided by organizations in the same network as the audit certified public accountants to the Reporting Company and consolidated subsidiaries)

Previous Consolidated Fiscal Year

The Company and some of its consolidated subsidiaries paid tax advisory fees and fees for transfer-pricing documentation to organizations belonging to the same network as the Company's audit certified public accountants.

Current Consolidated Fiscal Year

The Company and some of its consolidated subsidiaries paid tax advisory fees and fees for transfer-pricing documentation to organizations belonging to the same network as the Company's audit certified public accountants.

c. Content of other significant audit certification fees

Not applicable.

d. Policy for determining audit fees

While not applicable as a formal policy, audit fees are determined after taking into account scale, characteristics and audit days.

e. Reason for the Audit and Supervisory Committee's consent to the compensation of the Accounting Auditor

The Audit and Supervisory Committee examined the reasonableness of the audit time and estimated audit fees in the audit plan in light of the "Practical Guidelines for Coordination with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association and gave its consent under Article 399, Paragraph 1 of the Companies Act.

(4) Officer Compensation

(i) Policy on Determining the Amount of Officer Compensation or the Calculation Method

The Company's director compensation is determined by the Board of Directors within the total amount of compensation approved at the General Meeting of Shareholders, following deliberation by the Nomination and Compensation Advisory Committee, an advisory body to the Board of Directors, and submission of its recommendations to the Board. As of the filing date (June 23, 2026), the Nomination and Compensation Advisory Committee consists of five outside directors who are independent officers (one of whom is an outside director serving as an Audit and Supervisory Committee member) and one non-executive director. The "Election of Eight (8) Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and the "Election of Three (3) Directors Who Are Audit and Supervisory Committee Members" have been proposed as items for resolution at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026. If these proposals are approved, the Committee will continue to consist of five outside directors who are independent officers (one of whom is an outside director serving as an Audit and Supervisory Committee member) and one non-executive director. The policy for determining the amount of director compensation is as follows, and is determined by resolution of the Board of Directors. The total compensation of directors is set by aiming at the compensation levels (market levels) of major domestic corporate groups, with a role-based table designed on the basis of the size of each director's role, with compensation determined by such table. The breakdown of director compensation consists of base compensation, bonuses (performance-based remuneration) and share-based remuneration, with target ratios of 50:20:30. Base compensation is paid monthly as a fixed amount; bonuses are paid in July of the following year; and share remuneration is granted in July. In determining the individual compensation of each director, the Nomination and Compensation Advisory Committee conducts a multi-faceted examination, including consistency with the determination policy, of the draft; accordingly, the Board of Directors in principle respects the Committee's recommendation and has determined that the compensation is in line with the determination policy. For directors who are audit and supervisory committee members and outside directors, only base compensation (fixed compensation) is paid.

Effective from the conclusion of the 9th Annual General Meeting of Shareholders on June 26, 2024, the Company transitioned to a Company with an Audit and Supervisory Committee, and after the transition, the compensation of directors (excluding directors who are Audit and Supervisory Committee members) has been resolved at a total amount of up to 900 million yen per year (of which up to 100 million yen per year for outside directors), excluding the employee portion of the salary of employee-concurrent directors. The number of directors (excluding directors who are Audit and Supervisory Committee members) at the time of the conclusion of such Annual General Meeting of Shareholders was 9 (of whom 4 were outside directors). At the same meeting, compensation for directors who are Audit and Supervisory Committee members has been resolved at up to 100 million yen per year. The number of directors who are Audit and Supervisory Committee members at the time of the conclusion of such Annual General Meeting of Shareholders was 3 (of whom 2 were outside directors).

Separate from such cash compensation, at the same Annual General Meeting of Shareholders, share remuneration has been resolved at up to 300 million yen per year (outside directors and directors who are Audit and Supervisory Committee members are not eligible).

Bonuses (performance-based remuneration) are intended to heighten awareness of improving company performance for each fiscal year. The performance indicators are set as the three financial items for each fiscal year (consolidated net sales, consolidated operating income margin, and ROE), the progress of the Medium-Term Management Plan and the annual key policies, and an employee survey and the like for building a strong organization; each item is weighted, and the amount is calculated according to the degree of achievement of each item and paid accordingly. These performance indicators were selected in order to encourage directors to secure the scale of the Company's performance and the level of profit, to realize strategy, and to enhance human capital.

These performance indicators are set based on the current Medium-Term Management Plan (FY2025−FY2027); the actual values for the major performance indicators for the current fiscal year were consolidated net sales of 1,214,196 million yen, a consolidated operating income margin of 3.5%, and ROE of 10.0% (consolidated shareholders' equity at period-end).

Share-based remuneration is granted as restricted share remuneration subject to transfer restrictions for a certain period, with the purpose of granting medium- to long-term incentives and sharing shareholder value.

The amount of cash compensation for directors who are Audit and Supervisory Committee members of the Company has been resolved at up to 100 million yen per year at the 9th Annual General Meeting of Shareholders on June 26, 2024. The number of directors who are Audit and Supervisory Committee members at the time of the conclusion of such meeting was 3.

(ii) Total Compensation, etc. by Officer Category of the Reporting Company, Total Amount by Type of Compensation, etc., and Number of Officers Covered

Category	Total compensation (Millions of Yen)	Total Amount by Type (Millions of Yen)					Number of Officers Covered
		Base compensations	Share options	Bonuses	Share-based remuneration	Retirement benefit	
Directors (excl. Audit and Supervisory Committee members and outside directors)	202	77	−	36	88	−	5
Audit and Supervisory Committee members (excl. outside directors)	22	22	−	−	−	−	1
Outside officers	73	73	−	−	−	−	7

The above includes 2 directors who retired at the conclusion of the 10th Annual General Meeting of Shareholders held on June 25, 2025.

(iii) Total Consolidated Compensation, etc. of Individual Officers of the Reporting Company

Not disclosed, as no individual officer received total consolidated compensation of 100 million yen or more.

(iv) Significant Employee Compensation Paid to Employee Concurrent Officers

Not applicable.

(5) Status of Shareholdings

(i) Classification Standards and Approach to Investment Shares

The Company's major business is the management of subsidiaries. All shares held by the Company are shares of subsidiaries, and the Company does not hold any shares for the purpose of pure investment or for any other purpose.

Consolidated subsidiaries hold investment shares. Such investment shares are classified as "pure investment shares" when the primary purpose is to benefit from changes in share value or dividends, and as "non-pure investment shares" when held for the purpose of maintaining or strengthening relationships with business partners or for business alliances. As a policy, the Group does not in principle hold pure investment shares.

(ii) Status of Shareholdings at Macnica, Inc.

Among the Company and its consolidated subsidiaries, Macnica, Inc. is the company with the largest balance sheet amount of investment shares (carrying amount of investment shares), or the largest shareholding company. Details regarding Macnica, Inc. are as follows.

a. Investment shares held for purposes other than pure investment

1) Holding policy and method for verifying the rationale of holdings, and details of verification at the Board of Directors and other bodies regarding the appropriateness of holding individual shares

Macnica, Inc. holds shares only on an exceptional basis, limited to cases where such holdings are deemed to contribute to enhancing corporate value over the medium to long term, for purposes such as maintaining and strengthening relationships with business partners, capital and business alliances, and participation in or creation of new business areas. Decisions regarding the acquisition and sale of shares are made by decision-making bodies such as the Group Management Committee, the Board of Directors, or others, following deliberation and review by bodies including the Business Investment Committee. The necessity of continuing to hold each individual stock is verified annually, taking into comprehensive consideration the costs and risks associated with holding the shares as well as the medium- to long-term economic rationale.

Furthermore, our basic policy is to exercise voting rights on all proposals submitted at the general shareholders' meetings of the companies in which we hold shares. When exercising voting rights, we take into account the management status of the investee company and comprehensively assess whether the proposal contributes to enhancing the corporate value of the investee company and the degree of impact on the Company.

2) Number of shares and balance sheet carrying amount

	Number of shares	Total balance sheet carrying amount (Millions of Yen)
Unlisted shares	10	477
Other than unlisted shares	6	1,683

(Shares for which the number of shares increased during the current fiscal year)

	Number of shares	Total acquisition cost related to the increase in the number of shares (Millions of Yen)	Reason for increase
Unlisted shares	3	294	Acquisition of shares to strengthen relationships for an alliance in a new business area
Other than unlisted shares	5	1,708	Acquired through the absorption-type merger with Glosel Co., Ltd.

(Shares for which the number of shares decreased during the current fiscal year)

	Number of shares	Total sale price related to decrease in the number of shares (Millions of Yen)
Unlisted shares	—	—
Other than unlisted shares	2	1,817

3) Information on the number of shares, balance sheet amount, etc. by issue for specified investment securities and deemed holding shares

Specified investment shares

Share	Current fiscal year	Previous fiscal year	Holding purpose, quantitative effect, reason for increase	Company's shares held by investee (Yes/No)
	Number of shares (shares)	Number of shares (shares)		
	Carrying amount on the balance sheet (Million yen)	Carrying amount on the balance sheet (Million yen)		
Nichicon Corporation	482,400	—	The Company engages in business transactions with this company and holds the shares in order to maintain and facilitate the business relationship. Acquired through the absorption-type merger with Glosel Co., Ltd.	No
	827	—		
icetana Limited	79,149,435	79,149,435	The Company engages in business transactions with this company and holds the shares in order to maintain and facilitate the business relationship.	No
	338	111		
Oki Electric Industry Co., Ltd.	72,200	—	The Company engages in business transactions with this company and holds the shares in order to maintain and facilitate the business relationship. Acquired through the absorption-type merger with Glosel Co., Ltd.	No
	185	—		
Futaba Corporation	274,800	—	The Company engages in business transactions with this company and holds the shares in order to maintain and facilitate the business relationship. Acquired through the absorption-type merger with Glosel Co., Ltd.	No
	172	—		
Shindengen Electric Manufacturing Co., Ltd.	45,062	—	The Company engages in business transactions with this company and holds the shares in order to maintain and facilitate the business relationship. Acquired through the absorption-type merger with Glosel Co., Ltd.	No
	134	—		
SAXA, Inc.	12,000	—	The Company engages in business transactions with this company and holds the shares in order to maintain and facilitate the business relationship. Acquired through the absorption-type merger with Glosel Co., Ltd.	No
	24	—		

Quantitative information on the effects of these shareholdings is not disclosed from the perspective of confidentiality regarding business information; however, the rationale for holding each individual stock has been comprehensively assessed in light of the costs and risks associated with holding the shares as well as the medium- to long-term economic rationale, and the holdings have been determined to be reasonable.

Deemed holding shares

Not applicable.

b. Investment shares held for pure investment purposes

Not applicable.

(iii) Status of Shareholdings at the Reporting Company

The details for the Reporting Company are as follows.

The Company's major business is the management of subsidiaries. All shares held by the Company are shares of subsidiaries, and the Company does not hold any shares for the purpose of pure investment or for any other purpose.

5. Employee Status

(1) Basic Policy on Human Resource Strategy

(i) Policy on Human Resource Strategy

Based on the founder's philosophy that "everything begins and ends with people," the Group positions human resources as its most important management capital and places its human resource strategy at the core of management, with the basic policy of maximizing human capital. The sustained growth of the company is supported by the growth of each individual employee, and the Group aims to realize a virtuous cycle in which the growth of employees leads to the strengthening of organizational capability and the enhancement of corporate value.

With the Group's core value "T.E.A.M.S." and its purpose as the axis of human resource management, the Group is creating an environment in which employees can grow proactively with pride and a sense of fulfillment. Aiming to realize Vision 2030, the Group's long-term management vision, the Group has formulated its human resource strategy based on the recognition that it is important to build a human capital foundation that anticipates changes in the business environment and supports continuous value creation.

Specifically, based on Vision 2030, the Group introduced a new human resource system from FY2024 with the concepts of "strengthening capabilities" and "transformation." Under this system, the Group places emphasis on developing human resources who can anticipate change and create transformation themselves, as well as human resources who can enhance existing value and strengths. By redefining job and career track system and incorporating the concept of career ownership, whereby employees themselves proactively design and choose their careers, the Group is promoting the demonstration of abilities and growth of diverse human resources.

(ii) Approach to Employee Compensation (Policy for Determining Employee Salaries, etc.)

The Group positions its compensation system as an important factor that constitutes employees' happiness, pride, and a positive work environment, and designs it on the basic principle of linking it to the roles and outcomes expected of employees, the Group's business performance, and the enhancement of medium- to long-term corporate value.

Specifically, compensation is composed of base salary and bonuses. Base salary is determined based on the content of duties, the magnitude of roles, and individual performance. Bonuses are designed as a mechanism by which the improvement of business performance is reflected in returns to employees, based on the Group's performance indicators such as ordinary income.

In recent years, in light of the situation in which stable securement of profits has come into prospect as a result of improvements in productivity, the Group implemented a review of compensation levels in conjunction with the human resource system revision in FY2024. While maintaining the conventional approach of placing importance on performance-linked returns through bonuses, the Group substantially raised the fixed portion (base salary), thereby achieving an overall raising of compensation levels including base salary and bonuses.

Under the policy that "if business performance improves, employees will obtain treatment commensurate with their roles and performance, and further opportunities for active engagement will be created," the Group maintains a high level of returns to existing employees and promotes the acquisition of excellent human resources by securing competitiveness in the recruitment market. Going forward, the Group will continue to invest sustainably in human resources and aims to achieve sustained growth and value creation with the power of people as the driving force.

(2) Status of Employees

(i) Employees of the consolidated group

As of March 31, 2026

Segment	Number of employees (persons)
ICs, Electronic Devices and Other Business	3,569 (247)
Cybersecurity and Other IT Solutions Business	1,229 (160)
Corporate (Common)	463 (144)
Total	5,261 (551)

1. The number of employees represents persons actually employed.
2. Figures in parentheses in the employee count column represent the annual average number of temporary workers.
3. "Corporate (Common)" refers to employees in general administrative departments such as general affairs and accounting.

(ii) Employees of the reporting company

As of March 31, 2026

Number of employees (persons)	Average age (years)	Average years of service	Average annual salary (yen)	Year-on-year rate of change in average annual salary (%)
42 (5)	50.3	19.2	16,285,818	△6.9

Segment	Number of employees (persons)
Corporate (Common)	42 (5)
Total	42 (5)

1. The number of employees represents persons actually employed. The majority are employees seconded from subsidiaries to the Company (subsidiary-concurrent secondments).
2. Figures in parentheses represent the average number of temporary workers.
3. The average years of service includes years of service at subsidiaries.
4. Average annual salary represents the total of annual salary, bonuses, and extraordinary wages paid by subsidiaries to employees of the Company as of March-end. For employees seconded to the Company, the Company pays the secondment source the portion of the seconded employees' salary corresponding to the ratio of work performed for the Company relative to the secondment source.
5. "Corporate (Common)" refers to employees in general administrative departments such as general affairs and accounting.

(3) Status of the company with the largest workforce

The company with the largest number of employees during the current fiscal year Macnica, Inc.

Number of employees (persons)	Average age (years)	Average years of service	Average annual salary (yen)	Year-on-year rate of change in average annual salary (%)
2,894 (548)	39.4	11.2	7,839,643	△5.4

1. The number of employees represents the number of personnel actually working at the Company, excluding those seconded to other companies and including those seconded from other companies (including personnel concurrently seconded from the parent company).
2. Figures in parentheses represent the annual average number of temporary workers.
3. Average annual salary is the total of annual salary, bonuses, and non-standard wages paid to employees of the Company as of the end of March.

(4) Status of labor union

Although no labor union has been formed, labor-management relations have remained stable and cooperative.

(5) Ratio of female employees in management positions, male employees' childcare leave utilization rate, and gender wage gap

(i) The reporting company

The reporting company is not subject to the disclosure requirements under the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015) or 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), and disclosure has therefore been omitted.

(ii) Consolidated subsidiaries

Current fiscal year

Name	Ratio of female employees in management positions (%) (Note 1)	Male employees' childcare leave utilization rate (%) (Note 2)	Gender wage gap (%) (Note 1)		
		All	All	Regular	Part-time / Fixed-term
Macnica, Inc.	9.7%	84%	63.3%	67.2%	48.3%

1. Calculated in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015).
2. Calculated as the utilization rate of childcare leave, etc. under Article 71-6, Item 1 of the Regulation 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 (Ministry of Labor Ordinance No. 25 of 1991), pursuant to 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).

V. Financial Information

1. Method of Preparation of the Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with the "Regulations on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc." (Ministry of Finance Ordinance No. 59 of 1963).

In addition, the Company is a special case financial statement submitting company, and prepares its financial statements in accordance with Article 127 of the Regulations on Financial Statements.

2. Audit Certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements for the consolidated fiscal year (from April 1, 2025 to March 31, 2026) and non-consolidated financial statements for the fiscal year (from April 1, 2025 to March 31, 2026) have been audited by Ernst & Young ShinNihon LLC.

3. Special Efforts to Ensure the Appropriateness of the Consolidated Financial Statements, etc.

The Company takes special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to establish a system that can appropriately grasp the content of accounting standards, etc. and appropriately respond to changes in accounting standards, the Company has joined the Financial Accounting Standards Foundation and attends seminars organized by said foundation.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
ASSETS		
Current assets		
Cash and deposits	*2 48,530	54,388
Notes receivable	*3 181	*3 114
Electronically recorded receivables	*3 9,215	*3 25,157
Accounts receivable	*3 205,480	268,139
Contract assets	304	411
Product	234,549	263,912
Other	27,130	56,708
Allowance for doubtful accounts	△456	△959
Total current assets	524,936	667,872
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,521	5,541
Accumulated depreciation	△3,077	△3,256
Buildings and structures, net	2,444	2,284
Tools, furniture and fixtures	9,088	9,694
Accumulated depreciation	△7,357	△7,923
Tools, furniture and fixtures, net	1,730	1,770
Machinery, equipment and vehicles	1,064	1,385
Accumulated depreciation	△566	△746
Machinery, equipment and vehicles, net	497	638
Land	3,563	3,067
Leased assets	5,363	6,555
Accumulated depreciation	△4,181	△4,862
Leased assets, net	1,182	1,692
Construction in progress	30	20
Total tangible fixed assets	9,450	9,474
Intangible fixed assets		
Goodwill	579	105
Other	6,318	5,931
Total intangible fixed assets	6,898	6,037
Investments and other assets		
Investment securities	*1 7,958	*1 8,121
Long-term loans receivable	213	—
Deferred tax assets	4,306	3,918
Net defined benefit asset	1,168	2,727
Other	1,731	2,789
Allowance for doubtful accounts	△224	△52
Total investments and other assets	15,153	17,503
Total fixed assets	31,502	33,015
Total Assets	556,438	700,887

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
LIABILITIES		
Current liabilities		
Notes & accounts payable	147,887	225,254
Short-term loans payable	74,728	75,786
Lease obligations	558	697
Accrued income taxes	1,984	5,186
Contract liabilities	12,834	18,138
Accrued bonuses	6,123	7,479
Provision for directors' bonuses	41	36
Deposits received	21,531	43,807
Other current liabilities	27,373	33,181
Total current liabilities	293,061	409,570
Long-term liabilities		
Lease obligations	638	1,008
Deferred tax liabilities	128	332
Liability for retirement benefits	427	417
Other long-term liabilities	704	441
Total long-term liabilities	1,899	2,200
Total liabilities	294,961	411,771
NET ASSETS		
Shareholders’ Equity		
Paid-in capital	14,040	14,040
Additional paid-in capital	30,671	30,654
Retained earnings	182,406	197,678
Treasury share	△1,330	△1,030
Total shareholders' equity	225,788	241,342
Other Comprehensive Income		
Unrealized holding gains on securities	323	788
Gain (loss) on deferred hedge	132	△627
Translation adjustments	26,169	37,428
Total comprehensive income	26,625	37,589
Non-controlling interests	9,063	10,183
Total net assets	261,477	289,115
Total Liabilities & Net Assets	556,438	700,887

(ii) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	(*1) 1,034,180	(*1) 1,214,196
Cost of sales	(*2) 912,928	(*2) 1,083,758
Gross profit	121,252	130,438
Selling, general & administrative expenses	(*3)(*4) 81,602	(*3)(*4) 88,487
Operating income	39,649	41,950
Non-operating income		
Interest income	661	374
Dividend income	295	542
Equity in net gain of affiliates	—	40
Insurance proceeds	30	507
Other	745	1,364
Total non-operating income	1,732	2,829
Non-operating expenses		
Interest expense	1,898	2,393
Equity in net loss of affiliates	10	—
Foreign exchange losses	1,168	3,808
Loss on transfer of receivables	557	363
Other	430	821
Total non-operating expenses	4,064	7,387
Ordinary income	37,318	37,392
Extraordinary income		
Proceeds from sale of investment securities	251	1,271
Gain on sale of fixed assets	(*5) 8	(*5) 523
Gain on liquidation of subsidiaries and associates	279	2
Gain on negative goodwill	(*7) 612	—
Other	5	9
Total extraordinary income	1,158	1,807
Extraordinary losses		
Loss on retirement of non-current assets	(*6) 22	(*6) 132
Impairment loss	355	—
Loss on valuation of investment securities	234	409
Loss on valuation of shares of affiliates	129	—
Loss on withdrawal from pension fund	94	—
Loss on ESOP Trust terminations	74	—
Other	74	16
Total extraordinary losses	984	558
Income before income taxes	37,491	38,641
Corporate, inhabitant and enterprise taxes	9,961	9,252
Income taxes-deferred	696	841
Total corporate tax	10,658	10,093
Net income	26,833	28,547
Net income attributable to non-controlling interests	1,553	781
Net income attributable to owners of parent	25,279	27,765

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net income	26,833	28,547
Other comprehensive income		
Unrealized holding gains on securities	△265	673
Gain (loss) on deferred hedge	226	△759
Translation adjustments	△1,461	12,148
Other comprehensive income of entities under equity method	△9	14
Total comprehensive income	(*1) △1,509	(*1) 12,076
Comprehensive income	25,324	40,623
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	24,226	38,730
Comprehensive income attributable to non-controlling interests	1,097	1,893

(iii) Consolidated Statement of Changes to Shareholders' Equity

Previous Consolidated Fiscal Year (April 1, 2024 - March 31, 2025)

(Millions of yen)

	Shareholders' Equity				
	Paid-in capital	Additional paid-in capital	Consolidated retained earnings	Treasury shares	Total shareholders' equity
Balance at start of period	14,040	36,764	171,537	△5,714	216,627
Changes in the fiscal year:					
Dividend of surplus			△13,501		△13,501
Net Income attributable to owners of parent			25,279		25,279
Changes in the scope of consolidation			△909		△909
Purchase of treasury shares				△3,001	△3,001
Disposal of treasury shares		7		304	311
Cancellation of treasury shares		△7,081		7,081	—
Change in ownership interest of parent due to transactions with non-controlling interests		980			980
Net change in other than shareholders' equity					
Changes in fiscal year (Total)	—	△6,093	10,869	4,384	9,160
Balance at end of period	14,040	30,671	182,406	△1,330	225,788

	Other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Gain (loss) on deferred hedge	Translation adjustments	Total comprehensive income		
Balance at start of period	501	△93	27,279	27,686	12,106	256,420
Changes in the fiscal year:						
Dividend of surplus						△13,501
Net Income attributable to owners of parent						25,279
Changes in the scope of consolidation						△909
Purchase of treasury shares						△3,001
Disposal of treasury shares						311
Cancellation of treasury shares						—
Change in ownership interest of parent due to transactions with non-controlling interests						980
Net change in other than shareholders' equity	△178	226	△1,110	△1,061	△3,042	△4,104
Changes in fiscal year (Total)	△178	226	△1,110	△1,061	△3,042	5,056
Balance at end of period	323	132	26,169	26,625	9,063	261,477

Current Consolidated Fiscal Year (April 1, 2025 - March 31, 2026)

(Millions of yen)

	Shareholders' Equity				
	Paid-in capital	Additional paid-in capital	Consolidated retained earnings	Treasury shares	Total shareholders' equity
Balance at start of period	14,040	30,671	182,406	△1,330	225,788
Changes in the fiscal year:					
Dividend of surplus			△12,494		△12,494
Net Income attributable to owners of parent			27,765		27,765
Purchase of treasury shares				△0	△0
Disposal of treasury shares		△17		300	283
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net change in other than shareholders' equity					
Changes in fiscal year (Total)	—	△17	15,271	300	15,554
Balance at end of period	14,040	30,654	197,678	△1,030	241,342

	Other comprehensive income				Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Gain (loss) on deferred hedge	Translation adjustments	Total comprehensive income		
Balance at start of period	323	132	26,169	26,625	9,063	261,477
Changes in the fiscal year:						
Dividend of surplus						△12,494
Net Income attributable to owners of parent						27,765
Purchase of treasury shares						△0
Disposal of treasury shares						283
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net change in other than shareholders' equity	465	△759	11,259	10,964	1,119	12,083
Changes in fiscal year (Total)	465	△759	11,259	10,964	1,119	27,638
Balance at end of period	788	△627	37,428	37,589	10,183	289,115

(iv) Consolidated Cash Flow Statements

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Operating Activities		
Income before income taxes	37,491	38,641
Depreciation and amortization	3,897	4,579
Impairment loss	355	―
Gain on negative goodwill	△612	―
Interest and dividend income	△956	△917
Interest expense	1,898	2,393
Insurance proceeds	△30	△507
Equity in net loss (gain) of affiliates	10	△40
Loss (gain) on translation	231	△372
Gain on sale of fixed assets	△8	△523
Loss on retirement of non-current assets	22	132
Proceeds from sale of investment securities	△251	△1,271
Loss on valuation of investment securities	234	409
Loss on valuation of shares of affiliates	129	―
Gain on liquidation of subsidiaries and associates	△279	△2
Loss on withdrawal from pension fund	94	―
Loss on ESOP Trust terminations	74	―
Change in notes and accounts receivable	△8,100	△67,844
Change in inventories	△788	△22,060
Changes in trade payable	△2,028	71,699
Other	9,143	2,061
Sub-total	40,525	26,377
Interest and dividends received	940	956
Interest paid	△1,766	△2,505
Proceeds from insurance income	30	507
Corporate tax payment (refund)	△15,497	△6,561
Net cash provided by (used in) operating activities	24,232	18,774
Investing Activities		
Proceeds from withdrawal of time deposits	6	67
Disbursement of loans	△1,340	△1,523
Proceeds from collection of loans	1,229	1,534
Purchases of property and equipment	△1,657	△1,414
Proceeds from sales of property and equipment	14	1,114
Purchases of intangible assets	△1,948	△1,543
Purchases of investment securities	△107	△304
Proceeds from sales of investment securities	342	2,067
Purchases of shares of affiliate	△981	△0
Proceeds from liquidation of affiliates	353	2
Payments for transfer of business	△2,237	―
Purchase of shares of subsidiaries	△3,194	―
Other	△52	△1,306
Net cash provided by (used in) investing activities	△9,573	△1,306

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Financing Activities		
Change in short-term loans	17,496	2,183
Repayment of long-term debt	△5,265	△3,000
Proceeds from share issuance to non-controlling shareholders	1,609	―
Purchase of treasury shares	△3,001	△0
Cash dividends paid	△13,492	△12,573
Dividends paid to non-controlling interests	△500	△936
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△173	―
Other	△901	△832
Net cash provided by (used in) financing activities	△4,229	△15,158
Translation adjustments on cash and cash equivalents	△748	3,608
Net increase (decrease) in cash and cash equivalents	9,681	5,917
Cash and cash equivalents at the beginning of the year	38,623	48,452
Increase in cash and cash equivalents from newly consolidated subsidiary	148	―
Cash and cash equivalents at end of the period	48,452	54,370

Notes

(Significant Matters Forming the Basis for the Preparation of the Consolidated Financial Statements)

1. Matters concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 36 companies

Names of major consolidated subsidiaries are described in "I. Company Overview, 4. Affiliated Companies" and are therefore omitted here.

Easton Works Co., Ltd. and Glosel Co., Ltd., which were consolidated subsidiaries in the previous consolidated fiscal year, were merged such that Easton Works Co., Ltd. was absorbed into Glosel Co., Ltd., and Glosel Co., Ltd. was subsequently absorbed into Macnica, Inc. and ceased to exist. In addition, MACNICA TAIWAN, LIMITED, which was a consolidated subsidiary in the previous consolidated fiscal year, was absorbed into MACNICA CHUNGJU CO., LTD and ceased to exist. Accordingly, these companies have been excluded from the scope of consolidation from the current consolidated fiscal year.

(2) Names of major non-consolidated subsidiaries

CROWDANALYTIX SOLUTIONS PRIVATE LIMITED

Reason for exclusion from the scope of consolidation:

The 13 non-consolidated subsidiaries are all small in scale; the total of their total assets, net sales, profit/loss for the period (equivalent to the Company's share) and retained earnings (equivalent to the Company's share) etc. does not have a material effect on the consolidated financial statements.

2. Matters concerning the application of the equity method

(1) Number of non-consolidated subsidiaries to which the equity method is applied: 2 companies

CROWDANALYTIX SOLUTIONS PRIVATE LIMITED and 1 of its subsidiaries

(2) Number of non-consolidated subsidiaries or affiliates to which the equity method is not applied and names of major companies

11 non-consolidated subsidiaries and 7 affiliates to which the equity method is not applied (MACNICA KOREA, LIMITED and others) are excluded from the scope of equity-method application because, in view of profit/loss for the period (equivalent to the Company's share) and retained earnings (equivalent to the Company's share), their impact on the consolidated financial statements would be minimal even if excluded from the scope of equity-method application, and they are not material as a whole.

3. Matters concerning the fiscal year of consolidated subsidiaries

Consolidated subsidiaries whose fiscal year-end differs from the consolidated fiscal year-end are as follows.

(Companies with fiscal year-end of December 31)

MACNICA SHANGHAI, LIMITED;
MACNICA GALAXY INC.;
MACNICA ANSTEK INC.;
NAVYA MOBILITY SAS;
and 6 other companies

In preparing the consolidated financial statements, financial statements based on a provisional closing of accounts conducted as of the consolidated fiscal year-end have been used. However, for NAVYA MOBILITY SAS, the financial statements as of the fiscal year-end are used, and any significant transactions occurring between that date and the consolidated fiscal year-end are adjusted as necessary for consolidation purposes.

4. Matters concerning accounting policies

(1) Major evaluation standards and evaluation methods for significant assets

(i) Securities

Held-to-maturity debt securities: Amortized cost method (straight-line method)

Other securities:

Securities other than shares, etc. without market prices: Fair value method (valuation differences are treated by the full-net-assets direct-entry method; cost of sales is calculated by the moving-average method).

Shares, etc. without market value: Cost method based on the moving-average method.

Investments in investment limited partnerships and similar associations (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are accounted for based on the most recently available financial statements corresponding to the settlement dates stipulated in the partnership agreements, using the method of incorporating the Company's proportionate share on a net basis. However, where an affiliate of the Company manages and operates an investment partnership, the method of incorporating the proportionate share of P&L items is used.

(ii) Inventories

Mainly the cost method based on the moving-average method (for the balance sheet value, the method of writing down the book value based on declines in profitability).

(iii) Derivative transactions

Fair value method.

(2) Method of depreciation of significant depreciable assets

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

The Company and its domestic consolidated subsidiaries use the declining-balance method. However, for buildings (excluding building fixtures) acquired on or after April 1, 1998 and for building fixtures and structures acquired on or after April 1, 2016, the straight-line method is used.

Overseas consolidated subsidiaries use the straight-line method based on estimated useful lives.

Principal useful lives are as follows:

Buildings and structures: 3 - 61 years

Tools, furniture and fixtures: 1 - 20 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is used. Software for internal use is depreciated by the straight-line method based on the useful life within the Company (5 years).

(iii) Leased assets

The straight-line method is used, with the lease period as the useful life and zero residual value.

(3) Standards for recording significant allowances and provisions

(i) Allowance for doubtful accounts

To provide for losses from bad debts, the allowance is recorded using the historical loss ratio for general receivables, and, for receivables with collection concerns, the estimated uncollectible amount determined based on individual examination of collectability.

(ii) Provision for bonuses

To provide for payment of bonuses to employees, the portion applicable to the current consolidated fiscal year out of the estimated payment amount is recorded.

(iii) Provision for officers' bonuses

To provide for payment of bonuses to officers, the portion applicable to the current consolidated fiscal year out of the estimated payment amount is recorded.

(4) Method of accounting for retirement benefits

(i) Method of attributing estimated retirement benefits to periods

In calculating retirement benefit obligations, the benefit formula basis is used for attributing estimated retirement benefits to the periods up to the end of the current consolidated fiscal year.

(ii) Method of expense processing for actuarial differences and past service cost

Actuarial differences and past service cost are mainly expensed in full in the year of occurrence.

(5) Standards for recording significant revenues and expenses

The major performance obligations and the normal timing at which such performance obligations are satisfied (the normal timing for recognizing revenue) in the ICs, Electronic Devices and Other Business and the Cybersecurity and Other IT Solutions Business are as follows.

(ICs, Electronic Devices and Other Business)

The main business is the sale of integrated circuits and electronic device products. Under sales contracts with customers, the Company has the performance obligation to deliver goods and products to customers. The Company determines that the performance obligation is satisfied at the point when goods or products are delivered to customers; therefore revenue is recognized at such point. For domestic sales of goods or products, if the period from shipment until control of the goods or product is transferred to the customer is a normal period, revenue is recognized at the time of shipment. For transactions in which the Company's role in the sale of goods or products is that of an agent, the net amount after deducting payments to third parties from the gross consideration is recognized as revenue.

(Cybersecurity and Other IT Solutions Business)

The main business is the sale of hardware and software products. Under sales contracts with customers, the Company has the performance obligation to deliver goods and products to customers. The Company determines that the performance obligation is satisfied at the point when goods and products are delivered to customers; therefore revenue is recognized at such point. For domestic sales of goods or products, if the period from shipment until control of the goods or product is transferred to the customer is a normal period, revenue is recognized at the time of shipment. Services provided under service contracts mainly consist of maintenance services. Under maintenance contracts with customers, the Company has the performance obligation to provide maintenance services over the contract period. As such performance obligation is a uniform service provided over the contract period, it is determined to be satisfied over time; accordingly, the amount stipulated in the contract is recognized as revenue evenly over the contract period with the customer.

(6) Standards for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary claims and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated fiscal year-end date; translation differences are processed as income or expense. The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate on the fiscal year-end date of such subsidiaries; revenues and expenses are

translated into Japanese yen at the average exchange rate for the period; translation differences are included in foreign currency translation adjustments and non-controlling interests in the net assets section.

(7) Significant hedge accounting methods

(i) Hedge accounting methods

Deferred hedge accounting is applied.

(ii) Hedging instruments and hedged items

The hedging instruments and hedged items to which hedge accounting was applied in the current consolidated fiscal year are as follows.

Hedging instrument: Forward exchange contracts and currency options

Hedged item: Forecasted transactions denominated in foreign currencies

(iii) Hedging policy

Derivative transactions are intended to hedge risks of foreign exchange rate fluctuations.

(iv) Method of assessing hedge effectiveness

For forward exchange and currency option transactions, because the significant terms of hedging instruments and hedged items are the same and are considered to have a high correlation, assessment of effectiveness is omitted.

(8) Methods and period of amortization of goodwill

Goodwill is amortized on a straight-line basis over the period during which investment effects arise, as estimated by the Company. However, if the amount is immaterial, it is amortized in full in the year of occurrence.

(9) Scope of funds in the consolidated cash flow statements

Funds (cash and cash equivalents) in the consolidated cash flow statements consist of cash on hand, demand deposits, and short-term investments with maturity of 3 months or less from the date of acquisition that are highly liquid, readily convertible into cash, and subject to only minor risk of value fluctuation.

(Significant Accounting Estimates)

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

Valuation of inventories

(1) Amounts recorded in the consolidated financial statements for the previous consolidated fiscal year

Product	234,549 million yen	Of which, held by Macnica, Inc. (a consolidated subsidiary): 147,267 million yen

(2) Information on the content of significant accounting estimates relating to the identified item

The specific methods for writing down the book value of product based on declines in profitability are three types: (i) sales-price valuation reduction, which compares net realizable value to book value and writes down the book value to the net realizable value when the net realizable value is below the book value; (ii) stagnation valuation reduction, which writes down the book value to a certain amount based on the holding period of the product; and (iii) individual valuation reduction, which writes down the book value based on an estimate of future sales possibilities if sales are not expected.

Of these, individual valuation reduction is recorded by estimating the sales possibility of product based on demand forecasts for end products in which the product is incorporated, customer required quantities and order status from customers, and the feasibility of returns to suppliers; for quantities for which sales are not expected, the book value is written down and the amount is recorded as a valuation loss. The integrated circuits, electronic devices, and network-related products handled by the Group are subject to rapid technological innovation and significant changes in the prices and product life cycles of the products in which they are incorporated. As a result, estimating projected sales volumes, a key assumption, involves uncertainty. In making accounting estimates, the estimates and assumptions as to forecast sales quantities are judged to be appropriate; however, if a revision becomes necessary due to changes in uncertain future economic conditions or the like, additional losses may arise in the following consolidated fiscal year or thereafter.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

Valuation of inventories

(1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year

Product	263,912 million yen	Of which, held by Macnica, Inc. (a consolidated subsidiary): 131,180 million yen

(2) Information on the content of significant accounting estimates relating to the identified item

The specific methods for writing down the book value of product based on declines in profitability are three types: (i) sales-price valuation reduction, which compares net realizable value to book value and writes down the book value to the net realizable value when the net realizable value is below the book value; (ii) stagnation valuation reduction, which writes down the book value to a certain amount based on the holding period of the product; and (iii) individual valuation reduction, which writes down the book value based on an estimate of future sales possibilities if sales are not expected.

Of these, individual valuation reduction is recorded by estimating the sales possibility of product based on demand forecasts for end products in which the product is incorporated, customer required quantities and order status from customers, and the feasibility of returns to suppliers; for quantities for which sales are not expected, the book value is written down and the amount is recorded as a valuation loss. The integrated circuits, electronic devices, and network-related products handled by the Group are subject to rapid technological innovation and significant changes in the prices and product life cycles of the products in which they are incorporated. As a result, estimating projected sales volumes, a key assumption, involves uncertainty. In making accounting estimates, the estimates and assumptions as to forecast sales quantities are judged to be appropriate; however, if a revision becomes necessary due to changes in uncertain future economic conditions or the like, additional losses may arise in the following consolidated fiscal year or thereafter.

(Accounting Standards Not Yet Applied)

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

• “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024) and amendments to related Accounting Standards, Implementation Guidance, Practical Solutions, and transitional guidance.

(1) Overview

Consistent with international accounting standards, the standard prescribes the recognition of assets and liabilities by the lessee for all leases.

(2) Scheduled date of application

The standard is scheduled to be applied from the beginning of the fiscal year ending March 2028.

(3) Impact of the application of these accounting standards

The amount of impact is being assessed at the time of preparation of these consolidated financial statements.

- Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026)
- Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events, together with related guidance, establishes a comprehensive accounting standard addressing the definition, accounting treatment, and disclosure of subsequent events. Based on the fundamental policy of transferring to the Accounting Standards Board of Japan (ASBJ) the accounting-related guidance set forth in Practical Guideline No. 1, Audit Considerations Relating to Subsequent Events, issued under Auditing Standards Committee Statement No. 560 by the Japanese Institute of Certified Public Accountants (JICPA), while generally retaining its existing content, the standard revises certain terminology, clarifies the evaluation period for subsequent events, and newly requires disclosure regarding the approval of the issuance of financial statements, among other matters relating to the accounting treatment and disclosure of subsequent events.

(2) Scheduled date of application

The standard is scheduled to be applied from the beginning of the fiscal year ending March 2028.

(Changes in Presentation Method)

(Consolidated Balance Sheets)

Deposits received, which was included in Other under Current liabilities in the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year due to its increased monetary significance. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, Other of 48,904 million yen presented under Current liabilities in the consolidated balance sheet for the previous consolidated fiscal year has been reclassified as Deposits received of 21,531 million yen and Other of 27,373 million yen.

(Consolidated Statement of Income)

Insurance proceeds, which was included in Other under Non-operating income in the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year as it came to exceed 10/100 of the total amount of Non-operating income. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, Other of 776 million yen presented under Non-operating income in the consolidated statement of income for the previous consolidated fiscal year has been reclassified as Insurance proceeds of 30 million yen and Other of 745 million yen.

Product compensation expenses, which was presented separately under Non-operating expenses in the previous consolidated fiscal year, has been included in Other from the current consolidated fiscal year as it came to be 10/100 or less of the total amount of Non-operating expenses. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, in the consolidated statement of income for the previous fiscal year, Product compensation expenses of 251 million yen and Other of 178 million yen, which had been presented under Non-operating expenses, have been reclassified and presented as Other of 430 million yen.

Gain on sale of fixed assets, which was included in Other under Extraordinary income in the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year as it came to exceed 10/100 of the total amount of Extraordinary income. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, Other of 14 million yen presented under Extraordinary income in the consolidated statement of income for the previous consolidated fiscal year has been reclassified as Gain on sale of fixed assets of 8 million yen and Other of 5 million yen.

Loss on retirement of non-current assets, which was included in Other under Extraordinary losses in the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year as it came to exceed 10/100 of the total amount of Extraordinary losses. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, Other of 96 million yen presented under Extraordinary losses in the consolidated statement of income for the previous consolidated fiscal year has been reclassified as Loss on retirement of non-current assets of 22 million yen and Other of 74 million yen.

(Consolidated Cash Flow Statements)

Insurance proceeds and Proceeds from insurance income, which were included in Other under Cash flows from operating activities in the previous consolidated fiscal year, have been presented separately from the current consolidated fiscal year due to their increased significance. To reflect this change in presentation method, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, in the consolidated cash flow statements for the previous consolidated fiscal year, Insurance proceeds of △30 million yen and Proceeds from insurance income of 30 million yen under Cash flows from operating activities have been presented separately, and Sub-total of 40,556 million yen has been reclassified as Sub-total of 40,525 million yen.

In addition, Gain on sale of fixed assets and Loss on retirement of non-current assets, which were included in Other under Cash flows from operating activities in the previous consolidated fiscal year, have been presented separately from the current consolidated fiscal year due to their increased significance.

As a result, Other of 9,156 million yen presented under Cash flows from operating activities in the consolidated statement of cash flows for the previous consolidated fiscal year has been reclassified as Gain on sale of fixed assets of △8 million yen, Loss on retirement of non-current assets of 22 million yen, and Other of 9,143 million yen.

(Consolidated Balance Sheets)

*1. Items relating to non-consolidated subsidiaries and affiliates are as follows:

	Previous consolidated fiscal year (As of March 31, 2025)		Current consolidated fiscal year (As of March 31, 2026)	
Investment securities (shares)	756	million yen	831	million yen
Investment securities (shares of affiliates)	1,830	million yen	1,766	million yen
Investment securities (other)	1,956	million yen	2,057	million yen
Total	4,543	million yen	4,655	million yen

*2. Assets pledged as collateral and secured obligations

Assets pledged as collateral and secured obligations are as follows:

	Previous consolidated fiscal year (As of March 31, 2025)		Current consolidated fiscal year (As of March 31, 2026)	
Cash and deposits (Note 1)	60	million yen	—	million yen
Total	60	million yen	—	million yen

Pledged as collateral for guarantees of customs duties, consumption taxes, and the like arising from import transactions.

*3. Other

Repurchase obligations arising from receivable liquidation are as follows:

	Previous consolidated fiscal year (As of March 31, 2025)		Current consolidated fiscal year (As of March 31, 2026)	
Repurchase obligations from receivable liquidation	3,335	million yen	4,018	million yen
Total	3,335	million yen	4,018	million yen

(Consolidated Statement of Income)

*1. Revenues arising from contracts with customers

Net sales are not separately presented between revenues arising from contracts with customers and other revenues. The amount of revenues arising from contracts with customers is described in "Notes (Revenue Recognition) 1. Information on disaggregation of revenues arising from contracts with customers."

*2. The inventory valuation loss included in cost of sales (book values written down based on declines in profitability) is as follows:

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Inventory valuation loss	576 million yen	374 million yen

*3. Major items and amounts included in selling, general & administrative expenses are as follows:

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Salaries and bonuses	33,273 million yen	34,316 million yen
Provision for bonuses	6,123 million yen	7,479 million yen
Provision for directors' bonuses	41 million yen	36 million yen
Retirement benefit expenses	1,039 million yen	△70 million yen
Provision of allowance for doubtful accounts	85 million yen	253 million yen

*4. Total research and development expenses included in selling, general & administrative expenses are as follows:

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
R&D expenses	771 million yen	2,510 million yen

*5. The breakdown of gain on sale of fixed assets is as follows.

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Buildings and structures	— million yen	520 million yen
Tools, furniture and fixtures	1 million yen	0 million yen
Machinery, equipment and vehicles	6 million yen	2 million yen
Leased assets	1 million yen	— million yen
Total	8 million yen	523 million yen

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

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Buildings and structures	3 million yen	14 million yen
Tools, furniture and fixtures	16 million yen	16 million yen
Machinery, equipment and vehicles	— million yen	0 million yen
Leased assets	2 million yen	100 million yen
Total	22 million yen	132 million yen

*7. Gain on negative goodwill

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

The gain on negative goodwill arose in connection with the additional acquisition of shares in Glosel Co., Ltd., a consolidated subsidiary.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

Not applicable.

(Consolidated Statement of Comprehensive Income)

*1. Reclassification adjustments, income taxes and tax effects relating to other comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Valuation difference on available-for-sale securities		
Amount arising during the period	△135	2,001
Reclassification adjustment	△241	△1,137
Before income taxes and tax effect	△377	864
Income taxes and tax effect	112	△190
Valuation difference on available-for-sale securities	△265	673
Gain (loss) on deferred hedge		
Amount arising during the period	△524	△2,206
Reclassification adjustment	850	1,100
Before income taxes and tax effect	326	△1,106
Income taxes and tax effect	△99	346
Gain (loss) on deferred hedge	226	△759
Translation adjustments		
Amount arising during the period	△1,461	12,148
Reclassification adjustment	—	—
Before income taxes and tax effect	△1,461	12,148
Income taxes and tax effect	—	—
Translation adjustments	△1,461	12,148
Other comprehensive income of entities under equity method		
Amount arising during the period	△9	14
Total other comprehensive income	△1,509	12,076

(Consolidated Statement of Changes to Shareholders' Equity)

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

1. Matters concerning issued shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares (shares)	60,857,382	121,714,764	3,500,000	179,072,146

(Summary of reasons for changes)

Breakdown of the increase:

・ 3-for-1 share split by resolution of the Board of Directors on May 7, 2024: 121,714,764 shares

Breakdown of the decrease:

・ Cancellation of treasury shares by resolution of the Board of Directors on December 23, 2024: 3,500,000 shares

2. Matters concerning treasury shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares (shares)	872,110	3,331,897	3,546,522	657,485

(Summary of reasons for changes)

Breakdown of the increase:

・ 3-for-1 share split by resolution of the Board of Directors on May 7, 2024: 1,652,536 shares
・ Acquisition of treasury shares by resolution of the Board of Directors on October 28, 2024: 1,678,600 shares
・ Acquisition resulting from purchase of shares less than one trading unit: 761 shares

Breakdown of the decrease:

・ Disposal of treasury shares as restricted share remuneration: 46,522 shares
・ Cancellation of treasury shares by resolution of the Board of Directors on December 23, 2024: 3,500,000 shares

3. Matters concerning share acquisition rights, etc.

Not applicable.

4. Matters concerning dividends

(1) Dividend payments

Resolution	Class of shares	Total dividends (Millions of Yen)	Per share dividend (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 26, 2024	Common shares	7,198	120.00	March 31, 2024	June 27, 2024
Board of Directors on October 28, 2024	Common shares	6,303	105.00	September 30, 2024	December 3, 2024

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

Resolution	Class of shares	Source of dividends	Total dividends (Millions of Yen)	Per share dividend (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2025	Common shares	Retained earnings	6,244	35.00	March 31, 2025	June 26, 2025

The Company conducted a 3-for-1 share split of its common shares, effective on October 1, 2024. The dividend per share based on the resolution of the Annual General Meeting of Shareholders held on June 25, 2025 is stated as the amount before the share split. Taking the share split into account, the dividend per share would be 35.00 yen.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

1. Matters concerning issued shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares (shares)	179,072,146	—	—	179,072,146

2. Matters concerning treasury shares

Class of shares	Beginning of period	Increase	Decrease	End of period
Common shares (shares)	657,485	50	148,446	509,089

(Summary of reasons for changes)

Breakdown of the increase:

・ Acquisition resulting from purchase of shares less than one trading unit: 50 shares

Breakdown of the decrease:

・ Disposal of treasury shares as restricted share remuneration: 148,446 shares

3. Matters concerning share acquisition rights, etc.

Not applicable.

4. Matters concerning dividends

(1) Dividend payments

Resolution	Class of shares	Total dividends (Millions of Yen)	Per share dividend (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 25, 2025	Common shares	6,244	35.00	March 31, 2025	June 26, 2025
Board of Directors on October 27, 2025	Common shares	6,249	35.00	September 30, 2025	December 2, 2025

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

Resolution (Scheduled)	Class of shares	Source of dividends	Total dividends (Millions of Yen)	Per share dividend (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2026	Common shares	Retained earnings	6,249	35.00	March 31, 2026	June 25, 2026

This is scheduled to be submitted as a proposal at the Annual General Meeting of Shareholders to be held on June 24, 2026.

(Consolidated Cash Flow Statements)

*1. The relationship between the ending balance of cash and cash equivalents and the amounts of the items listed in the consolidated balance sheet is as follows:

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)		Current consolidated fiscal year (April 1, 2025 to March 31, 2026)	
Cash and deposits	48,530	million yen	54,388	million yen
Time deposits with a deposit period of over three months	△77	million yen	△17	million yen
Cash and cash equivalents	48,452	million yen	54,370	million yen

(Lease Transactions)

Finance lease transactions

(Lessee side)

Finance lease transactions other than those that transfer ownership

(1) Content of leased assets

Property, plant and equipment: Mainly offices and warehouses (buildings and structures), warehouse facilities, and network equipment (machinery and equipment).

(2) Method of depreciation of leased assets

The straight-line method is used, with the lease period as the useful life and zero residual value.

With respect to subsidiaries applying IFRS, IFRS 16 is applied, and the content of right-of-use assets recognized as assets and the method of depreciation are included in the above description.

(Financial Instruments)

1. Matters relating to the status of financial instruments

(1) Policy for financial instruments

The Group's policy for fund management is to limit it to short-term deposits and the like, while fund procurement is made through bank loans. Derivatives are used to hedge the risks described below, with a policy of not engaging in speculative transactions.

(2) Content of financial instruments, their risks, and risk management system

Notes receivable, electronically recorded receivables, and accounts receivable, which are operating receivables, are exposed to customer credit risk. This risk is managed, in accordance with the Group's credit management manual, by due-date management and balance management for each counterparty, together with a system for regularly grasping the credit status of major counterparties. Trade receivables denominated in foreign currencies are exposed to exchange rate fluctuation risks; in principle, trade receivables denominated in foreign currencies are hedged using forward exchange contracts and currency options.

Investment securities are exposed to market price fluctuation risks; their fair values and the financial condition of issuers (counterparties) are regularly grasped.

Notes and accounts payable and deposits received, which are operating receivables, are mostly due within one year. Some of these are denominated in foreign currencies and are therefore exposed to exchange rate fluctuation risk; however, foreign currency-denominated operating receivables are, in principle, hedged using forward exchange contracts and currency option transactions.

Short-term borrowings are primarily financing related to operating transactions.

Lease obligations are primarily financing related to capital investments, with the longest redemption date being seven years after the balance sheet date.

Derivative transactions consist of forward exchange and currency option transactions for the purpose of hedging exchange rate fluctuation risks associated with operating receivables and payables denominated in foreign currencies, loans receivable, loans payable and forecasted transactions denominated in foreign currencies. Derivative transactions are approved as to their basic policy by the Management Committee based on the Derivative Transaction Rules establishing transaction authority, etc., and are conducted by the Finance and Accounting Department in accordance therewith. Monthly transaction results are reported to the officer in charge of the Finance and Accounting Department and to the Management Committee. Consolidated subsidiaries also manage their derivative transactions in accordance with the Company's Derivative Transaction Rules.

(3) Supplementary explanation of matters regarding fair values of financial instruments

The contract amounts etc. regarding derivative transactions in the Derivative Transactions note do not themselves indicate the market risk associated with the derivative transactions.

2. Matters relating to fair values of financial instruments

The amounts recorded on the consolidated balance sheet, fair values, and the differences between them are as follows. Shares and other instruments without market prices (amount recorded on the previous consolidated balance sheet: 3,135 million yen; amount recorded on the current consolidated balance sheet: 3,104 million yen) and investments in partnerships and other similar entities for which the equity-method amount is recorded on a net basis on the consolidated balance sheet (amount recorded on the previous consolidated balance sheet: 2,452 million yen; amount recorded on the current consolidated balance sheet: 2,511 million yen) are not included in the following table. The Company applies the treatment set forth in Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Implementation Guidance No. 31, June 17, 2021), and accordingly does not disclose the matters stipulated in Paragraph 4(1) of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Implementation Guidance No. 19, March 31, 2020).

In addition, with respect to Cash and deposits, notes for Cash have been omitted, and notes for Deposits have been omitted because they are settled in a short period and their fair values approximate their book values.

Notes for Notes receivable, Electronically recorded receivables, Accounts receivable, Notes & accounts payable, Short-term loans payable, and Deposits received have been omitted because they are settled in a short period and their fair values approximate their book values.

Previous Consolidated Fiscal Year (As of March 31, 2025)

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities			
Held-to-maturity debt securities	0	—	△0
Shares of affiliates	168	2,328	2,160
Other securities	2,253	2,253	—
(2) Long-term loans receivable (*1)	213		
Allowance for doubtful accounts	(203)		
	9	9	—
(3) Derivative transactions (*2)	730	730	—

*1. The allowance for doubtful accounts individually recorded against long-term loans receivable has been deducted.

*2. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in a net liability in the aggregate are indicated in parentheses.

Current Consolidated Fiscal Year (As of March 31, 2026)

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities			
Held-to-maturity debt securities	0	0	△0
Shares of affiliates	168	2,956	2,788
Other securities	2,387	2,387	—
(2) Lease obligations (*1)	1,706	1,631	△74
(3) Derivative transactions (*2)	(3,308)	(3,308)	—

*1. Includes lease obligations scheduled to be repaid within one year.

*2. Net receivables and payables arising from derivative transactions are presented on a net basis, and items that result in a net liability in the aggregate are indicated in parentheses.

(Note 1) Scheduled redemption amounts of monetary claims and securities with maturities after the consolidated balance sheet date

Previous Consolidated Fiscal Year (As of March 31, 2025)

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits				
Deposits	46,156	—	—	—
Notes receivable	181	—	—	—
Electronically recorded receivables	9,215	—	—	—
Accounts receivable	205,480	—	—	—
Investment securities				
Held-to-maturity debt securities				
Convertible bonds with share acquisition rights	0	—	—	—
Long-term loans receivable	—	—	—	213
Total	261,034	—	—	213

Current Consolidated Fiscal Year (As of March 31, 2026)

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits				
Deposits	54,359	—	—	—
Notes receivable	114	—	—	—
Electronically recorded receivables	25,157	—	—	—
Accounts receivable	268,139	—	—	—
Investment securities				
Held-to-maturity debt securities				
Convertible bonds with share acquisition rights	0	—	—	—
Total	347,771	—	—	—

(Note 2) Scheduled repayment amounts of short-term and long-term debt, and lease obligations after the consolidated balance sheet date

Previous Consolidated Fiscal Year (As of March 31, 2025)

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	71,728	—	—	—	—	—
Long-term debt	3,000	—	—	—	—	—
Total	74,728	—	—	—	—	—

Current Consolidated Fiscal Year (As of March 31, 2026)

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	75,786	—	—	—	—	—
Lease obligations	697	498	251	133	90	34
Total	76,484	498	251	133	90	34

3. Matters concerning the breakdown of fair values of financial instruments by appropriate level

The fair values of financial instruments are classified into the following three levels according to the observability and significance of inputs used to measure fair value:

・ Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for identical assets or liabilities.
・ Level 2 fair value: Fair value measured using inputs other than Level 1 inputs that are directly or indirectly observable.
・ Level 3 fair value: Fair value measured using significant unobservable inputs.

When multiple inputs that significantly affect the measurement of fair value are used, the fair value is classified into the level with the lowest priority among the levels to which those inputs belong.

(1) Financial instruments recorded at fair value on the consolidated balance sheet

Previous Consolidated Fiscal Year (As of March 31, 2025)

(Millions of yen)

Category	**Fair value**			
	Level 1	**Level 2**	**Level 3**	**Total**
Securities and investment securities				
Other securities				

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Shares	2,253	—	—	2,253
Share acquisition rights	—	—	—	—
Derivative transactions				
Currency-related	—	730	—	730
Total assets	2,253	730	—	2,983

Current Consolidated Fiscal Year (As of March 31, 2026)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Shares	2,387	—	—	2,387
Share acquisition rights	—	—	0	0
Total assets	2,387	—	0	2,387
Derivative transactions				
Currency-related	—	3,308	—	3,308
Total liabilities	—	3,308	—	3,308

(2) Financial instruments other than those recorded at fair value on the consolidated balance sheet

Previous Consolidated Fiscal Year (As of March 31, 2025)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Shares of affiliates	2,328	—	—	2,328
Held-to-maturity debt securities				
Convertible bonds with share acquisition rights	—	—	—	—
Long-term debt	—	—	9	9
Total assets	2,328	—	9	2,338

Current Consolidated Fiscal Year (As of March 31, 2026)

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Shares of affiliates	2,956	—	—	2,956
Held-to-maturity debt securities				
Convertible bonds with share acquisition rights	—	—	0	0
Total assets	2,956	—	0	2,956
Long-term debt	—	1,631	—	1,631
Total liabilities	—	1,631	—	1,631

Description of valuation techniques and inputs used in measuring fair value

Securities and investment securities: Listed shares are valued using quoted prices; because listed shares are traded in active markets, their fair values are classified as Level 1. Convertible bond type bonds with share acquisition rights and share acquisition rights are measured using significant unobservable inputs and classified as Level 3.

Derivatives transactions: Fair values are measured based on prices quoted by counterparty financial institutions and are classified as Level 2.

Long-term loans receivable: Fair value approximates the carrying amount reported in the consolidated balance sheet, net of the estimated allowance for doubtful accounts; accordingly, such amount is used as the fair value and is classified as Level 3.

Lease obligations: Fair value is calculated as the present value obtained by discounting the total amount of principal and interest at an interest rate that takes into account the remaining term of the obligation and credit risk, and is classified as Level 2 fair value.

(Securities)

1. Held-to-maturity debt securities

Previous Consolidated Fiscal Year (As of March 31, 2025)

Category	Consolidated balance sheet amount (Millions of Yen)	Fair value (Millions of Yen)	Difference (Millions of Yen)
Items for which fair value exceeds consolidated balance sheet amount			
Convertible bonds with share acquisition rights	—	—	—
Subtotal	—	—	—
Items for which fair value does not exceed consolidated balance sheet amount			
Convertible bonds with share acquisition rights	0	—	△0
Subtotal	0	—	△0
Total	0	—	△0

Current Consolidated Fiscal Year (As of March 31, 2026)

Category	Consolidated balance sheet amount (Millions of Yen)	Fair value (Millions of Yen)	Difference (Millions of Yen)
Items for which fair value exceeds consolidated balance sheet amount	—	—	—
Items for which fair value does not exceed consolidated balance sheet amount			
Convertible bonds with share acquisition rights	0	0	△0
Subtotal	0	0	△0
Total	0	0	△0

2. Other securities

Previous Consolidated Fiscal Year (As of March 31, 2025)

Category	Consolidated balance sheet amount (Millions of Yen)	Acquisition cost (Millions of Yen)	Difference (Millions of Yen)
Items for which consolidated balance sheet amount exceeds acquisition cost			
Shares	1,832	1,109	722
Share acquisition rights	—	—	—
Other	—	—	—
Subtotal	1,832	1,109	722
Items for which consolidated balance sheet amount does not exceed acquisition cost			
Shares	420	676	△255
Share acquisition rights	0	0	—
Other	—	—	—
Subtotal	420	676	△255
Total	2,253	1,786	467

Current Consolidated Fiscal Year (As of March 31, 2026)

Category	Consolidated balance sheet amount (Millions of Yen)	Acquisition cost (Millions of Yen)	Difference (Millions of Yen)
Items for which consolidated balance sheet amount exceeds acquisition cost			
Shares	2,252	1,143	1,109
Subtotal	2,252	1,143	1,109
Items for which consolidated balance sheet amount does not exceed acquisition cost			

Category	Consolidated balance sheet amount (Millions of Yen)	Acquisition cost (Millions of Yen)	Difference (Millions of Yen)
Shares	134	134	△0
Share acquisition rights	0	0	－
Subtotal	134	134	△0
Total	2,387	1,278	1,109

3. Other securities sold during the consolidated fiscal year

Previous Consolidated Fiscal Year (from April 1, 2024 to March 31, 2025)

Category	Sale amount (Millions of Yen)	Total gains on sale (Millions of Yen)	Total losses on sale (Millions of Yen)
Shares	338	251	△0
Bonds	－	－	－
Other	－	－	－
Total	338	251	△0

Current Consolidated Fiscal Year (from April 1, 2025 to March 31, 2026)

Category	Sale amount (Millions of Yen)	Total gains on sale (Millions of Yen)	Total losses on sale (Millions of Yen)
Shares	2,190	1,271	－
Total	2,190	1,271	－

4. Securities for which impairment was recognized

Previous Consolidated Fiscal Year (from April 1, 2024 to March 31, 2025)

For the current consolidated fiscal year, impairment was recognized, and a loss on valuation of investment securities of 234 million yen and a loss on valuation of shares of affiliated companies of 129 million yen were recorded.

Current Consolidated Fiscal Year (from April 1, 2025 to March 31, 2026)

For the current consolidated fiscal year, impairment was recognized, and a loss on valuation of investment securities of 409 million yen was recorded.

(Derivative Transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency-related

Previous Consolidated Fiscal Year (As of March 31, 2025)

	Type	Contract amount, etc. (Millions of Yen)	Of which over 1 year (Millions of Yen)	Fair value (Millions of Yen)	Valuation gain/loss (Millions of Yen)
Transactions other than market transactions	Forward exchange contracts - Sell - US dollar	41,576	—	117	117
	Forward exchange contracts - Sell - Euro	729	—	1	1
	Forward exchange contracts - Buy - US dollar	34,567	83	421	421
	Forward exchange contracts - Buy - Japanese yen	24	—	△0	△0
	Forward exchange contracts - Buy - Euro	—	—	—	—
Total		76,898	83	539	539

Current Consolidated Fiscal Year (As of March 31, 2026)

	Type	Contract amount, etc. (Millions of Yen)	Of which over 1 year (Millions of Yen)	Fair value (Millions of Yen)	Valuation gain/loss (Millions of Yen)
Transactions other than market transactions	Forward exchange contracts - Sell - US dollar	113,544	—	△4,473	△4,473
	Forward exchange contracts - Sell - Euro	1,841	—	9	9
	Forward exchange contracts - Buy - US dollar	74,719	—	2,069	2,069
	Forward exchange contracts - Buy - Japanese yen	172	—	1	1
Total		190,278	—	△2,392	△2,392

2. Derivative transactions to which hedge accounting are applied

Currency-related

Previous Consolidated Fiscal Year (As of March 31, 2025)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount, etc. (Millions of Yen)	Of which over 1 year (Millions of Yen)	Fair value (Millions of Yen)
Deferred hedge accounting	Forward exchange contracts - Sell - US dollar	Forecasted transactions in foreign currency (net sales)	18,170	—	158
	Forward exchange contracts - Buy - US dollar	Forecasted transactions in foreign currency (cost of sales)	24,530	425	32
		Accounts payable			
Total			42,700	425	191

Current Consolidated Fiscal Year (As of March 31, 2026)

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount, etc. (Millions of Yen)	Of which over 1 year (Millions of Yen)	Fair value (Millions of Yen)
Deferred hedge accounting	Forward exchange contracts - Sell - US dollar	Forecasted transactions in foreign currency (net sales)	45,758	—	△1,212

Hedge accounting method	Type of derivative transaction	Principal hedged item	Contract amount, etc. (Millions of Yen)	Of which over 1 year (Millions of Yen)	Fair value (Millions of Yen)
	Forward exchange contracts - Buy - US dollar	Forecasted transactions in foreign currency (cost of sales) Accounts payable	28,924	208	296
Total			74,683	208	△915

(Retirement Benefits)

1. Outline of retirement benefit plans adopted

The Company and its consolidated subsidiaries adopt defined benefit lump sum retirement plans and defined contribution plans.

One consolidated subsidiary has established a retirement benefit trust.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Beginning balance of retirement benefit obligations	11,405	11,328
Service cost	781	724
Interest cost	28	194
Actuarial differences incurred	△567	△1,256
Retirement benefits paid	△319	△826
Increase due to new consolidations	―	30
Other	0	47
Ending balance of retirement benefit obligations	11,328	10,242

(2) Reconciliation of beginning and ending balances of pension assets

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Beginning balance of pension assets	11,934	12,069
Expected return on plan assets	220	228
Actuarial differences incurred	△333	251
Contributions from the employer	371	369
Retirement benefits paid	△115	△386
Other	△8	19
Ending balance of pension assets	12,069	12,551

(3) Reconciliation of ending balances of retirement benefit obligations and pension assets with liability and asset for retirement benefits recorded in the consolidated balance sheet

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Retirement benefit obligations of funded plans	11,118	9,942
Pension assets	△12,069	△12,551
	△950	△2,609
Retirement benefit obligations of unfunded plans	209	300
Net of liability and asset recorded in the consolidated balance sheet	△740	△2,309
Liability for retirement benefits	427	417
Asset for retirement benefits	△1,168	△2,727
Net of liability and asset recorded in the consolidated balance sheet	△740	△2,309

(4) Amounts of retirement benefit expenses and breakdown

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Service cost	781	724
Interest cost	28	194
Expected return on plan assets	△220	△228
Expense processing of actuarial differences	△234	△1,507
Amortization of prior service cost	―	30
Other	13	77
Retirement benefit expenses for defined benefit plans	368	△708

(5) Matters concerning pension assets

(i) Major breakdown of pension assets

The percentages of the total pension assets by major classification are as follows:

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Bonds	40.8 %	39.4 %
Shares	28.1 %	26.4 %
Cash and deposits	23.0 %	22.3 %
General account	3.1 %	2.7 %
Investment trusts	0.5 %	0.6 %
Other	4.5 %	8.6 %
Total	100.0 %	100.0 %

Total pension assets include retirement benefit trusts established for the corporate pension plan, accounting for 47.0% in the current consolidated fiscal year and 46.6% in the current consolidated fiscal year.

(ii) Method of setting the long-term expected rate of return on pension assets

To determine the long-term expected rate of return on pension assets, the Company takes into account the current and expected allocation of pension assets and the current and future expected long-term rates of return from the various assets comprising pension assets.

(6) Matters concerning actuarial calculation bases

Major actuarial calculation bases

	Previous consolidated fiscal year (April 1, 2024 to March 31, 2025)	Current consolidated fiscal year (April 1, 2025 to March 31, 2026)
Discount rate	Mainly 1.8%	Mainly 2.7%
Long-term expected rate of return	Mainly 2.0%	Mainly 2.0%
Average rate of salary increase	Mainly 3.5%	Mainly 3.7%

3. Defined contribution plans

The required contribution to defined contribution plans of certain consolidated subsidiaries was 607 million yen in the previous consolidated fiscal year and 638 million yen in the current consolidated fiscal year.

(Tax Effect Accounting)

1. Major causes of deferred tax assets and deferred tax liabilities, broken down by cause

	Previous consolidated fiscal year (March 31, 2025)	Current consolidated fiscal year (March 31, 2026)
Deferred tax assets		
Liability for retirement benefits	1,735 million yen	1,782 million yen
Tax loss carryforwards (Note 1)	411 million yen	977 million yen
Valuation loss on goods	1,667 million yen	1,632 million yen
Product compensation expenses	224 million yen	191 million yen
Accrued bonuses	1,186 million yen	1,200 million yen
Allowance for doubtful accounts	63 million yen	122 million yen
Loss on valuation of investment securities	714 million yen	930 million yen
Accrued enterprise taxes	45 million yen	222 million yen
Loss on valuation of shares of affiliates	2,539 million yen	3,342 million yen
Gain (loss) on deferred hedge	― million yen	315 million yen
Other	1,129 million yen	1,137 million yen
Subtotal of deferred tax assets	9,718 million yen	11,855 million yen
Valuation allowance for tax loss carryforwards (Note 1)	△411 million yen	△972 million yen
Valuation allowance for total future deductible temporary differences	△3,925 million yen	△5,080 million yen
Subtotal of valuation allowance	△4,336 million yen	△6,052 million yen
Total deferred tax assets	5,381 million yen	5,802 million yen
Deferred tax liabilities		
Unrealized holding gains on securities	△141 million yen	△256 million yen
Retained earnings of overseas subsidiaries	△613 million yen	△665 million yen
Gain (loss) on deferred hedge	△65 million yen	― million yen
Other	△383 million yen	△1,294 million yen
Total deferred tax liabilities	△1,203 million yen	△2,216 million yen
Net deferred tax assets	4,177 million yen	3,585 million yen

Amounts of tax loss carryforwards and related deferred tax assets by expiration period

Previous Consolidated Fiscal Year (As of March 31, 2025)

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	―	―	―	―	―	411	411
Valuation allowance	―	―	―	―	―	△411	△411
Deferred tax assets	―	―	―	―	―	―	―

(a) Tax loss carryforwards are stated at amounts multiplied by the statutory effective tax rate.

Current Consolidated Fiscal Year (As of March 31, 2026)

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carryforwards (a)	―	―	―	―	―	977	977
Valuation allowance	―	―	―	―	―	△972	△972
Deferred tax assets	―	―	―	―	―	4	4

(a) Tax loss carryforwards are stated at amounts multiplied by the statutory effective tax rate.

2. Where there is a significant difference between the statutory effective tax rate and the effective tax rate after applying tax effect accounting, the major items contributing to such difference are as follows:

	Previous consolidated fiscal year (As of March 31, 2025)		Current consolidated fiscal year (As of March 31, 2026)	
Statutory effective tax rate	30.58	%	30.58	%
(Adjustments)				
Effect of tax rate difference between Japan and foreign countries	△4.83	%	△6.81	%
Valuation allowance	1.55	%	2.41	%
Entertainment expenses and other permanently non-deductible items	0.26	%	1.23	%
Dividend income exclusion	△0.21	%	△0.23	%
Gain on negative goodwill	△0.50	%	―	%
Amortization of goodwill	0.57	%	0.41	%
Per-capita inhabitant taxes	0.51	%	0.08	%
Tax credits	△0.46	%	△1.03	%
Retained earnings tax	0.17	%	0.29	%
Other	0.79	%	△0.81	%
Effective tax rate after tax effect accounting	28.43	%	26.12	%

(Revenue Recognition)

1. Information on disaggregation of revenues arising from contracts with customers

Effective from the current fiscal year, the name of the reportable segment formerly referred to as the "Network Business" has been changed to "Cybersecurity and Other IT Solutions Business." This change relates only to the segment name and has no impact on the disaggregated information of revenue arising from contracts with customers.

In addition, the disaggregated information of revenue arising from contracts with customers for the previous fiscal year is presented using the revised segment name.

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

(1) Breakdown by type of goods or services

(Millions of yen)

	Reportable segment			Other	Total
	ICs, Electronic Devices and Other Business	Cybersecurity and Other IT Solutions Business	Sub-total		
Integrated circuits	769,973	−	769,973	−	769,973
Electronic devices	73,003	−	73,003	−	73,003
Hardware	−	15,587	15,587	−	15,587
Software	−	115,964	115,964	−	115,964
Services	−	22,386	22,386	−	22,386
Other	37,265	−	37,265	−	37,265
Revenues from contracts with customers	880,242	153,938	1,034,180	−	1,034,180
Sales to external customers	880,242	153,938	1,034,180	−	1,034,180

(2) Information by region (prior year)

(Millions of yen)

	Reportable segment			Other	Total
	ICs & Electronic Devices & Other Business	Cybersecurity and Other IT Solutions Business	Segment subtotal		
Japan	432,651	101,048	533,700	−	533,700
China	191,708	1	191,709	−	191,709
Other	255,882	52,888	308,770	−	308,770
Revenues from contracts with customers	880,242	153,938	1,034,180	−	1,034,180
Sales to external customers	880,242	153,938	1,034,180	−	1,034,180

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

(1) Breakdown by type of goods or services

(Millions of yen)

	Reportable segment			Other	Total
	ICs, Electronic Devices and Other Business	Cybersecurity and Other IT Solutions Business	Sub-total		
Integrated circuits	897,652		897,652		897,652
Electronic devices	80,203		80,203		80,203
Hardware		14,164	14,164		14,164
Software		133,847	133,847		133,847
Services		26,138	26,138		26,138
Other	62,190		62,190		62,190
Revenues from contracts with customers	1,040,045	174,150	1,214,196		1,214,196
Sales to external customers	1,040,045	174,150	1,214,196		1,214,196

(2) Information by region (current year)

(Millions of yen)

	Reportable segment			Other	Total
	ICs & Electronic Devices & Other Business	Cybersecurity and Other IT Solutions Business	Segment subtotal		
Japan	435,294	113,348	548,642	−	548,642
China	249,250	76	249,327	−	249,327
Other	355,500	60,725	416,226	−	416,226
Revenues from contracts with customers	1,040,045	174,150	1,214,196	−	1,214,196
Sales to external customers	1,040,045	174,150	1,214,196	−	1,214,196

2. Information forming the basis for understanding revenues arising from contracts with customers

Information forming the basis for understanding revenues arising from contracts with customers is described in "Significant Matters Forming the Basis for the Preparation of the Consolidated Financial Statements, 4. Matters concerning accounting policies, (5) Standards for recording significant revenues and expenses."

Payment terms under the Company's contracts with customers generally have short payment-due dates, and the contracts do not contain a significant financing component.

There are no significant rebates, returns, etc. in respect of consideration promised in contracts with customers.

3. Information on the relationship between satisfaction of performance obligations under contracts with customers and the cash flows arising from such contracts, and on the amount and timing of revenue expected to be recognized in the following consolidated fiscal year and thereafter from contracts with customers existing at the end of the current consolidated fiscal year

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

Contract assets mainly consist of rights that are unbilled under contracts with customers relating to the grant of software licenses in the Cybersecurity and Other IT Solutions Business. Contract assets are reclassified to receivables arising from contracts with customers at the time the right to consideration becomes unconditional.

Contract liabilities mainly consist of advances received from customers in respect of maintenance service contracts in the Cybersecurity and Other IT Solutions Business. As these services are provided, performance obligations are satisfied and contract liabilities are reclassified to revenue.

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the contract liability balance at the beginning of the period is 7,599 million yen (previous consolidated fiscal year: 7,615 million yen).

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations relating to sales of goods or products to customers in the ICs, Electronic Devices and Other Business is 85,299 million yen as of the end of the current consolidated fiscal year (previous consolidated fiscal year: 63,710 million yen). Such performance obligations are generally expected to be satisfied within 3 years.

The total transaction price allocated to the remaining performance obligations relating to maintenance service contracts with customers in the Cybersecurity and Other IT Solutions Business is 7,084 million yen as of the end of the current consolidated fiscal year (previous consolidated fiscal year: 6,564 million yen). Approximately 80% of this is expected to be satisfied within 3 years, and approximately 20% in more than 3 years.

Among the remaining performance obligations related to the ICs, Electronic Devices and Other Business and the Cybersecurity and Other IT Solutions Business, contracts with an originally expected contract period of one year or less are, pursuant to the practical expedient, not included in the above amount.

(Segment Information)

1. Outline of reportable segments

(1) Method of determining reportable segments

The Company's reportable segments are constituent units of the Group for which separate financial statement are available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Group is engaged in integrated circuits, electronic devices, networks, and other related businesses. The Company and its consolidated subsidiaries are established according to the products and services they handle, and each of them, as an independent management unit, formulates comprehensive domestic and overseas strategies and conducts business activities.

Accordingly, the Group is composed of business segments based on products and services, and has two reportable segments: "ICs, Electronic Devices and Other Business" and "Cybersecurity and Other IT Solutions Business."

(2) Type of products and services belonging to each reportable segment

The "ICs, Electronic Devices and Other Business" segment engages in the sale of integrated circuits, electronic devices, and related products, and the "Cybersecurity and Other IT Solutions Business" segment engages in the sale of network-related hardware, software, and services.

(3) Calculating sales, profit or loss, assets, liabilities and other items by reportable segment

Effective from the current fiscal year, the name of the reportable segment formerly referred to as the "Network Business" has been changed to "Cybersecurity and Other IT Solutions Business." This change relates only to the segment name and has no impact on segment information. In addition, segment information for the previous fiscal year is presented using the revised segment name.

2. Method of calculation of net sales, profit or loss, assets and other items by reportable segment

The accounting methods applied to the reportable segments are consistent with those used in the preparation of the consolidated financial statements.

Profit by reportable segment is based on operating income.

Intersegment sales and transfers are based on market values.

3. Sales, profit or loss, assets, liabilities and other items by reportable segment

Previous Consolidated Fiscal Year (April 1, 2024 - March 31, 2025)

(Millions of yen)

	Reportable segment			Other	Total
	ICs, Electronic Devices and Other Business	Cybersecurity and Other IT Solutions Business	Sub-total		
Sales					
1) Sales to external customers	880,242	153,938	1,034,180	—	1,034,180
2) Internal sales, segment transfers	—	5	5	—	5
Total	880,242	153,943	1,034,186	—	1,034,186
Segment profit	26,328	13,320	39,649	—	39,649
Segment assets	489,409	63,232	552,641	—	552,641
Others					
Depreciation	3,220	676	3,897	—	3,897
Amortization of goodwill	598	98	696	—	696
Equity in net gain (loss) of affiliates	—	△10	△10	—	△10
Investments accounted for using equity method	—	533	533	—	533
Increase of tangible and intangible assets	3,325	1,048	4,373	—	4,373

Current Consolidated Fiscal Year (April 1, 2025 - March 31, 2026)

(Millions of yen)

	Reportable segment			Other	Total
	ICs, Electronic Devices and Other Business	Cybersecurity and Other IT Solutions Business	Sub-total		
Sales					
1) Sales to external customers	1,040,045	174,150	1,214,196	—	1,214,196
2) Internal sales, segment transfers	—	79	79	—	79
Total	1,040,045	174,230	1,214,276	—	1,214,276
Segment profit	24,735	17,213	41,949	—	41,949
Segment assets	611,471	85,910	697,382	—	697,382
Others					
Depreciation	3,784	794	4,579	—	4,579
Amortization of goodwill	519	—	519	—	519
Equity in net gain (loss) of affiliates	—	40	40	—	40
Investments accounted for using equity method	—	587	587	—	587
Increase of tangible and intangible assets	3,293	1,040	4,333	—	4,333

4. Income (loss) by reportable segment and consolidated statements of income (reconciliation), and the main components of differences (matters related to reconciliation)

(Millions of yen)

Net Sales	Previous fiscal year	Current fiscal year
Reportable segments total	1,034,186	1,214,276
Elimination of intersegment transactions	△5	△79
Net sales in consolidated statement of income	1,034,180	1,214,196

(Millions of yen)

Income	Previous fiscal year	Current fiscal year
Reportable segments total	39,649	41,949
Elimination of intersegment transactions	0	0
Operating income in consolidated statement of income	39,649	41,950

(Millions of yen)

Assets	Previous fiscal year	Current fiscal year
Reportable segments total	552,641	697,382
Elimination of intersegment transactions	△2,745	△3,187
Corporate-wide assets*	6,541	6,692
Net assets in the consolidated statement of income	556,438	700,887

"Corporate-wide assets" refers mainly to land and investment securities not included in reportable segment.

Other Items	Segment Total		Other		Adjustment		Statement of Income	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	3,897	4,579	—	—	—	—	3,897	4,579
Amortization of goodwill	696	519	—	—	—	—	696	519
Equity in net gain (loss) of affiliates	△10	40	—	—	—	—	△10	40
Investments accounted for using equity method	533	587	—	—	—	—	533	587
Increase of tangible and intangible assets	4,373	4,333	—	—	—	—	4,373	4,333

(Related Information)

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

1. Information by products and services

Omitted because similar information is disclosed in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Other	Total
533,700	191,709	308,770	1,034,180

Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Hong Kong	Taiwan	Other	Total
7,389	379	593	1,087	9,450

3. Information by major customer

Not disclosed because there are no customers accounting for 10% or more of net sales in the consolidated statements of income among sales to external customers.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

1. Information by products and services

Omitted because similar information is disclosed in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Other	Total
548,642	249,327	416,226	1,214,196

Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Hong Kong	Taiwan	Other	Total
6,743	300	606	1,823	9,474

3. Information by major customer

Not disclosed because there are no customers accounting for 10% or more of net sales in the consolidated statements of income among sales to external customers.

Information on Impairment Losses on Fixed Assets by Reportable Segment

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

Not applicable.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

Not applicable.

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable Segment			Other	Corporate / Eliminations	Total
	ICs, Electronic Devices and Other Business	Cybersecurity and Other IT Solutions Business	Subtotal			
Balance at end of period	579	—	579	—	—	579

Amortization of goodwill is omitted because similar information is disclosed in segment information.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

(Millions of yen)

	Reportable Segment			Other	Corporate / Eliminations	Total
	ICs, Electronic Devices and Other Business	Cybersecurity and Other IT Solutions Business	Subtotal			
Balance at end of period	105	—	105	—	—	105

Amortization of goodwill is omitted because similar information is disclosed in segment information.

Information on Gain on Negative Goodwill by Reportable Segment

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

In the ICs, Electronic Devices and Other Business, the Company additionally acquired shares in Glosel Co., Ltd., a consolidated subsidiary. As a result, a gain on negative goodwill of 612 million yen was recorded in the current consolidated fiscal year.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

Not applicable.

Related Party Information

1. Transactions with related parties

(1) Transactions between the reporting company and related parties

(A) Non-consolidated subsidiaries and affiliates, etc. of the reporting company of the consolidated financial statements

Not applicable.

(B) Officers and major shareholders (individuals only) of the reporting company of the consolidated financial statements

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

Type	Name	Location	Capital or investment (Millions of yen)	Business description or occupation	Percentage of voting rights owned (or held by counterparty) (%)	Relationship with related party	Transaction content	Transaction amount (Millions of yen)	Account item	Period-end balance (Millions of yen)
Officer	Kiyoshi Nakashima	—	—	Director and Chairman of the Board of the Company	Held by counterparty: Direct 0.16	Director and Chairman of the Board of the Company	Monetary remuneration claims contributed in kind (Note)	17	—	—
	Kazumasa Hara	—	—	Representative Director and President of the Company	Held by counterparty: Direct 0.12	Representative Director and President of the Company	Monetary remuneration claims contributed in kind (Note)	38	—	—
	Akinobu Miyoshi	—	—	Representative Director and Vice President of the Company	Held by counterparty: Direct 0.06	Representative Director and Vice President of the Company	Monetary remuneration claims contributed in kind (Note)	26	—	—
	Eiichi Nishizawa	—	—	Director of the Company	Held by counterparty: Direct 0.02	Director of the Company	Monetary remuneration claims contributed in kind (Note)	7	—	—
	Makoto Okawara	—	—	Director of the Company	Held by counterparty: Direct 0.00	Director of the Company	Monetary remuneration claims contributed in kind (Note)	14	—	—

Monetary remuneration claims contributed in kind associated with restricted share remuneration.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

Type	Name	Location	Capital or investment (Millions of yen)	Business description or occupation	Percentage of voting rights owned (or held by counterparty) (%)	Relationship with related party	Transaction content	Transaction amount (Millions of yen)	Account item	Period-end balance (Millions of yen)
Officer	Kazumasa Hara	—	—	Representative Director and President of the Company	Held by counterparty: Direct 0.13	Representative Director and President of the Company	Monetary remuneration claims contributed in kind (Note)	38	—	—
	Akinobu Miyoshi	—	—	Representative Director and Vice President of the Company	Held by counterparty: Direct 0.05	Representative Director and Vice President of the Company	Monetary remuneration claims contributed in kind (Note)	26	—	—
	Makoto Okawara	—	—	Director of the Company	Held by counterparty: Direct 0.01	Director of the Company	Monetary remuneration claims contributed in kind (Note)	14	—	—
	Eiichi Nishizawa	—	—	Director of the Company	Held by counterparty: Direct 0.02	Director of the Company	Monetary remuneration claims contributed in kind (Note)	7	—	—

Monetary remuneration claims contributed in kind associated with restricted share remuneration.

(2) Transactions between consolidated subsidiaries of the reporting company of the consolidated financial statements and related parties

Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)

Not applicable.

Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)

Not applicable.

2. Notes on parent company or significant affiliated companies

Not applicable.

(Per Share Information)

	Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)	Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)
Net assets per share	1,414.76 yen	1,562.10 yen
Net income per share	140.93 yen	155.54 yen

1. Diluted net income per share is not stated as there was no potential dilution.
2. The Company conducted a 3-for-1 share split of its common shares, effective on October 1, 2024. Net income per share is calculated on the assumption that the share split was conducted at the beginning of the previous fiscal year.

3. The basis for calculating net income per share and diluted net income per share is as follows.

	Previous Consolidated Fiscal Year (April 1, 2024 to March 31, 2025)	Current Consolidated Fiscal Year (April 1, 2025 to March 31, 2026)
Net income per share		
Net Income attributable to owners of parent for the fiscal year	25,279 million yen	27,765 million yen
Amount not returned to common share shareholders	—	—
Net Income attributable to owners of parent relating to common shares	25,279 million yen	27,765 million yen
Average number of common shares outstanding during period	179,378,062 shares	178,517,400 shares
Diluted net income per share		
Adjustment to net income attributable to owners of parent	—	—
Increase in number of common shares	—	—
Outline of potential shares not included in the calculation of diluted net income per share because they have no dilutive effect	—	—

4. The basis for calculating net assets per share is as follows.

	Previous Consolidated Fiscal Year (As of March 31, 2025)	Current Consolidated Fiscal Year (As of March 31, 2026)
Total net assets	261,477 million yen	289,115 million yen
Amount deducting from total net assets	9,063 million yen	10,183 million yen
(Non-controlling interests)	(9,063 million yen)	(10,183 million yen)
Net Assets applicable to common share at the end of current period	252,413 million yen	278,932 million yen
Number of common shares at end of period used for calculation of net assets per share	178,414,661 shares	178,563,057 shares

(Subsequent Events)

Not applicable.

(v) Supplementary Schedules to Consolidated Financial Statements

(Schedule of Bonds)

Not applicable.

Schedule of Borrowings, etc.

Category	Beginning balance (Millions of Yen)	Ending balance (Millions of Yen)	Average rate (%)	Repayment due
Short-term loans payable	71,728	75,786	2.0	－
Long-term debt due within one year	3,000	－	－	－
Lease obligations due within one year	558	697	－	－
Long-term debt (excl. within one year)	－	－	－	－
Lease obligations (excl. within one year)	638	1,008	－	April 1, 2027 to April 30, 2033
Other interest-bearing liabilities				
Import notes payable	68,012	82,268	1.5	－
Total	143,937	159,761	－	－

1. "Average rate" represents the weighted-average interest rate on the period-end balance of borrowings, etc. For lease obligations, because they are recorded on the consolidated balance sheet before deducting the interest portion included in total lease payments, the "Average rate" is not presented.
2. Import notes payable are included in notes & accounts payable on the consolidated balance sheet.
3. Scheduled repayments of lease obligations (excluding those due within one year) for each of the 5 years following the consolidated fiscal year-end are as follows:

Category	Over 1 year and within 2 years (Millions of Yen)	Over 2 year and within 3 years (Millions of Yen)	Over 3 year and within 4 years (Millions of Yen)	Over 4 year and within 5 years (Millions of Yen)
Lease obligations	498	251	133	90

Schedule of Asset Retirement Obligations

Not applicable.

(2) Other

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

	Q1 cumulative	Interim consolidated period	Q3 cumulative	Current consolidated fiscal year
Net sales (Millions of Yen)	281,613	575,435	888,157	1,214,196
Interim (quarterly) (current period) income before income taxes (Millions of Yen)	5,178	14,762	24,844	38,641
Interim (quarterly) (current period) income attributable to owners of parent (Millions of Yen)	5,091	11,021	18,341	27,765
Net income per share for the interim (quarterly) (current period) (Yen)	28.54	61.75	102.75	155.54

	Q1 consolidated period	Q2 consolidated period	Q3 consolidated period	Q4 consolidated period
Quarterly net income per share (Yen)	28.54	33.22	40.99	52.78

Review of financial information for the first quarter and third quarter of the consolidated cumulative period: None

2. Financial Statements of the Reporting Company

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
ASSETS		
Current assets		
Cash and deposits	62	330
Accounts receivable	(*2) ―	(*2) 52
Prepaid expenses	262	261
Short-term loans receivable from affiliates	20,707	20,592
Other	(*2) 167	(*2) 32
Total current assets	21,201	21,270
Fixed assets		
Investments and other assets		
Shares of affiliates	69,041	69,041
Long-term prepaid expenses	173	158
Deferred tax assets	196	183
Other	191	179
Total investments and other assets	69,602	69,562
Total fixed assets	69,602	69,562
Total Assets	90,803	90,832
LIABILITIES		
Current liabilities		
Short-term loans payable	863	―
Accounts payable	105	84
Accrued expenses	11	10
Accrued income taxes	126	72
Accrued bonuses	81	83
Provision for directors' bonuses	41	36
Other	(*2) 2,746	(*2) 3,160
Total current liabilities	3,974	3,448
Total Liabilities	3,974	3,448
NET ASSETS		
Shareholders' equity		
Paid-in capital	14,040	14,040
Additional paid-in capital		
Legal capital surplus	6,540	6,540
Other capital surplus	44,293	44,275
Total capital surplus	50,833	50,816
Retained earnings		
Other retained earnings		
Retained earnings brought forward	23,285	23,557
Total retained earnings	23,285	23,557
Treasury shares	△1,330	△1,030
Total shareholders' equity	86,828	87,383
Total net assets	86,828	87,383

Total Liabilities & Net Assets	90,803	90,832

(ii) Non-consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Operating revenue		
Dividends from affiliates	(*2) 12,780	(*2) 12,536
Management fee income	(*2) 1,588	(*2) 1,489
Total operating revenue	14,368	14,026
Operating expenses		
Selling, general & administrative expenses	(*1) (*2) 1,521	(*1) (*2) 1,421
Total operating expenses	1,521	1,421
Operating income	12,847	12,605
Non-operating income		
Interest income	(*2) 203	(*2) 304
Other	(*2) 9	(*2) 22
Total non-operating income	213	326
Non-operating expenses		
Interest expense	(*2) 4	(*2) 12
Other	0	10
Total non-operating expenses	5	22
Ordinary income	13,055	12,909
Income before income taxes	13,055	12,909
Corporate, inhabitant and enterprise taxes	118	130
Income taxes-deferred	21	13
Total corporate tax	139	143
Net income	12,915	12,766

(iii) Non-consolidated Statement of Changes to Shareholders' Equity

Previous Fiscal Year (April 1, 2024 - March 31, 2025)

(Millions of yen)

	Shareholders' Equity							
	Paid-in capital	Additional paid-in capital			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at start of period	14,040	6,540	51,367	57,907	23,871	23,871	△5,714	90,104
Changes in the fiscal year:								
Dividend of surplus					△13,501	△13,501		△13,501
Net Income					12,915	12,915		12,915
Purchase of treasury shares							△3,001	△3,001
Disposal of treasury shares			7	7			304	311
Cancellation of treasury shares			△7,081	△7,081			7,081	—
Net change in other than shareholders' equity								
Changes in fiscal year (Total)	—	—	△7,074	△7,074	△585	△585	4,384	△3,275
Balance at end of period	14,040	6,540	44,293	50,833	23,285	23,285	△1,330	86,828

	Total net assets
Balance at start of period	90,104
Changes in the fiscal year:	
Dividend of surplus	△13,501
Net Income	12,915
Purchase of treasury shares	△3,001
Disposal of treasury shares	311
Cancellation of treasury shares	—
Net change in other than shareholders' equity	—
Changes in fiscal year (Total)	△3,275
Balance at end of period	86,828

Current Fiscal Year (April 1, 2025 - March 31, 2026)

(Millions of yen)

	Shareholders' Equity							
	Paid-in capital	Additional paid-in capital			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at start of period	14,040	6,540	44,293	50,833	23,285	23,285	△1,330	86,828
Changes in the fiscal year:								
Dividend of surplus					△12,494	△12,494		△12,494
Net Income					12,766	12,766		12,766
Purchase of treasury shares							△0	△0
Disposal of treasury shares			△17	△17			300	283
Net change in other than shareholders' equity								
Changes in fiscal year (Total)	—	—	△17	△17	272	272	300	555
Balance at end of period	14,040	6,540	44,275	50,816	23,557	23,557	△1,030	87,383

	Total net assets
Balance at start of period	86,828
Changes in the fiscal year:	
Dividend of surplus	△12,494
Net Income	12,766
Purchase of treasury shares	△0
Disposal of treasury shares	283
Net change in other than shareholders' equity	—
Changes in fiscal year (Total)	555
Balance at end of period	87,383

Notes to Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Evaluation standards and evaluation methods for assets

Evaluation standards and evaluation methods for securities

Shares of subsidiaries: Cost method based on the moving-average method.

2. Standards for recording allowances

(i) Provision for bonuses

To provide for payment of bonuses to employees, the portion applicable to the current fiscal year out of the estimated payment amount is recorded.

(ii) Provision for officers' bonuses

To provide for payment of bonuses to officers, the portion applicable to the current fiscal year out of the estimated payment amount is recorded.

3. Standards for recording revenues and expenses

The principal content of the performance obligation consists of management administration and guidance provided to the consolidated subsidiary, Macnica, Inc.

Because such performance obligation is satisfied over time, revenue is recognized at an equal per-period amount over the contract period by multiplying the Company's personnel and other expenses by a certain rate stipulated in the contract.

(Notes to the Non-consolidated Balance Sheet)

*1. Guarantee obligations

The Company provides debt guarantees for purchase payables owed by the following affiliates to their counterparties.

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Macnica, Inc.	534 million yen	― million yen
MACNICA CYTECH LTD.	2,149 million yen	― million yen
MACNICA CYTECH PTE. LTD.	806 million yen	― million yen
MACNICA GALAXY INC.	394 million yen	― million yen
MACNICA AMERICAS, INC.	378 million yen	― million yen

*2. Monetary claims and monetary obligations to affiliates

The amounts of monetary claims and monetary obligations to affiliates other than those separately presented are as follows:

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Short-term monetary claims	162 million yen	83 million yen
Short-term monetary obligations	2,709 million yen	3,127 million yen

(Notes to the Non-consolidated Statement of Income)

*1. Major items and amounts, and approximate ratios, included in selling, general & administrative expenses are as follows:

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Current fiscal year (April 1, 2025 to March 31, 2026)
Salaries and bonuses	163 million yen	135 million yen
Provision for bonuses	81 million yen	83 million yen
Provision for officers' bonuses	41 million yen	36 million yen
Officers' compensation	187 million yen	173 million yen
Advisor fees, etc.	182 million yen	196 million yen
Entertainment expenses	86 million yen	3 million yen
Approximate ratios		
General and administrative expenses	100%	100%

*2. Total transaction amounts of operating and non-operating transactions with affiliates are as follows:

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Current fiscal year (April 1, 2025 to March 31, 2026)
Operating income	14,368 million yen	14,026 million yen
Operating expenses	138 million yen	164 million yen
Non-operating transactions	209 million yen	326 million yen

(Securities)

No shares of subsidiaries qualify as shares with market price.

Note: Balance sheet amount of shares of subsidiaries without market price (millions of yen)

	March 31, 2025	March 31, 2026
Shares of subsidiaries	69,041	69,041

(Tax Effect Accounting)

1. Major causes of deferred tax assets, broken down by cause

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Deferred tax assets		
Provision for bonuses	24 million yen	26 million yen
Provision for officers' bonuses	12 million yen	11 million yen
Share compensation expenses	150 million yen	147 million yen
Accrued enterprise taxes	4 million yen	4 million yen
Other	12 million yen	5 million yen
Subtotal of deferred tax assets	204 million yen	195 million yen
Valuation allowance	△8 million yen	△12 million yen
Total deferred tax assets	196 million yen	183 million yen
Net deferred tax assets	196 million yen	183 million yen

2. Major items contributing to differences between the statutory effective tax rate and the effective tax rate after applying tax effect accounting

	Previous fiscal year (As of March 31, 2025)	Current fiscal year (As of March 31, 2026)
Statutory effective tax rate	30.5 %	30.5 %
(Adjustments)		
Dividend income and other permanently excluded items	△29.9 %	△29.7 %
Other	0.4 %	0.2 %
Effective tax rate after tax effect accounting	1.0 %	1.1 %

(Revenue Recognition)

Information forming the basis for understanding revenues arising from contracts with customers

Information forming the basis for understanding revenues arising from contracts with customers is as described in "Significant Accounting Policies, 3. Standards for recording revenues and expenses."

(Significant Subsequent Events)

Not applicable.

(iv) Supplementary Schedules

Schedule of Tangible Fixed Assets, etc.

Not applicable.

Schedule of Allowances

(Millions of yen)

Account	Beginning balance	Increase	Decrease	Ending balance
Provision for bonuses	81	83	81	83
Provision for officers' bonuses	41	36	41	36

(2) Content of Major Assets and Liabilities

Omitted because consolidated financial statements are prepared.

(3) Other

Not applicable.

VI. Stock Related Administration

Fiscal year	April 1 to March 31
Annual General Meeting of Shareholders	Held in June
Record date	March 31
Record date for distribution of surplus	March 31 and September 30
Number of shares per share unit	100 shares
Purchase of shares less than one unit	Handling office (Special Account): Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Department 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Shareholder Registry Administrator (Special Account): Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Forwarding office: ― Purchase/sale commission: Free of charge
Method of public notice	Public notices of the Company shall be given by electronic public notice. However, if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reason, the public notice shall be published in the Nihon Keizai Shimbun. Electronic public notices are posted on the Company's website at the following URL: https://holdings.macnica.co.jp/investors/stock/public/
Special benefits for shareholders	None

Shareholders holding shares less than one unit may not exercise any rights other than the following:

(1) Rights set forth in each item of Article 189, Paragraph 2 of the Companies Act

(2) The right to request the acquisition of shares with put option

(3) The right to receive allotments of shares for subscription or share acquisition rights for subscription

(4) The right to request the purchase of additional shares less than one unit

VII. Reference Information on the Reporting Company

1. Information on the Parent Company of the Reporting Company

The Company does not have a parent company, etc.

2. Other Reference Information

Between the start of the current fiscal year and the filing date of this Annual Securities Report, the Company filed the following documents:

(1)	Annual Securities Report, its attached documents and Confirmation Letter Fiscal year (10th Term) From April 1, 2024 to March 31, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on June 25, 2025.
(2)	Internal Control Report and its attached documents	Filed with the Director-General of the Kanto Local Finance Bureau on June 25, 2025.
(3)	Semi-annual Report and Confirmation Letter Fiscal year (Interim 11th Term) From April 1, 2025 to September 30, 2025	Filed with the Director-General of the Kanto Local Finance Bureau on November 14, 2025.
(4)	Extraordinary Reports	
	Extraordinary Report filed pursuant to Article 19, Paragraph 2, Item 2-2 (Disposal of treasury shares as restricted share remuneration) of the Cabinet Office Order on Disclosure of Corporate Affairs.	Filed with the Director-General of the Kanto Local Finance Bureau on June 25, 2025.
	Extraordinary Report filed pursuant to Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at the General Meeting of Shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.	Filed with the Director-General of the Kanto Local Finance Bureau on June 25, 2025.
	Extraordinary Report filed pursuant to Article 19, Paragraph 2, Item 3 (Changes in Specified Subsidiaries) of the Cabinet Office Order on Disclosure of Corporate Affairs.	Filed with the Director-General of the Kanto Local Finance Bureau on September 10, 2025.