TSUZUKI

TSUZUKI DENKI CO.,LTD.
6-19-15 Shinbashi, Minato-ku, Tokyo 105-8665, Japan
(Tokyo Art Club Building)

https://www.tsuzuki.co.jp/english/

TSUZUKI DENKI CO.,LTD. Integrated Report 2024 MOVE FORWARD

TSUZUKI REPORT 2024

TSUZUKI DENKI
Integrated Report 2024

前進
MOVE FORWARD

変革
transformation

The Message We Hope to Convey Through the TSUZUKI REPORT 2024

In May 2023, the TSUZUKI Group announced its long-term vision and the medium-term management plan, Transformation 2026. In FY03/24, which marked the first year of these plans, we implemented reforms, starting with the sale of the Electronic Devices business, and made substantial progress toward our long-term vision goal of becoming a "Growth Navigator" (an organization that navigates growth and creates value together with stakeholders).

The long-term vision and the medium-term management plan both emphasized the improvement of corporate value, and we also achieved record profits. These factors boosted the market's evaluation of TSUZUKI DENKI and the Company's P/B ratio rose to over 1x on a regular basis.

Still, our business portfolio restructuring through the sale of the Electronic Devices business announced in September 2023 did not lead to a higher stock price. We attribute this to the insufficient communication of the details of our transformation and growth story to the investors. By demonstrating through this report how we intend to become a pure-play ICT company and achieve growth, we thus hope to deepen our stakeholders' understanding of the Company and subsequently ask for an evaluation.

We would be most grateful if you could read this report and give us your feedback. Moving onward, we will continue to engage in active dialogue with our stakeholders and apply to our future activities the requests and feedback received.

Medium-term Management Plan: Transformation 2026

変革
Transformation

The theme of TSUZUKI REPORT 2024

前進
MOVE FORWARD

The theme of TSUZUKI REPORT 2024 is "Move Forward." In addition to covering the progress and challenges of the medium-term management plan, the report seeks to explain a number of things. These include the thoughts that have been passed down since the Company's founding in 1932 to date, the business domains that have been restructured to meet the changing times, and the way in which the Group makes progress today as a pure-play ICT company.

The report also focuses on materiality, which we have re-identified with the aim of realizing a sustainable society, as well as the initiatives for growth and invigoration of our people, who are the source of value creation.

Contents

Top Message

03 Top Message

Introduction
TSUZUKI DENKI Today

09 From Our Origin to the Future
11 History
13 Our Strengths and Business Model
15 Customers and Main Solutions
17 Customer and Partner Feedback
18 TSUZUKI at a Glance
19 Value Creation Model
21 Materiality

Strategy
TSUZUKI DENKI's Future

27 Long-term Vision
29 Medium-term Management Plan: Transformation 2026
31 Messages from the General Managers of Business Units
33 Business Strategies
37 Message from the General Manager of Corporate Administration Unit
39 Financial Strategy
41 Human Resources Strategy

Sustainability
For Sustainable Growth

43 Conversation
47 Diversity & Inclusion
49 Health Management
50 Workstyles
51 Resolving Social Issues Through ICT

Management
Foundation Supporting Our Businesses

55 Directors and Corporate Auditors
59 Corporate Governance
63 Financial and Non-financial Data
65 Corporate Information / Stock Information

Caution Regarding Forward-Looking Statements

Statements in this publication regarding earnings forecasts are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended to be a promise by the Company that forecasts will be achieved. Further, actual results may materially differ due to various factors.

Kazunori Yoshii
President and CEO

Top Message

Inheriting the Spirit and Propelling Change

前進
MOVE FORWARD

Driving Our Medium-term Management Plan by Focusing on People

With the sudden passing of CEO Emori, I became the president and CEO of TSUZUKI DENKI on July 1, 2024. On behalf of the Company, I would like to once again express my sincere gratitude for the kindness you have extended to our late CEO. Moving forward, I am fully committed to picking up the baton of progress driven by CEO Emori and leading our efforts toward further advancement. I humbly ask our stakeholders for their continued support and guidance.

TSUZUKI DENKI is determined to steadfastly pursue thorough implementation of the long-term vision toward its 100th anniversary (FY03/33), along with the three-year medium-term management plan—Transformation 2026—beginning in FY03/24, both announced in May 2023.

Personally, I believe "continuity" is what is most important to a company. For a company to make progress and secure continuity, it is essential for the people assembling there—in other words, each employee—to work happily while pursuing their individual dreams. It is also important that they cooperate with each other. I firmly believe TSUZUKI DENKI can develop in new ways if it can further instill in its people the corporate culture of valuing and caring for colleagues.

Boosting Profitability through Business Reorganization and the Pursuit of Appropriate Profits

We have positioned the three years beginning in FY03/24 as the first stage of our efforts to accomplish the long-term vision. Accordingly, we are currently implementing a medium-term management plan centered on shifting resources to growth areas. We intend to achieve targets for the final year of the current plan by steadily executing business strategies that elevate our growth power, as well as the financial strategies and management base reinforcement that support such business strategies. We will also focus on activities that contribute to societal sustainability.

In the plan's first year, FY03/24, we successfully implemented the measures we had set out. As a result, operating income came in close to the plan's final year target, reaching a record high for the second consecutive year. I am proud to say that it was a year of visible results. One of our most significant topics in FY03/24 was the sale of the Electronic Devices business. This action enabled us to practice management that is mindful of the cost of capital and to reestablish our business portfolio, as announced in the medium-term management plan. We could also shift our resources to the Information Network Solutions business.

Our current business strategies comprise two initiatives: strengthening the six growth areas and improving the profitability in existing areas. In the six growth areas, we implemented measures such as service function enhancement and the creation of specialized teams. As a result, the combined sales of the six growth areas reached 12.0 billion yen, up 36% YoY. In the existing areas, we raised sales prices to appropriate levels and enhanced efficiency through productivity improvements. By expanding both sales and gross profit in this way, we successfully boosted our earning power. We have the technology and knowledge honed over the 90-plus years of our history, and we hope to further manage pricing so that our accumulated values can be provided to customers at appropriate prices. We also believe that the group company reorganization further bolstered our service quality, laying the groundwork for profitability improvements.

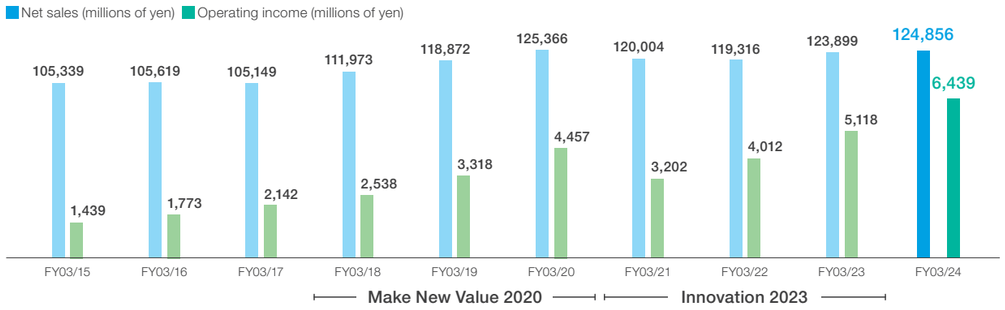
On the human capital front, we focused on developing human resources to achieve our business strategies. At the same time, we set out to revise the personnel system and implemented measures to enhance compensation by, for instance, raising the base pay, introducing role-based allowances, and increasing starting salaries.

Sale of the Electronic Devices Business to Improve Capital Efficiency

The Electronic Devices business was initially split off into a separate company in 2021 to accelerate business decision-making and clarify management responsibilities. Since then, the business generated steady results and its financial performance was strong. That being said, there were several issues that prompted us to explore a better framework for the Electronic Devices business. These included its difficulty generating synergies with the Information Network Solutions business, the rising inventory risks owing to the heavily fluctuating semiconductor sector performance, and the increasing importance of transaction volume. Against this backdrop, in September 2023, we decided to sell the business, reaching an agreement with Restar Corporation for a mutually beneficial transaction. Consequently, the Electronic Devices business was removed from our scope of consolidation as of the fourth quarter of FY03/24. Net sales and operating income decreased as a result, but profitability improved as did capital efficiency. We intend to apply the cash gained from the sale to growth investments, for instance, conducting M&A transactions to fill the shortfalls in our value chain, while also strengthening shareholder returns through dividend increases and share buybacks.

ROE/Operating Margin

Net sales/Operating income



Groundwork for Renewed Growth

Moving forward, TSUZUKI DENKI will focus on a growth strategy to boost sales as it aims to achieve the long-term vision and the medium-term management plan. The majority of our businesses currently involve working alongside our customers and providing separate solutions to individual companies. We will continue to focus on these businesses. At the same time, we will also devote our resources to businesses that offer solutions to common issues shared by multiple customers or ultimately by entire industries so that we can further expand sales. We are also committed to becoming a strong player in the consulting field, evolving into a "partner that leads customer growth," which is the positioning we target in our long-term vision.

Transformation cannot be achieved instantaneously. Nonetheless, in my conversations with our employees working at various business units, I have sensed strong enthusiasm to take on new challenges. To answer to such enthusiasm and to ensure the continuity of the Company, we will create an environment where our employees can actively take on challenges and, in such a way, cultivate new businesses.

Information Disclosure and Reaffirmation of the Importance of Dialogue

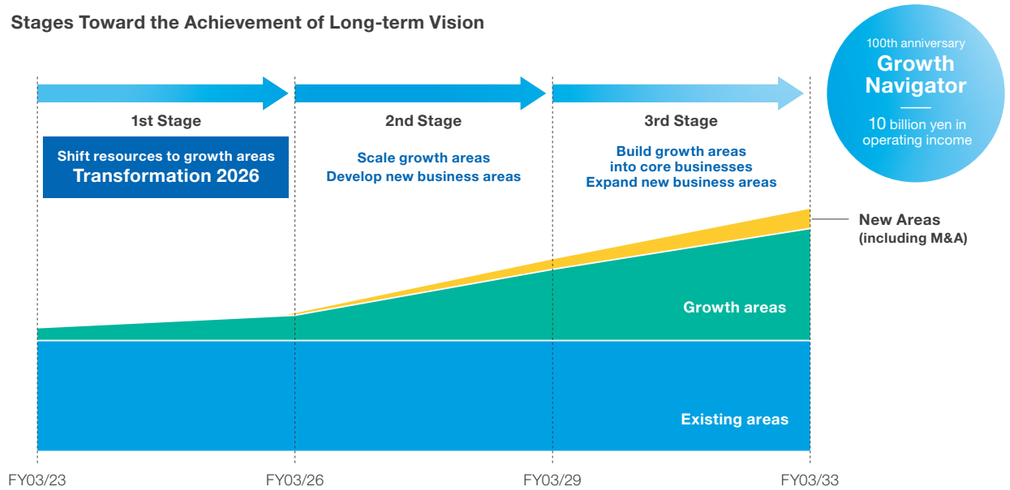
For some time, we have been facing the challenge of practicing management that is mindful of the cost of capital and of receiving proper evaluation from the stock market. In the past, I used to think we would be able to receive a proper evaluation so long as our businesses continued to grow. I had confidence in TSUZUKI DENKI's capabilities, and the Company had ongoing business transactions with prestigious customers. However, I came to realize that this approach would not move our stock price or lead to a proper evaluation of the Company. Therefore, we stepped up our investor relations efforts and actively increased dialogue with the investors. In May 2023, we announced our long-term vision toward the Company's 100th anniversary (FY03/33) together with the three-year medium-term management plan, Transformation 2026, which begins in FY03/24. I am pleased to say that the medium-term management plan was accepted favorably by many investors as a plan that is designed with the investors' perspective in mind. We understand that the stock price hike following our plan announcement was a reflection of the plan's positive reception. The stock price movement also reaffirmed for us the importance of information disclosure and dialogue.

The P/B ratio, which has been our focus for some time, now trends above 1x; meanwhile, the PER remains lower than those of our peer system integrators and network integrators. We attribute this mainly to the fact that our growth story has not been well communicated to the market. Moving forward, we intend to thoroughly communicate our story to investors and build up a track record to raise PER, which represents the market's expectations for the Company.

Re-identifying Materiality that Reflects Ties to Our Businesses

Our society is currently undergoing further transition under the theme of sustainability transformation (SX), and each company is strongly expected to promote essential sustainability through its businesses. In 2021, TSUZUKI DENKI identified

Stages Toward the Achievement of Long-term Vision



its materiality topics and began implementing initiatives. Thereafter, our purpose statement was established in 2022, and in 2023, we formulated the long-term vision and medium-term management plan, laying out how we aspire to be moving forward. In line with these developments, we repositioned materiality as important themes for fulfilling our purpose statement. In April 2024, we re-identified our materiality topics accordingly to include "creating value for society through business," "growing and revitalizing people," and "developing and passing down insight and technology."

In re-identifying the materiality topics, we reflected upon the fact that, with our previous topics, we were unable to demonstrate the connection between materiality and our businesses. This time around, we made a conscious effort to show that invigorating our core Information Network Solutions business is in itself our materiality. Furthermore, based on megatrends and social issues, we evaluated the topic priority from the standpoint of sustainability and held discussions at the Sustainability Management Committee while also factoring in opinions gathered through dialogue with our outside directors and outside corporate auditors. Following these actions, we designated five materiality topics that contribute to business opportunity generation and the establishment of a foundation supporting our businesses. In discussing materiality, we also sought to verbalize our ideal future (ideal society) and to reorganize the individual sustainability promotion projects based on the new materiality topics so as to strengthen our framework for promoting sustainability. Additionally, we realigned the relation between the Company's purpose statement and individual employees' values and the code of conduct. Moving forward, we will set materiality KPIs that are linked to the medium-term management plan and incorporate sustainability initiatives into the plan with a view to increasing the effectiveness of our PDCA cycle.

Human Resource Development and the Creation of a Lively Work Environment are Most Important

As I mentioned earlier, continuity is what is most important for a company. Given that the foundation of a company is the organization itself formed by an assembly of individuals, energizing the organization and its people is a matter of prime significance to a company. For TSUZUKI DENKI, whose main business entails resolving issues, it is no exaggeration to say that human resources are its greatest assets. Therefore, we place the highest priority on developing human resources and creating an environment where employees can work actively with peace of mind. In human resource development, we are encouraging employees to obtain skills and knowledge primarily in the areas of digital transformation (DX) and consulting. For this, we have included the number of certified DX associates—an in-house certification—as a KPI in the medium-term management plan. Our target for the number of certified DX associates as of the end of FY03/26 was 240, but the count reached 239 in FY03/24, nearly achieving the goal two years in advance.

To create an environment where employees can work energetically, in FY03/24, we especially stepped up initiatives to promote diversity and inclusion. In FY03/24, we obtained the Kurumin certification and also began offering a workplace support bonus for childcare leave and other purposes in an effort to create an environment where employees can more easily take childcare leave and return to work after the leave.

The FY03/24 results for work engagement—one of our KPIs—did not improve from the results in FY03/23, so this remains a pending issue. That being said, since it takes time for human resource development and system changes to bear fruit in the form of engagement, we believe the figures will improve moving forward. At the same time, we intend to have dialogue with our employees and sincerely listen to their voices so that we can reflect in our measures the concerns and requests that cannot be fathomed through employee surveys alone.

The TSUZUKI Group seeks to develop a work environment and corporate culture where employees are in good mental and physical health and can continue to play active roles, selecting flexible workstyles proactively based on their various life stages. To this end, we take coordinated actions that encompass themes including health management, occupational health and safety, and sustainability initiatives such as diversity and inclusion. The health of employees, their families, and other stakeholders ensures TSUZUKI DENKI's sustainable growth, serving as the underpinning of its corporate operations. I myself make a conscious effort to get enough rest through sleep and do moderate exercise like stretching as a daily routine. In addition to creating an environment where employees can work energetically, productively, and safely, we also aim to create an environment where everyone connected with the TSUZUKI Group can live healthy lives.

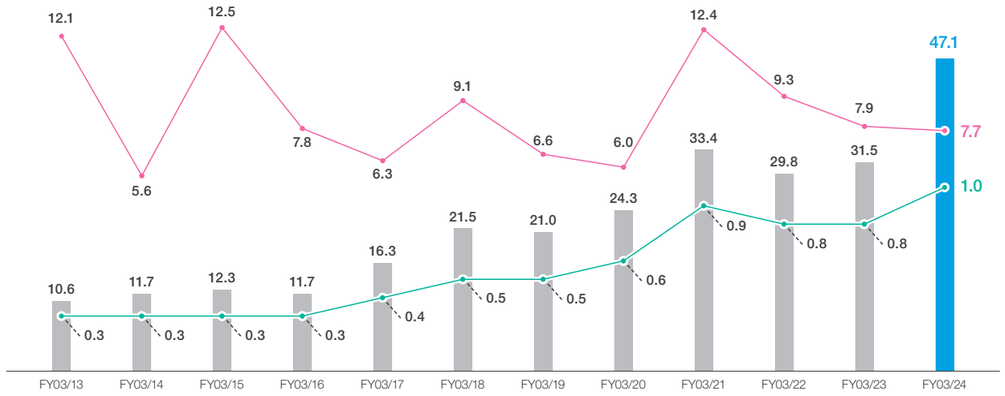
Toward Future Growth and Enhancement of Corporate Value

I hope to make TSUZUKI DENKI a company that is consistently needed and viewed with high expectations by society. For this, we must further gain the trust of society, and to gain such trust, the strong enthusiasm of our employees is indispensable. Therefore, I want to make sure that our employees are feeling highly motivated and are playing active roles in the workplace.

To further strengthen the trust gained from our customers through long-standing business transactions, we intend to provide even more added value than before. By doing so, we hope to play a part in leading our customers' growth and to grow together. We would also like to join hands with our customers and partners and "bring 'yohaku' filled with possibilities," as expressed in our purpose statement. To this end, in the spirit of our corporate motto "kaitaku mugai" (endless pioneering), we will make renewed efforts to foster a culture where employees feel free to take on challenges they believe are worthwhile.

In FY03/24, we decided to sell our Electronic Devices business based on our long-term vision and medium-term management plan. As a result, we became a pure-play ICT company. To meet the expectations of our shareholders and investors, we will continue to advance and grow, while contributing to society together with our employees through the power of ICT. Please look forward to the future of TSUZUKI DENKI as we move onward.

Market cap/PBR/PER



Introduction

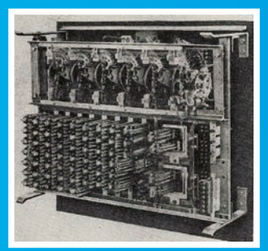
TSUZUKI DENKI Today

Our Roots — What Never Changes

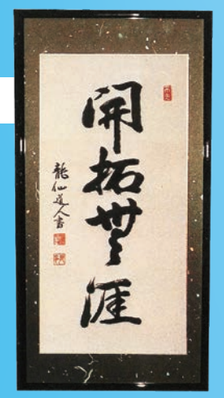
Established to Contribute to Society

TSUZUKI DENKI was founded in 1932 as a company offering telephone switchboard installation and maintenance services. Our founders believed that communication facilities were important equipment that would serve as the central nervous system of the national economy in the future. Hence, the purpose of the Company's founding was to contribute to public works by increasing the utilization rate of such facilities.

Founding members



Guiding Precepts — Thoughts at the Time of Founding



The Company used to have three guiding precepts reflecting the values and action guidelines the employees were expected to abide by in order to create value. The thoughts embodied in these precepts, while changing forms, have been passed down to our current management philosophy.

"There is no end to being a pioneer."

There is no end to bravely taking on challenges and cultivating businesses and markets.
This was considered the golden rule of the Company's policies.

"Patience is the foundation of discipline."

It is important to build strength, not giving up no matter what the circumstances.
This was considered the Company motto (how we should be as a company).

"Harmony is the greatest of virtues."

What is most invaluable is for everyone to recognize and cooperate with each other.
This was considered the key to corporate management that valued people.

Formulation of the Purpose Statement

Amid the VUCA era, where the future is becoming more difficult to predict, TSUZUKI DENKI aspires to consistently provide value to society in the years leading up to its 100th anniversary and beyond. With this intent, we formulated our purpose statement in 2022.

When drafting the statement, we re-examined our value and the vision of how we should be as a company in a forward-looking manner, while also being mindful of the thoughts embodied in our original guiding precepts.

We will steadfastly engage in corporate activities centered on our purpose statement, which we look upon as the banner to further advance the TSUZUKI Group and also as the junction for fostering empathy with our stakeholders within and outside the Group.

Bring to society "*yohaku*" filled with possibilities, through people, insight, and technology, together.

Convenience and efficiency enabled by technological advances gift people and society with *yohaku*: room for growth, time and other resources to spare, and peace of mind to relax and enjoy.

To realize a harmonious world where people connect and collaborate with each other while being accepting of differences and respecting the individuality of each person,

With "*insight*" to discover possibilities by observing the workplace and society, "*technology*" to turn those possibilities into realities, and "*people*" to bridge the two,

We will bring to society and continue nurturing "*yohaku*" to freely design the present we live in and create a bright, lively future together with all our stakeholders and society at large.

TSUZUKI

Passing the Baton to the Future

Business Domains

Toward a Pure-play ICT Company in Pursuit of Further Growth

TSUZUKI DENKI, which started out with the installation and maintenance of telephone switchboards, has adapted to changing times and changing technologies over the years. It has grown by expanding its business domains into sales of computers, semiconductors, and other electronic devices, software development, network construction, digital transformation (DX) support, and other areas.

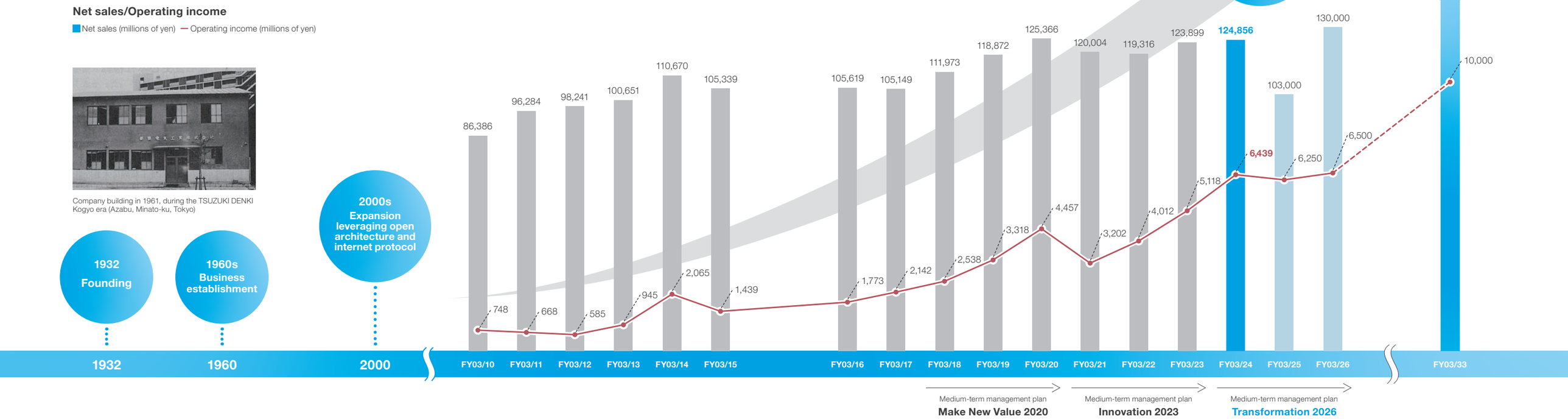
In particular, what has been a matter of constant importance to us since our founding was to contribute to society through services utilizing information and communication technology (ICT). Because we placed importance on this, we could adapt to rapid changes and, to this day, continue to be a company sought after by society and customers.

In 2024, we sold the Electronic Devices business, as we felt the need to restructure our business portfolio so that we can substantially improve the quality and speed of our growth. From now on, we will move forward more powerfully as a pure-play ICT company, concentrating our resources in the ICT field, which will continue to advance and expand.

History

For over 90 years since its founding in 1932, TSUZUKI DENKI has contributed to society by resolving customers' issues through information and communication technology. We have continued to grow, expanding our business domains into communications, information, and electronic devices, while addressing customer needs, societal demands, and technological evolution. In 2024, we sold the Electronic Devices business and became a pure-play ICT company. Moving forward, we will devote our resources to the Information Network Solutions business and continue our transformation to achieve the medium-term management plan goals and realize our long-term vision.

Net sales/Operating income



Business domains

1967 – 2023 Electronic Devices ▸Semiconductors ▸Electronic components — ***Electronic devices***

1958 – Information ▸General-purpose computers ▸Office computers ▸PCs/servers ▸Cloud ▸Mobile ▸Information security ▸Multicloud ▸Generative AI — ***Information***

1932 – Communication ▸PBX ▸Intercompany networks ▸Contact centers ▸Internet ▸IP phones ▸Smartphones ▸SaaS-based contact centers ▸Cloud PBX — ***Communication***

Expand business domains by adopting cutting-edge technology

Corporate history

1932 Founded as TSUZUKI Shoten

1945 Head office in Nagoya destroyed in air raid
Opened office in Tokyo

1963 Registered stock with the Japan Securities Dealers Association for OTC trading

1967 Established a sales company handling semiconductors and electronic components

1969 Established a specialist company for hardware maintenance

1970 Established a specialist company for software development

1986 Listed shares on the Second Section of the Tokyo Stock Exchange

2011 Acquired Next Vision Co., Ltd. (currently merged with TSUZUKI SOFTWARE Co., Ltd.) and made it a subsidiary

2015 Became certified as a highest-level partner of the Avaya partner program

2016 Strengthened collaboration with Microsoft Japan in the cloud business

2017 Disclosed medium-term management plan
Became recognized as a Health & Productivity Management Outstanding Organization (large enterprise category)

2018 The Company's Tokyo Stock Exchange industry category changed from "retail" to "information and communication"

2020 Listed on the First Section of the Tokyo Stock Exchange
Acquired ComDesign Inc. and made it a subsidiary

2022 Established purpose statement
Listing changed to the Prime Market

2023 Formulated long-term vision

2024 Sold the Electronic Devices business
Re-identified materiality topics

Our Strengths and Business Model

The driving forces behind our growth are the strengths of our people, insight, and technology accumulated over the course of our history, as well as our robust business model created jointly with our customers and partners. We will continue to generate new value for our customers and society by fusing things that have been passed down through the years with things that are updated with the times.

Strengths

People

Our human resources are the ones who face issues, build, connect, challenge, enjoy, support, and follow through. Each of them is a professional with a high level of expertise. We maximize the performance of our human resources through a culture that encourages taking on challenges and values teamwork, as well as skills development that heightens the expertise of each employee.

We have been told that we know the customer better than the customer knows themselves, and since our founding, we have refined our frontline capabilities under the watchword "customer first." These are the people comprising the source of all TSUZUKI DENKI value who have supported the Company up to now, and will maintain this support going forward.

Insight

We guide customers to optimal solutions based on our ability to identify the next generation of ICT cultivated through research into technologies that advance with the times, 90 years and 20,000 companies'worth of insight and know-how accumulated by continuously facing and resolving issues in various types of industries, and coordination skills developed through these efforts. Our insight was nurtured in the course of working with customers and will continue to be refined. We say that these efforts are our history itself, a strength that no other company can acquire overnight.

Technology

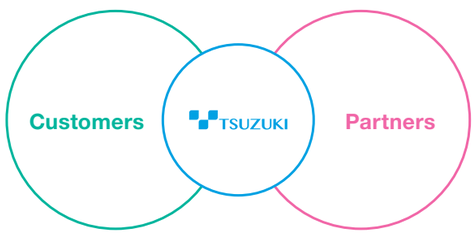
Since TSUZUKI DENKI started out with the installation and maintenance of telephone switchboards, voice platform technologies* are at the core of its businesses. The telephone is an indispensable lifeline that requires a high level of technical expertise. As a company whose name is synonymous with the telephone, we have been deepening our technological capabilities and expanding into new business areas to meet the needs of the times. Today, we have thorough knowledge of information and communication technologies, AI, and other cutting-edge technologies, and our engineers continuously improve their technical skills through friendly competition each day at work. Our ability to maintain the trust of our customers is based on these solid technological capabilities.

* Refers to the basic technologies used in the voice and communication market, including voice transmission, compression, processing, recognition and synthesis technologies.

Co-creating with Our Customers and Partners

We have earned the trust of many customers through continued efforts to solve their issues, putting ourselves in their positions and thoroughly considering what products and services would truly be useful to them. We have also built good relationships with partners in Japan and overseas, which allow us to cover areas that we would not be able to handle just on our own. By promoting joint creation with customers and partners, we intend to further strengthen relationships, improve profitability in the existing businesses, and expand our business domains through development of new services.

Manufacturing
Logistics
Retail
Finance
Healthcare
Public sector
Electric energy
Education ...

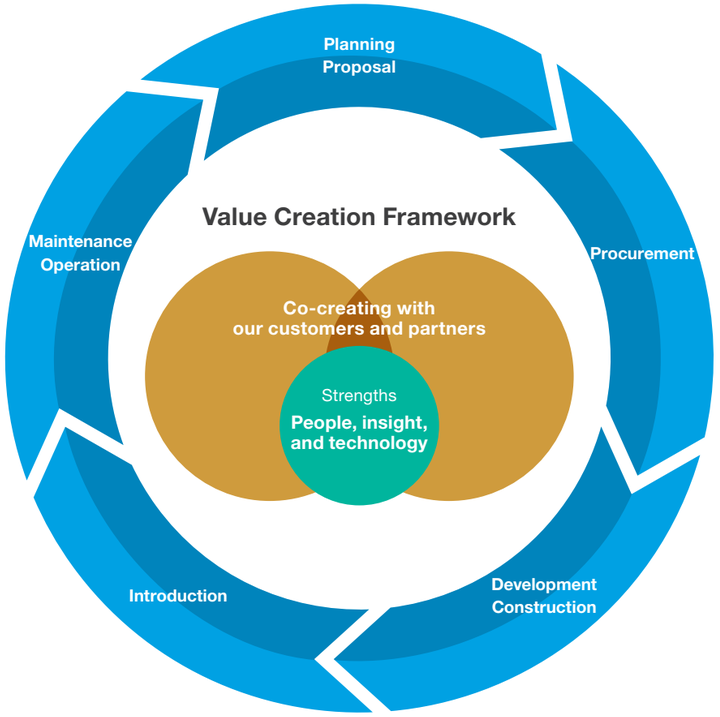


IT vendors
Cloud operators
Telecom companies
SaaS operators
AI developers
Cybersecurity companies

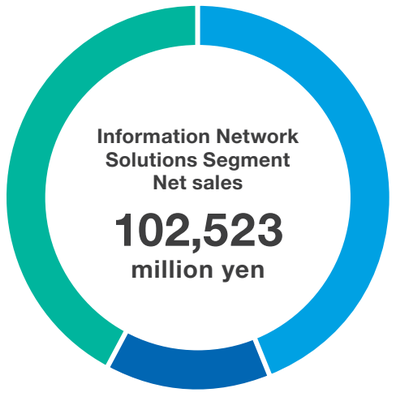
Business Model

TSUZUKI DENKI's services do not end with the introduction of devices and systems to its customers. Rather, we have consistently provided support so that the customers can continue to use these devices and systems. We have also worked to proactively find customers' issues and propose solutions. Our approach remains unchanged even in today's world of more sophisticated customer demands and rapidly evolving technologies.

By making full use of our strengths (people, insight, and technology) and offering end-to-end solutions from planning and proposal to maintenance and operation, we are building relationships of trust with our customers, which lead to stable, long-term business transactions.



▶ **Sales Composition (FY03/24)**



Equipment 44%
- ▶PCs ▶Servers
- ▶Storage ▶Network devices ▶PBX, etc.

Development and construction 14%
- ▶Infrastructure construction (information and network systems)
- ▶Network design and construction
- ▶System and application development
- ▶Voice platform system (PBX) design, construction, etc.

Services 42%
- ▶Various cloud services (CT-e1/SaaS, TCloud series, etc.)
- ▶Cloud infrastructure (Microsoft Azure, etc.)
- ▶Device maintenance ▶Monthly line fees
- ▶Maintenance and operation services, etc.

Customers and Main Solutions

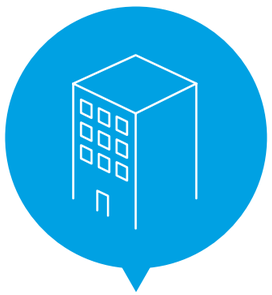
Social Issues Resolved by TSUZUKI DENKI

- Declining workforce due to aging population
- Wasteful use of resources and environmental impacts due to operational inefficiencies
- Lagging digitalization

Improvements through our ICT services

Advanced | Automated | Remote | Unmanned | Efficient | Labor-saving

Offices



We construct and set up networks, systems, and peripheral infrastructure forming the foundation of customer operations. Combining these with the latest ICT, we are able to meet all manner of customer requests.

Example

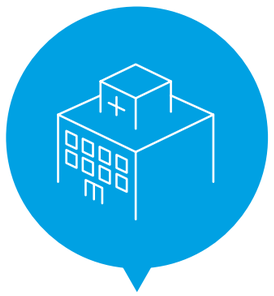
Construction of office communication systems (telephone, network, web conferencing, telework environments, etc.), development of infrastructure for PCs, servers, etc., introduction of groupware and other systems, cybersecurity

TCloud for Voice (TCV)

TCV is a service facilitating cloud-based PBX. PBX is a device (or system) that handles incoming and outgoing calls on company's internal and external lines, also covering call transfers. Until now, on-premises PBX* were mainstream. Meanwhile, cloud PBX does not require customers to own any equipment. There is no need for maintenance and it is also easy to change the service scale, such as the number of extensions available for use. This high-quality, low-cost cloud PBX service is made possible because TSUZUKI DENKI is a pioneer in voice technology.

* A format where the customer company owns and operates the hardware and software on their own premises.

Hospitals



We provide systems and infrastructure used by healthcare professionals, including electronic health records and business terminals (tablets, etc.). We have also launched new initiatives utilizing AI to help improve the efficiency and safety of healthcare workplaces and operations.

AI-based discharge date prediction/nurse placement

We have introduced electronic health records and other systems used by healthcare professionals in a number of hospitals. Additionally, as a joint initiative with the Aso Iizuka Hospital and Aso Information System, we are focusing on the research and development of a patient discharge date prediction service that utilizes AI. We plan to achieve efficient management of hospital beds by having AI analyze patients' hospitalization data to accurately predict discharge dates. We are also conducting a demonstration experiment at the Aso Iizuka Hospital to create new services, including the AI-based nurse placement system.

Contact Centers

We develop and implement call center operation systems for customer with e-commerce contact centers or customer service phone lines. By achieving advanced contact center operations while enabling operators to work remotely, we contribute to improving customer and operator satisfaction and minimizing labor shortages.

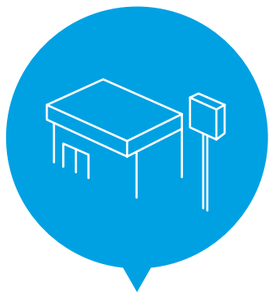
CT-e1/SaaS

With CT-e1/SaaS, we offer contact center operation systems in the form of software as a service (SaaS). In addition to basic functions, the service offers AI-based voice recognition, emotion analysis, and other advanced functions. It can be used in any location with as many operators as necessary, offering superior customizability. CT-e1/SaaS enables customers to elevate their contact center operations and accommodate teleworking by operators simultaneously within a short period of time.

Markets

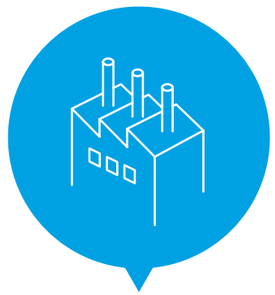
TSUZUKI DENKI develops and introduces sales management systems for the fruit and vegetable market. We contribute to DX in the fruit and vegetable market by standardizing and streamlining operations.

Convenience Stores



We develop and introduce onboard automotive systems in trucks that transport merchandise from the distribution centers to individual stores. This system contributes to logistics safety and efficiency.

Factories



We support factory automation using IoT technologies to monitor production lines and perform predictive maintenance.

TCloud Series

Over the years, we have helped customers in all types of industries. We have substantial expertise in the logistics, fruit and vegetable market, real estate, and amusement (movie theater) industries, developing and selling software for production and sales management as proprietary products. The TCloud Series, which capture the recent trend toward cloud computing, are equipped with specifications that accurately grasp customer needs despite their use in specialized fields.

Total SolutionService Framework (TSF)

TSF is a system encompassing all the services we provide.
New service development and functional enhancements are also carried out in accordance with this framework.
TSF is also a useful sales tool to draw out customer needs, as it conveys at a glance the variety of services we can provide.

Introduced support services
- D-VUE®* DX implementation support
- Cyber security management support

Services
- Customer systems
- TSUZUKI services

Platforms
- Cloud
- On-premises

Common services
- D-VUE® Data Lake Platform
- Integrated managed service
- Zero trust security service
- IoT connectivity service

* D-VUE® is an AI-based system construction and data analysis service provided by TSUZUKI DENKI.

Customer and Partner Feedback

Customer feedback

Kinki Nippon Tourist Co., Ltd.

Shuichi Uryu CEO

We have been doing business with TSUZUKI DENKI for a long time, and the Company has provided us with services in the mission-critical parts of our operations, including our network.

In my opinion, TSUZUKI DENKI's strength is its solution-oriented sales approach. TSUZUKI DENKI makes proposals based on the customer needs it grasps in advance; we have indeed received many such proposals to date. I feel this is a factor that makes the Company a reliable IT partner.

Furthermore, TSUZUKI DENKI diligently addresses the various issues that surface once the service begins. A major factor in our long-standing business relationship is the Company's high level of hospitality, much like what is expected in our service industry.

One incident particularly stands out in my mind. We were in the middle of a large project to migrate our core system from a host system to an open system. We experienced a major problem in an area outside of TSUZUKI DENKI's scope of responsibility. Yet, the Company did not treat it as someone else's issue and instead worked with us to resolve it. At that time, I became convinced that TSUZUKI DENKI was a truly reliable partner. TSUZUKI DENKI's ability to work alongside its customers is definitely a strength. On another occasion, when we were working with several partners to build a large system, TSUZUKI DENKI proactively took the lead in bringing together the partners. To this day, I believe TSUZUKI DENKI was instrumental to the project's success.

We are now in a period of great change. Especially in our service industry, we must address the increasingly worsening labor shortage by utilizing IT, improving operational efficiency through digital transformation, and applying generative AI for our customer touchpoints. Some of our peers have already begun using ChatGPT plugins* and other tools. For us as well, the introduction of these tools is becoming increasingly important, turning into a lifeline. I am hopeful that TSUZUKI DENKI will transcend its existing services and come to us with proposals that anticipate the future.

* Tools that provided additional functions to ChatGPT, an AI developed by OpenAI

Partner feedback

Avaya Japan Ltd.

Tomoyuki Uchiyama President

TSUZUKI DENKI has been a partner since the time Avaya launched its PBX business in Japan. Over many years, we have jointly provided services to Avaya's important customers.

Among the many partners we have, TSUZUKI DENKI stands out for having skilled and trustworthy engineers, and for providing quality end-to-end services, spanning proposal and introduction to maintenance support. TSUZUKI DENKI is highly regarded by customers and system integrators and is an indispensable partner for Avaya's business.

In our journey to date, we often worked with customers and system integrators who had particularly high requirements, and we experienced some difficult moments handling problems. Even in such difficult situations, TSUZUKI DENKI never gave up. Its stance was to make every effort to resolve the issue as quickly as possible, by working together with our engineers and reporting to the customers and engineers the situation at hand. This is something I will never forget in our projects with TSUZUKI DENKI.

TSUZUKI DENKI's frontline sales team also shares this approach toward customers. Even faced with difficult challenges presented by the customers, TSUZUKI DENKI's team has managed to come up with upgraded proposals upon engaging in heated discussions with our sales team. Our members view TSUZUKI DENKI's team as one that consistently puts in the effort.

"Growth Navigator," which TSUZUKI DENKI sets forth as where it wants to be in its long-term vision, is a role that is truly needed in the contact center domain in today's world. To achieve this, it is not enough to just be a cheerleader. TSUZUKI DENKI's sales team and engineers who actually interact with the customers need to fulfill the role. Each year, many young people join TSUZUKI DENKI and these employees are growing day by day, gaining on-site experience and opportunities. I have personally been a witness to this, which makes me believe that TSUZUKI DENKI is on a steady path toward becoming a Growth Navigator.

We look forward to further strengthening our partnership and continuing to grow together.

TSUZUKI at a Glance

FY03/24

Record-high profit

Net sales	Operating income	Operating margin
124.9 billion yen	6.4 billion yen	5.2%
⬆0.8% YoY	⬆25.8% YoY	⬆1.1 pts YoY

Dividend per share	ROE	P/B ratio
90 yen	14.5%	1.04x
⬆29 yen YoY	⬆4.1 pts YoY	As of end-FY03/24

CO_2 emissions	Certified DX associates	Work engagement (6.0 points possible)*
1,573 t-CO_2	239	3.02
⬇6.4% YoY	⬆92 YoY	⬆2% YoY

* Metrics for assessing pride in one's work, job satisfaction, etc. Questions based on the Utrecht Work Engagement Scale (17-item version)

Value Creation Model

Purpose

Bring to society "yohaku" filled with possibilities, through people, insight, and technology, together.

Input ▶▶▶ **Business Model** ▶▶▶ **Output** ▶▶▶ **Outcome**

FY03/24 Actual

Human Capital

- ▶ **Employees (consolidated)** 2,094 people
- ▶ **Work engagement index (6.0 points possible)** 3.02 points
- ▶ **Investments in education** Approx. 500 million yen

Intellectual Capital

- ▶ **Proprietary service brand** Approx. 200
- ▶ **R&D investments (including capitalized assets)** Approximately 500 million yen
- ▶ **DX associates*** 239

* Internal certification (requirements: DX certification test and skills assessment via written exam)

Social and Relationship Capital

- ▶ **Customers** Approx. 20,000 companies
- ▶ **Business partners** Approx. 2,000 companies

Financial Capital

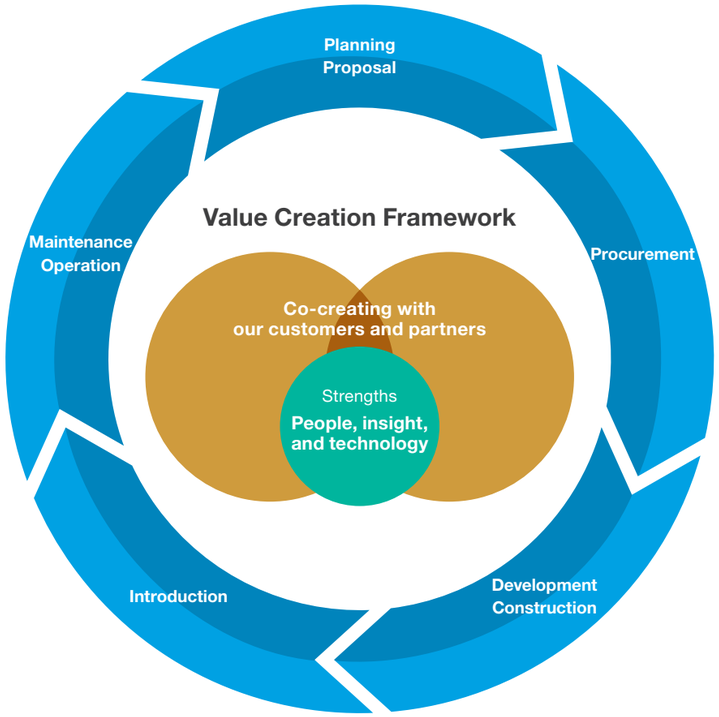
- ▶ **Net assets** 40,864 million yen
- ▶ **Shareholders' equity ratio** 49.8 %

Manufactured Capital

- ▶ **Bases** 78 locations

Natural Capital

- ▶ **Greenhouse gas emissions** 1,573 t-CO_2



Materiality

- Create value for society through business
- Grow and revitalize "people"
- Develop and demonstrate "insight" and "technology"
- Contribute to global environment and society
- Enhance sound management foundation

ICT Services that Resolve Social Issues

Long-term Vision and Medium-term Management Plan Targets

▶ Financial

	FY03/24 results	Medium-term management plan (FY03/26)	Long-term vision (FY03/33)
Net sales	124.9 billion yen 102.5 billion yen (Information Network Solutions only)	130.0 billion yen	150.0 billion yen
Operating income	6.4 billion yen 5.9 billion yen (Information Network Solutions only)	6.5 billion yen	10.0 billion yen
ROE	14.5%	10% or more	15% or more

▶ Non-financial

	FY03/24 results	Medium-term management plan (FY03/26)
Work engagement (6.0 points possible)	3.02	3.2
CO_2 emissions	1,573 t-CO_2	1,468 t-CO_2
Sales from services contributing to social issue resolution in focus areas	12.0 billion yen	16.0 billion yen

Ideal future

Ideal society

A society with "yohaku" filled with possibilities

A society where people can freely take on challenges and grow
A society where people can connect with each other
A society where diverse values are created

Ideal self

Long-term Vision

Growth Navigator

An organization that navigates growth and grows together with stakeholders

The planet and our future

We will enhance sustainability through activities that protect people and the planet.

- ▶ Reduction of environmental impact
- ▶ Sustainable society
- ▶ Society that respects human rights

Society at large

We will fulfill our social responsibilities with the aim of realizing a prosperous society.

- ▶ Measures to resolve social issues
- ▶ Safe, secure, and convenient living
- ▶ New experiences

Customers

We will resolve issues and take on the challenge of creating new value together.

- ▶ High-quality, timely, and optimal services
- ▶ Business continuity, improvement, and transformation methodologies
- ▶ Latest ICT services reflecting the times

Employees, families, and jobseekers

We will provide opportunities for self-actualization and continuously grow together.

- ▶ Space and opportunity for diverse human resources to thrive
- ▶ Proactively selectable workstyles
- ▶ Maintenance and improvement of physical and mental health

Shareholders and investors

We will pursue social and economic value through repeated dialogues.

- ▶ Shareholder returns through sustainable growth and enhanced corporate value
- ▶ Expanding constructive dialogue and flexible management
- ▶ Ensuring appropriate information disclosure and management transparency

Materiality

TSUZUKI Group's Materiality

The TSUZUKI Group promotes sustainability by identifying materiality topics, which are key themes for the Group's continued value creation and sustainable growth.

Society is currently undergoing a period of further transition based on the concept of sustainability transformation (SX). Against this backdrop, each company is strongly expected to promote essential sustainability through its businesses. To improve the effectiveness of our initiatives in line with the changing times, the TSUZUKI Group re-identified its materiality topics in April 2024.

- Materiality 1 Create value for society through business
- Materiality 2 Grow and revitalize "people"
- Materiality 3 Develop and demonstrate "insight" and "technology"
- Materiality 4 Contribute to global environment and society
- Materiality 5 Enhance sound management foundation

We will make a focused effort in the areas of five materiality topics that contribute to the creation of business opportunities and the development of a foundation supporting our businesses. In this way, we will seek to realize a sustainable society.

Method of Identifying Materiality Topics

1 Extracting social issues

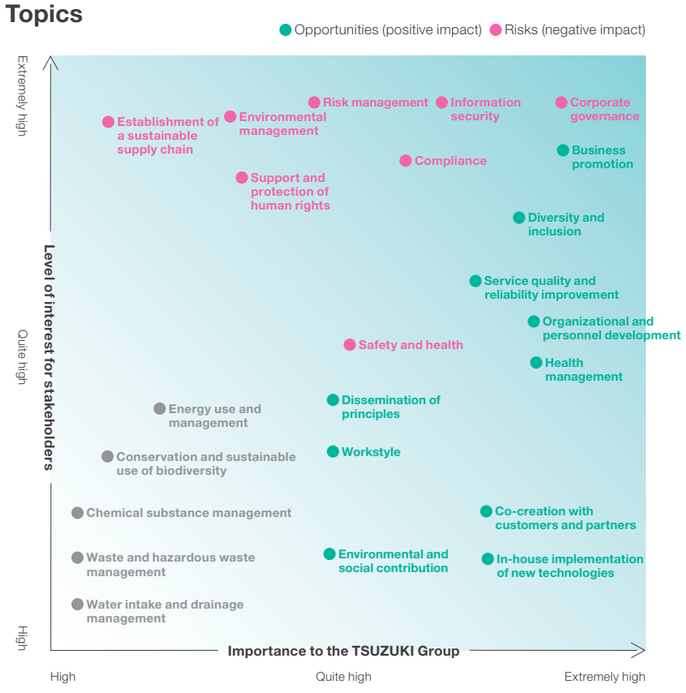
Out of the global social issues (including those stated in the SDGs, GRI Standards, and SASB Standards) and the issues closely connected with the TSUZUKI Group, we extracted those sustainability issues that impact society and the Group.

2 Assessing the level of priority

The members of the sustainability promotion team discussed the social issues in terms of interest for stakeholders and importance to the TSUZUKI Group. Based on these discussions, the members assessed the social issues for their levels of priority to the Group.

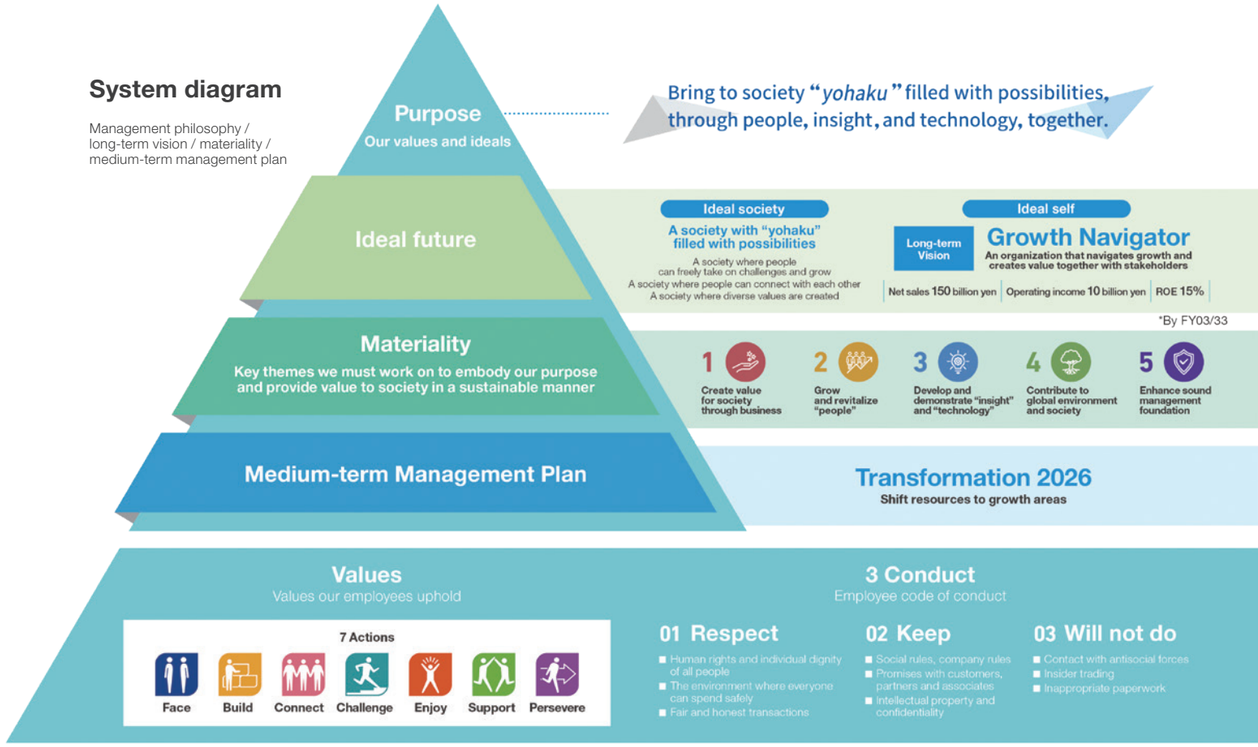
3 Identifying priority issues

The Sustainability Management Committee comprehensively discussed the social issues extracted and assessed in steps 1 and 2, also covering our vision of an ideal society and specific methods to promote efforts. Following these discussions, the materiality topics were decided at the Board of Directors meeting.



System diagram

Management philosophy / long-term vision / materiality / medium-term management plan



Sustainability Promotion and Materiality

In 2022, we established our purpose statement as an expression of our value and how we should be as a company. Based on the understanding that our embodiment of this purpose statement will lead to the sustainability of society and the Group, we formulated the Basic Sustainability Policy in 2023.

The five materiality topics are important themes for us to embody the purpose statement and consistently provide value to society. We intend to consistently carry out activities in line with the Basic Sustainability Policy as we progress toward the future we aim to achieve.

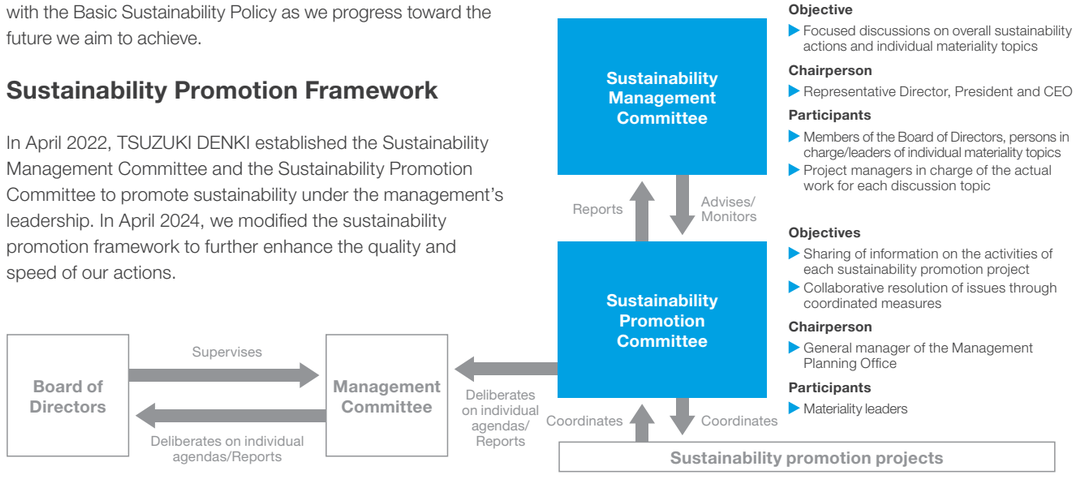
Basic Sustainability Policy

By embodying our purpose statement, we will contribute to realizing a sustainable society.

1. We will build an environment that fosters people, insight, and technology, and will steadfastly work to provide value to society.
2. By resolving social issues, we will create "yohaku" filled with possibilities.
3. Through responsible corporate actions, we will contribute to society together with our stakeholders.

Sustainability Promotion Framework

In April 2022, TSUZUKI DENKI established the Sustainability Management Committee and the Sustainability Promotion Committee to promote sustainability under the management's leadership. In April 2024, we modified the sustainability promotion framework to further enhance the quality and speed of our actions.



Materiality and Projects

	Materiality Topic	Concept	Project	Action	Key Performance Indicator (KPI)
Creation of business opportunities	1 Create value for society through business	We address head-on the social issues surrounding our customers and resolve them through our businesses. Business invigoration itself is an important theme for the sustainability of both society and the Company. By urging each employee to be strongly aware of this point and to act accordingly, we will enhance the value we provide.	Business promotion	Organizing and disseminating various information to accelerate promotion of sustainability through business; planning and implementation to foster employee awareness	**KPI targets through end-March 2026** ▶ Sales from services contributing to social issue resolution in focus areas 16.0 billion yen (incl. group companies) ▶ Growth rate of cloud services versus total services provided +30% from March 2023 ▶ Employees who feel they are achieving both economic value and social value in their work 60% (incl. group companies)
Creation of business opportunities	2 Grow and revitalize "people"	Enhancing the performance of people—the source of all our values—can improve the Group's value and ultimately the value we provide to society. We will develop diverse value creators, who work toward the essential growth of customers, create value, and contribute to the growth of society and their company. We will also develop an environment where these value creators can take on active roles.	Organizational and personnel development	Promoting measures to energize the organization and its people, combining organization-driven approaches such as hiring, placement, and systems, with individuals-oriented approaches centered on a human resource development program	**KPI targets through end-March 2026** ▶ Work engagement 3.20 (incl. group companies) ▶ TLF (management talent development program) participants 65 people ▶ Development of DX talent Advanced DX talent 15 people Certified DX associates 500 people
			Diversity and inclusion	Streamlining systems and fostering culture to become a company where diverse value creators can thrive	**KPI targets through end-March 2026** ▶ Ratio of female full-time employees 15% ▶ Ratio of female career-track employees 12% ▶ Ratio of female managers 5% ▶ Of the male employees who utilize childcare leave, those who take leave for one month or more 50% or more **KPI targets through end-March 2027** ▶ Male employees utilizing childcare leave 50% or more ▶ Female employees utilizing childcare leave 90% or more
			Health management	Promoting activities to maintain and improve the physical and mental health of employees, their families, and other stakeholders	**Annual KPI target** ▶ Employees getting medical checkups 100%
			Safety and health	Promoting voluntary health and safety activities aimed at preventing accidents and occupational injuries in the workplace	**Annual KPI target** ▶ Employees taking stress check tests 90% or more
			Workstyle	Enhancing and promoting work environment and workstyles with the aim of improving productivity and satisfaction levels through the realization of decent work	**KPI targets through end-March 2026** ▶ Degree of approval for workstyles and workplace 85% or more ▶ Degree of work environment appeal 85% or more
			Dissemination of principles	Planning, implementation, and continuation of measures that encourage employees to treat the Company's management philosophy as their own issue and change their behaviors accordingly	**KPI targets through end-March 2026** ▶ Feel empathy with the Company's management philosophy and corporate activities 85% ▶ Sense the connection between own actions and the Company's management philosophy 70% ▶ Sense the connection between colleagues' actions and the Company's management philosophy 60%
Creation of business opportunities	3 Develop and demonstrate "insight" and "technology"	We have a long history of tackling challenges in diverse industries and sectors together with our customers and creating value in such a manner. Along the way, we have developed insight such as know-how and perceptiveness, along with technology that is useful to society at each point in time. We will develop an environment that can further enhance these elements sustainably and apply the fruit of such efforts to the exploration of new social values and the improvement of our service quality.	In-house implementation of new technologies	Promoting and supporting the use of new technology through practical in-house application with the aim of providing value to customers and improving the efficiency and performance of the Company	**Annual KPI targets** ▶ Service planning and development support 5 projects/year ▶ In-house training activities 3 programs/year
			Co-creation with customers and partners	Utilizing TSUZUKI Group's insight and technology to create new value and resolve social issues through collaboration with customers and partners	**Annual KPI targets** ▶ Joint creation projects 4 projects/year ▶ Service creation 1 service/year
			Service quality and reliability improvement	Providing a project quality improvement cycle that integrates mechanism (quality framework) with activities (project monitoring activities)	**Annual KPI targets** ▶ Implementation rate of project monitoring activities 100% ▶ Cyberattack drills to protect the safety and security of customers' systems 1 session/year
Foundation supporting our businesses	4 Contribute to global environment and society	We will engage in business operations with minimized environmental impact, particularly for climate change, which is a major challenge for the sustainability of society at large. Additionally, together with each employee and various stakeholders, we will promote activities that contribute to the environment and society while deepening our environmental awareness and the understanding of social issues.	Environmental management	Managing the environmental impact of our business activities; conducting activities to reduce environmental impact, particularly for climate change	**KPI targets through end-March 2026** ▶ Reduction of CO_2 emissions (Scope 1+2) 1,468t-CO_2 (including group companies) * 87.3% of FY03/23 figure
			Environmental and social contribution	Promoting environmental and social contribution activities through the planning and implementation of company-led activities and the development of an environment that supports employee-led activities	**KPI targets through end-March 2026** ▶ Origination and implementation of projects central to our environmental and social contribution activities 10 projects ▶ Employees who are highly conscious of making contributions to the environment and society 80% ▶ Employees participating in environmental and social contribution events (whether within or outside the Company) 70% ▶ Employees who feel they have contributed to society 60%
Foundation supporting our businesses	5 Enhance sound management foundation	We aim to raise our corporate value by consistently enhancing sound management foundation through efficient and transparent business management that is based on our philosophy. We will also maintain a reliable business environment by controlling the risks surrounding the Company and improving compliance awareness.	Corporate governance	Strengthening governance underpinning the achievement of our strategies; conducting timely and appropriate information disclosure; enhancing dialogue with investors	**Annual KPI targets** ▶ Dissemination of current activity status ▶ Conducting Board of Directors effectiveness evaluation
			Compliance	Through compliance training, awareness surveys, and other activities, instilling compliance awareness and creating an environment where compliance is easy to put into practice	**Annual KPI target** ▶ Dissemination of current activity status **Key indicators** ▶ Number of training sessions held; attendance rate
			Risk management	Establishing and maintaining systems such as email risk procedures within the Group, an internal whistleblowing system, and an external point of contact, designed for the early detection of risk events	**Annual KPI target** ▶ Dissemination of current activity status
			Information security	Formulating and periodically reviewing internal rules for the purpose of appropriately managing information resources and personal information; conducting employee training	**Annual KPI targets** ▶ Periodic review of information security standards ▶ Implementation of regular information security training, including the proper handling of personal information
			Support and protection of human rights	Establishing our human rights policy, and implementing initiatives to raise employee awareness of respect for human rights and to introduce and establish processes for the reduction of human rights risks	**KPI targets through end-March 2025** ▶ Formulation and disclosure of human rights policy **Annual KPI target** ▶ Employee training (e-learning) hosted 1 program/year **KPI targets through end-March 2026** ▶ Employee training (e-learning) participation 100%
			Establishment of a sustainable supply chain	Establishing procurement guidelines; enforcing strict compliance to the guidelines across the entire supply chain; actively promoting the handling of sustainable products	**KPI targets through end-March 2025** ▶ Dissemination of the Sustainable Procurement Guidelines to business partners and receipt of written agreements from major partners Signed agreements 90%

Strategy

TSUZUKI DENKI's Future

TSUZUKI DENKI, which became a pure-play ICT company in FY03/24, making a significant move forward, will strive to achieve its medium-term plan goals through steady implementation of business, financial, and human resources strategies toward further progress and realization of the long-term vision.

Long-term Vision

Growth Navigator

Bring to society "*yohaku*" filled with possibilities, through people, insight, and technology, together.

An organization that navigates growth and creates value together with stakeholders

The past nearly 90 years of our history, has been marked by our commitment to remaining close to our customers. However, in an era when new technologies arise on a daily basis and the role of technology is becoming increasingly sophisticated, we must transform into a company that guides customers to their destinations without hesitation.

With this in mind, we established our vision (where we want to be), the targeted positioning, three axes of activity, and specific targets in the form of a long-term vision leading up to FY03/33, our 100th anniversary year. We will make every effort to achieve further progress and realize a prosperous world, embracing this vision as our guidepost.

Vision — **Growth Navigator**
An organization that navigates growth and creates value together with stakeholders

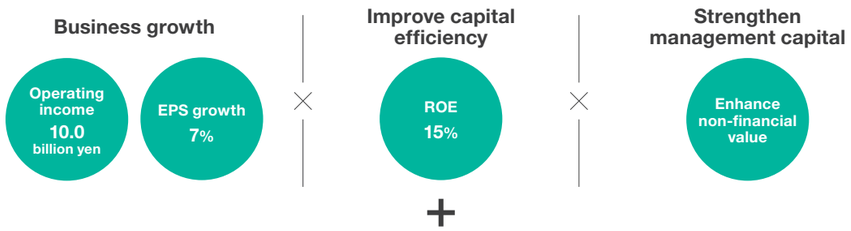
Targeted Positioning — From standing by customers' side to becoming a partner that leads growth

Targets (FY03/33) — Operating income **10.0** billion yen
Net sales **150.0** billion yen

Three Axes of Activity
1 **Value Creation** Create new value
2 **Expand Customer Reach** Build connections with diverse customers
3 **Lead the Growth** Continue to lead growth

Further Enhancement of Return on Capital and Corporate Value

Under our long-term vision and medium-term management plan, Transformation 2026, we are reaffirming our commitment to integrated business, financial, and non-financial management, and by steadily implementing this commitment and expanding dialogue with capital markets, we will aim to achieve sales of 150 billion yen, operating income of 10 billion yen, and ROE of 15% by FY03/33. We will also further enhance corporate value by strengthening management capital that undergirds this commitment.



- **Proactive information disclosure centered on growth businesses**
- **Enhance productive dialogue with investors (proactive approach)**
- **Strengthen governance to support strategy execution**

Approach to Business Growth

Creating a Business Portfolio Emphasizing Growth and Profitability

We will reorganize those business domains we plan to develop as future pillars into the two categories of growth areas and new areas, and steadily transform our portfolio into one that primarily focuses on them.

Growth Areas

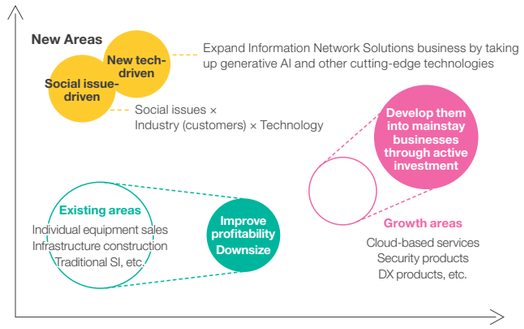
These are areas where needs are already apparent, but many customers have yet to start implementation. In light of social trends as well, a substantial increase in the uptake of areas such as cloud-based services, security products, and DX products is anticipated.

That being said, accelerated technological innovations may bring about a change in our scope moving forward; we intend to respond to this through portfolio management.

New Areas

1 These refer to ICT solutions that directly approach social issues. Combining the ICT we provide with customers' industry know-how, we will develop and nurture "social issues-based ICT services" as a business that resolves social issues facing customer industries themselves.

2 We will rigorously identify and absorb cutting-edge technologies that will take root in society and become mainstream in the future.



Improving Management Resource Quality

TSUZUKI DENKI will significantly change its approach and stance on four management resources that are key to transformation and improve the quality of these resources.

1 Organization and Human Resources

Past: By function (sales/technical/administration)
Future: Develop value creators

We will change our systems, training, and organization so that each and every one of us can become a value creator.

Value creator refers to someone who works toward the essential growth of customers (society, companies, and people), creates value, and contributes to the growth of society as a whole and their own company. For this, we will strengthen our people's ability to discern potential issues based on facts and construct hypotheses. We will also elevate their skills to devise solutions on their own or co-create with customers and partners, and to verify, craft, and improve such solutions. Regarding organization, we intend to make various changes, such as integrating manufacturing and sales and decentralizing organizational functions.

2 Customers

Past: Further cultivate existing customers; address customer companies individually
Future: Grow loyal customers and new customers

We will implement marketing strategies that include maintaining and nurturing loyal customers and acquiring new customers.

We will further improve satisfaction among customers with whom we have already established ongoing business and cooperative relationships. For customers with whom we can further strengthen relationships, we aim to inculcate a high level of loyalty through daily communications, purchase data analysis, and the proposal of solutions to potential issues. To acquire new customers, we will clarify target markets with a focus on SaaS-type in-house services, and increase engagement and conversion rates through digital marketing measures including digital advertising and the use of social media.

3 Investments

Past: Defensive investments
Future: Offensive investments

We will redirect investments to the promotion of human and intellectual capital, M&A, and capital and business alliances. We will also enhance our business capabilities by placing more emphasis on investing in new challenges.

4 Business Stance

Past: Driven by customer needs and wants
Future: Addition of social angle

We will develop business adding an ESG perspective to customer needs and wants.

Creating social value has become a corporate mission, and we will transform our business with a focus on balancing social and economic value.

Medium-term Management Plan: Transformation 2026

Management Policy

As the first stage toward realizing the long-term vision, the TSUZUKI Group is implementing the medium-term management plan, Transformation 2026. In this plan, we aim to change the drivers of our earnings and further elevate our earning power by shifting our resources from existing areas to growth areas. Although we sold the Electronic Devices business in FY03/24, our financial targets remain unchanged from the time we formulated the medium-term management plan. We will seek to achieve these targets through growth in the Information Network Solutions business.

Overview

1 Business strategies
- ▶ Expand growth areas
- ▶ Improve profitability in existing businesses
- ▶ Restructure business portfolio and group companies

2 Financial strategies
- ▶ Manage finances while being mindful of the cost of capital
- ▶ Secure funds for growth through balance sheet optimizing
- ▶ Optimize capital allocation

3 Management base reinforcement
- ▶ Proactively invest in human capital (organizational and human resource development)
- ▶ Further enhance governance
- ▶ Strengthen sustainability efforts

FY03/26 Targets (vs. FY03/23 results)

Net sales	130.0 billion yen (+5.0%)
Operating income	6.5 billion yen (+27.5%)
ROE	10% or more
Scope 1+2 CO_2 emissions	1,468 t-CO_2 (-12.7%)

Progress in FY03/24

Summary

Achieved record profit just short of the final-year target of the medium-term management plan, as earnings in the Information Network Solutions business grew substantially, more than absorbing the shortfall from the sale of the Electronic Devices business

- ▶ **Net sales** Fell short of the initial forecast since the Electronic Devices segment was excluded from the scope of consolidation in the fourth quarter
- ▶ **Operating income** Exceeded initial forecast as the medium-term strategies, such as pricing management and the expansion of the six growth areas, bore fruit in the Information Network Solutions business

	Initial forecast	Results
Net sales	126.5 billion yen	124.9 billion yen
Operating income (operating margin)	5.3 billion yen (4.2%)	6.4 billion yen (5.2%)
ROE	-	14.5%

Progress of individual strategies

1 Business strategies
- ▶ Raised the profitability of our businesses overall by expanding the six growth areas that are highly value-added and by lifting profits in existing businesses to appropriate levels
- ▶ Sold the Electronic Devices business and restructured the business portfolio
- ▶ Restructured group companies

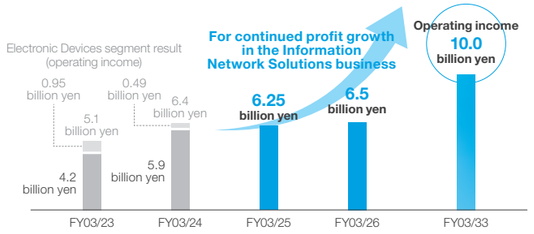
2 Financial strategies
- ▶ Generated cash through financial management that is mindful of the cost of capital
- ▶ Cash and deposits and net assets expanded due to the sale of the Electronic Devices business; the asset and liability composition remained an issue

3 Management base reinforcement
- ▶ DX talent increased at a faster pace than planned
- ▶ Improved work conditions of employees; launched personnel system reforms
- ▶ Re-identified materiality topics to boost effectiveness in promoting sustainability
- ▶ Reset the Group's CO_2 emissions target accompanying the sale of the Electronic Devices business

Progress in Shifting Resources to Growth Areas

1 Restructuring the business portfolio

In January 2024, we sold the Electronic Devices business to Restar Corporation with the aim of significantly improving our corporate value. There were several reasons behind this decision. We expected that the competitive environment surrounding the Electronic Devices business would become even more severe in the future. It also appeared difficult to generate sufficient synergies between this business and the Group's mainstay Information Network Solutions business because of their differences in business traits. Capital efficiency was also an issue.

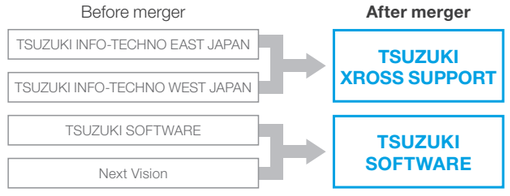


From FY03/25 onward, we will pursue further growth by dedicating our management resources to the Information Network Solutions business, where we operate in growth areas.

2 Restructuring group companies

To improve profitability in existing areas, we have been reviewing function and role overlaps that lead to inefficiencies and ineffectiveness within the Group.

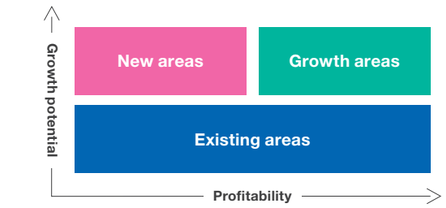
As the first step, in October 2023, we merged our subsidiaries, TSUZUKI INFO-TECHNO EAST JAPAN and TSUZUKI INFO-TECHNO WEST JAPAN, which both engaged in the installation and maintenance of communication facilities. TSUZUKI XROSS SUPPORT—the new company resulting from the merger—will aim to expand earnings through efficient business activities while demonstrating group synergies. In October 2024, we merged subsidiary TSUZUKI SOFTWARE, which develops business systems, with Next Vision. With this merger, we intend to boost the competitive strength of our solutions for the tourism and travel industry while achieving efficiency through the consolidation of our software development capabilities.



Medium- and long-term Growth Strategy

Speed up growth through M&A and business alliances

TSUZUKI DENKI engages in discussions with various stakeholders based on the understanding that M&A and business alliances are an important theme in achieving sustainable growth. During this exercise, we set the individual targets to be achieved in existing areas, growth areas, and new areas, clarify and prioritize the capabilities we need to obtain, and then proceed to consider specific cases. The details are shown below.



Existing areas
Gain economies of scale; complement products and area coverage
- ▶ Stand-alone sales of equipment, infrastructure development, traditional system integration, etc.

Growth areas
Complement/acquire technologies, products, and solutions
- ▶ Cloud-based services, security products, DX products, etc.

New areas
Secure cutting-edge technologies and seeds
- ▶ Social issues × Industry (customers) × Technology

In the existing areas, we are considering opportunities that can complement our sales channels, products, coverage areas, and resources so that we can utilize assets more efficiently and maximize profits. One effort on this front was the business alliance we forged with Daiwabo Information System Co., Ltd. in October 2024.

In the growth areas, we have formulated inorganic growth strategies (strategies to grow not just through own efforts but also through collaboration with other companies) for contact centers and the logistics-sector DX services, which are two focus areas in the medium-term management plan. We are currently taking specific actions along this line.

In the contact center domain, we formulated a growth strategy, envisioning "a future that calls for proposals in the customer experience (CX) field" and "a future where generative AI fundamentally changes business models." As the first step of the strategy, TSUZUKI DENKI will tap into areas where it needs to strengthen solution-providing capabilities. We will also step up pursuing a business model that utilizes generative AI. Then, through analysis of various data, we will seek to establish a business model where we can serve as a one-stop shop for improving customers' operations and marketing activities.

On the front of DX services for the logistics sector, the market is now shifting into a growth phase fueled by responses to the so-called 2024 problem. Against this backdrop, our immediate mandate is to promptly expand our market share. For this, we will focus on establishing a framework for rolling out the TCloud for SCM service to businesses beyond logistics companies. At the same time, we will expand the coverage of our transportation and delivery management system functions and also strengthen our organizational capabilities.

In other growth areas as well, we have formulated specific growth strategies and are working to achieve our goals promptly through M&A and business alliances that are in line with these strategies.

In the new areas, it is important to catch the signs of new markets emerging from technological evolution, and for this, whether we can develop a discerning eye to discover and nurture the seeds of new businesses becomes key. Therefore, we are proactively building relationships with startups and are also considering opportunities to co-create new businesses with them.

Messages from the General Managers of Business Units

Toward Achievement of the Long-term Vision and Medium-term Management Plan

Resolving Social Issues Through Co-creation with Customers and Partners

Review of FY03/24 and outlook for FY03/25

In FY03/24, our Information Network Solutions business posted record profits. We attribute this performance in part to our success in pricing management, which in turn lifted sales and gross profit. We will continue our efforts to provide higher value to customers while securing appropriate pricing. We also worked on improving productivity, and the progress made in this area contributed to profit margin improvements.

In FY03/25, it will be important for TSUZUKI DENKI to thoroughly capture demand arising from the end of support for Windows 10. For this, we will promote sales of higher-added-value AI PCs* rather than handling simple updates so that we can increase sales. Many companies are also facing difficulty managing their PCs in-house amid the labor shortage and diversifying workstyles. On this front, we are stepping up efforts to propose managed services and security services at the time of updates.

Progress of the medium-term management plan

The Company is making steady progress in strengthening the six growth areas, which is one of the measures of the medium-term management plan. Of the six areas, we achieved our targets in contact center systems, cloud communications, security, and managed services. We also had a steady start in the remaining two areas of market-specific DX services and DX consulting. Regarding market-specific DX services, we are anticipating substantial growth in TCloud for SCM for the logistics sector, which faces the 2024 problem. Additionally, TCloud for SCM has been receiving more-than-anticipated inquiries from non-logistics industries, for instance, for material transport in the construction industry. Whatever the industry, there is always a need to transport goods. From the perspective of resolving social issues associated with distribution, we hope to proactively secure growth in this area. In DX consulting, to develop talent, we have been seconding our employees to a consulting firm since four years ago to let them learn the trade on-site. With this program running for four years already, the number of alumni returning with experience has increased over time, so we are hopeful that the DX consulting business will now grow at an accelerated pace. As for other new services, we are developing services to resolve labor shortages and other social issues in the healthcare sector. Cloud strategy is another major theme. Our value and competitive advantage is our multicloud strategy, which allows us to select services offered by a range of vendors, including Amazon, Microsoft, Google, and Fujitsu, and provide solutions that best suit our customers' environments. We will boost momentum in this area as well.

Long-term outlook

We will continue to value our long-standing customers. It is our mission to fulfill their expectations and go a step further by offering forward-thinking proposals. To our small and medium-sized corporate customers, we will offer proposal-based products and services that are low-cost but can resolve issues quickly.

What we aim for is co-creation with our customers and partners to develop services that resolve social issues. As this endeavor is gradually taking shape, please look forward to our further progress.

* PCs equipped with a neural processing unit (NPU) dedicated to AI processing, in addition to a CPU/GPU

Expanding Packaged Services by Strengthening People and Technology

Technological advantages of TSUZUKI DENKI

Technology in the ICT field involves four capabilities. The first is the planning capability to come up with new ideas and use cases. Next is the coordination capability to bring together funding, people, and things necessary to achieve the plan. The third is the implementation capability to develop based on the drafted design, and the fourth is the post-implementation maintenance capability. TSUZUKI DENKI has all four capabilities. We can provide system integration and network integration services through a DevOps*1 cycle that combines these four skill sets. This is the main reason behind TSUZUKI DENKI's ability to maintain its competitive advantage.

Dramatic productivity improvements through "TSUZUKI Style"

We have created a system called the Total SolutionService Framework (TSF) that encompasses all of our services. In considering how to implement TSF, we compiled what we call the TSUZUKI Style, which is a kind of manual mainly covering the processes, as well as the necessary technologies and architectures. Since TSUZUKI Style also includes our quality standards, its thorough adoption and implementation have resulted in significant quality, cost, and delivery (QCD) improvements. In turn, this has boosted our productivity and margins. Unprofitable projects, which have occurred in the past, are not seen anymore. We will maintain the current productivity level while ensuring high quality.

Plans to expand operational technology (OT) services and security

TSUZUKI DENKI is currently focusing on OT services and security. OT is the technology to optimally control systems and facilities at plants and warehouses. In the area of OT services network, there are many situations where we are called upon to provide consultation as network professionals. We take advantage of this by making proposals and providing packaged services*2 encompassing development, introduction, and maintenance. In the area of security, we offer services to assess the security of customers' systems and propose solutions to remedy vulnerabilities. These are both areas where the packaged services we aim for are actually being provided, and we intend to expand our operations further.

Achieving growth by strengthening people and technology

As businesses expand, people become key. We must also take action to acquire cutting-edge technologies. To address these challenges, we are strengthening relationships with our partners. Rather than working with each partner company on a project-by-project basis, we are implementing measures to build strong, lasting collaborative relationships.

In the area of cutting-edge technologies, we are particularly interested in generative AI. The role of TSUZUKI DENKI is to understand the generative AI services provided by individual platformers and to figure out how to deliver them to customers. For this, we first adopt such services for in-house practical application. Whether it is generative AI or not, it is typical for TSUZUKI DENKI to put the latest technology to use internally, and apply that experience to propose services to customers. With the cooperation of Microsoft Japan, we have launched the Generative-AI Working Group to strengthen TSUZUKI DENKI's generative AI-based services while improving internal productivity. Thanks to this arrangement, we are developing our human resources through interaction with outside parties, such as through the dispatch of our advanced DX talent to Microsoft Japan.

*1 Method and mechanism for developing software flexibly and with speed through mutual collaboration and cooperation between the development team and the operation team
*2 System/service to bundle hardware, software, and services based on themes and objectives, offering them in a package

Business Strategies

Basic Policy of the Medium-term Management Plan

In recent years, the environment surrounding the ICT industry has undergone substantial changes, including the spread of cloud computing, accelerated DX, and the evolution of AI. In light of these developments, system and network integrators are each reviewing their traditional business models and searching for new directions. To survive the increasingly fierce competition and achieve further growth, TSUZUKI DENKI is working to strengthen its six growth areas. It is also devoting efforts to improving profitability in the existing areas so as to secure the human and financial resources necessary in the six growth areas.

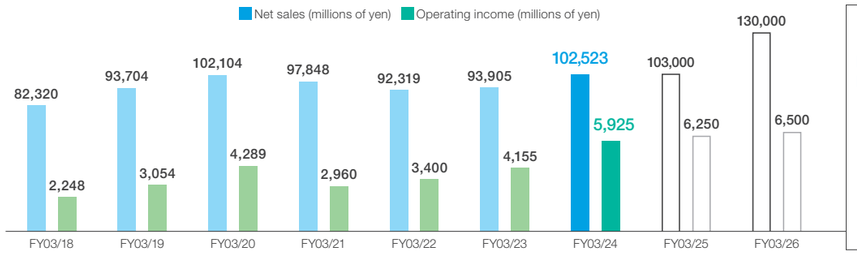
Basic Policy 1
Strengthen Six Growth Areas

- ▶ **Promote collaboration with other companies by leveraging core technologies**
- ▶ **Strengthen technical, marketing, and product development capabilities by developing human resources**
- ▶ **Expand service lineup**

Basic Policy 2
Improve Profitability in Existing Areas

- ▶ **Strengthen product portfolio management under TSF concept**
- ▶ **Ensure thorough pricing management**
- ▶ **Reorganize business formation**

Financial Results



FY03/24 results
- ▶ Achieved record profit
- ▶ Raised overall profitability by expanding the six highly value-added growth areas and optimizing profits through pricing management in the existing areas, among other means

Basic Policy 1 "Move Forward" to Strengthen the Six Growth Areas

In FY03/24, net sales grew 36% YoY thanks to the successful execution of measures to strengthen each area.

FY03/23 — Net sales **9** billion yen ▶ FY03/24 — Net sales **12** billion yen (+ 36% (vs. FY03/23)) ▶ FY03/26 — Net sales **16** billion yen (+78% (vs. FY03/23))

	Summary	Growth scenario	Sales performance/targets FY03/23	FY03/24 (vs. FY03/23)	FY03/26 (vs. FY03/23)	Progress in FY03/24
Contact Center Systems	On-premises and cloud-based contact center services	Expand share in the contact center market by improving competitiveness via strengthened collaboration with CRM as well as generative AI-driven functional enhancements	4.5 billion yen	5.2 billion yen (+16%)	6.1 billion yen (+36%)	▶ Established a clear sales strategy suited to the customer scale ▶ Won new customers by strengthening marketing measures
Cloud Communication	Cloud PBX services that enable diverse workstyles TCloud for Voice	Establish a stable and lasting earnings model by using proprietary services to capitalize on migration of on-premises PBX to the cloud	1.1 billion yen	2.0 billion yen (+82%)	3.0 billion yen (+172%)	▶ Established a brand in the communication business combining cloud communication with the contact center systems domain ▶ Captured robust demand for cloud migration and secured strong performance
Security	End-to-end service, spanning formulation of an information security strategy to the development and operation of security solutions	Expand business scope by creating customer touchpoints through security consultation and to follow up on a medium- to long-term basis to raise the level of customer peace of mind and satisfaction	0.3 billion yen	1.0 billion yen (+233%)	1.5 billion yen (+400%)	▶ Earned customer trust and secured business opportunities for zero trust-related products for which the Company has a record of long-term in-house use
Managed Services	Operation management and outsourced services to support ICT divisions	In addition to handling outsourced operations, increase services that represent best operating practices through the use of new technologies and know-how; in this way, expand the scope of service offering	2.8 billion yen	3.5 billion yen (+25%)	3.8 billion yen (+36%)	▶ Won new customers through proactive efforts made by specialized teams ▶ Increased sales to existing customers thanks to service enhancements
Market-specific DX Services	Software serving specific industries TCloud for SCM, TCloud for Smart Seika, etc.	Identify target markets; build a high-share and high-profit business by developing industry-standard software products and selling them as a proposal-based packaged solution	0.1 billion yen	0.1 billion yen (same)	0.6 billion yen (+500%)	▶ Released a new SCM service. Achieved a steady launch, thanks in part to successful marketing measures ▶ Strengthened the functions of Smart Seika by offering it to a pilot user
DX Consulting	Services to support the realization of DX through DX strategy formulation, talent development, data analysis, etc.	Standardize the midstream processes (development and construction) following the consulting work, and streamline the service lineup of the downstream processes (maintenance and operation) to enhance service competitiveness and elevate our capabilities in all business areas	0.16 billion yen	0.2 billion yen (+28%)	1.0 billion yen (+525%)	▶ Business negotiations became more active for advisory services to improve operational efficiency using generative AI, etc., as well as reskilling services to support the development of customer DX talent. Contracts increased, as a result

Basic Policy 2 "Move Forward" to Improve Profitability in Existing Areas

Our profitability improved in FY03/24, with each of the measures producing steady results. Going forward, in addition to thoroughly implementing existing measures, we will proactively utilize data in our new measures, such as the rollout of pricing management into the maintenance business and the reinforcement of proposal-based business. By doing so, we will enhance our effectiveness and further improve profitability.

▶ Ensure Thorough Pricing Management

In FY03/24, we tightened the gross profit standards for business negotiations, and as a result, sales from low-margin projects decreased by approximately 10% versus FY03/23. We also analyzed the growth potential of our businesses as well as customer needs and feedback, and re-established the market value of our engineers based on the uniqueness of their skills, among other factors. Through these actions, we were able to improve gross profit by roughly 2%, mainly in the development and construction operations. Furthermore, we secured profits by appropriately passing on the increase in procurement costs to our sales prices. In addition to thoroughly implementing these measures, moving forward, we intend to redefine the value we provide in maintenance services, set appropriate prices based on data, and strengthen profit management.

▶ Reinforce proposal-based business

As a new measure for improving profitability, we worked to develop proposal-based services, in which we provide packaged solutions dedicated to specific sectors and customer needs. By providing upstream consulting services to downstream maintenance services in a comprehensive package, we can raise our service introduction efficiency and improve profitability. The aim is to assemble a wide lineup of solutions, including services for specific sectors such as contact centers and logistics as well as cross-industry solutions like security measures, and to offer highly reproducible services to many customers. We will expand sales by leading new and dormant customers proactively. We will also actively consider collaborations with partners with whom we can expect synergies.

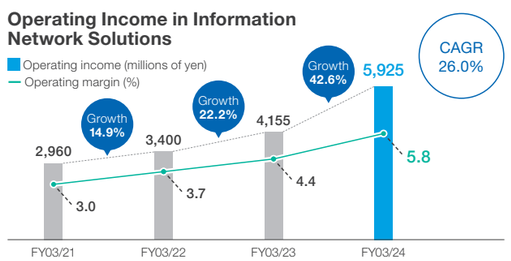
▶ Further improve profitability and productivity

TSF, a system encompassing all the services TSUZUKI DENKI provides, and the TSUZUKI Style manual, which covers the processes and necessary technologies, have helped raise the Company's productivity and profitability. We will continue to update TSF and TSUZUKI Style, incorporating latest technologies and customer needs. We will also actively utilize generative AI to further standardize and improve our operations.

▶ Thoroughly capitalize on demand for PC upgrades

Business negotiations for PC replacements have become increasingly active against the backdrop of Microsoft ending Windows 10 support in October 2025. To capture projects without fail, we have set KPIs and taken steps to visualize the negotiation status, based on which we are sharing progress information and following up as necessary. We will also seek to maintain and improve profitability by focusing on the sale of higher-value-added AI PCs and the introduction of managed services and security solutions.

Operating Income in Information Network Solutions



To "Move Forward" Further

Use of Generative AI

Today, generative AI is gaining much attention as a service having the potential to dramatically accelerate DX and innovations are anticipated in diverse fields. Meanwhile, since the services are still in their development phase, there are also many issues to be addressed, including determination of applicable tasks and usage method, verification and assessment of accuracy, service security, and rights infringement.

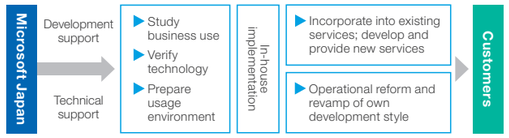
To address these issues ahead of time, TSUZUKI DENKI is encouraging all employees to learn and use generative AI. At the same time, we are taking various initiatives to realize our own operational reforms while also ensuring customers' safe and optimal use of generative AI.

One effort along this line is the enhancement of employee skills. In December 2021, we formulated the Guidelines for Business Use of AI and Data, covering the issues and dangers surrounding AI, along with precautions during business negotiations. In this way, we are making ongoing efforts to raise awareness. Between December 2023 and April 2024, we also hosted several study sessions where all employees learned the basics of generative AI, as well as associated services, usage precautions, and use cases.

Another effort is in-house implementation. In June 2023, we opened up an environment fitted for the use of generative AI to all employees and began usage. In March 2024, we boosted functionality, creating a menu for each usage scene to eliminate the need for prompts. Today, 86% of our employees are using generative AI in tasks such as creating meeting minutes and generating comments for programs, and usage has reached 20,000 times per month.

Thirdly, we are working to equip our services with generative AI for application in our businesses. In June 2023, we began offering a service to support the use of Azure OpenAI Service, and some customers have already adopted the service. In May 2024, we established the Generative AI Working Group with the support of Microsoft Japan, and we are making group-wide efforts to incorporate generative AI in various services while improving our own productivity.

Creation and provision of value using generative AI



TSUZUKI DENKI's initiatives

Dec. 2021	Formulated the Guidelines for Business Use of AI and Data
Jun. 2023	Prepared environment for in-house use of ChatGPT; began in-house implementation Began providing service to support use of Azure OpenAI Service
Nov. 2023	Began providing PoC app for searching in-house documents
Dec. 2023 to Apr. 2024	Hosted generative AI study sessions (e-learning) for all employees
Mar. 2024	Built ChatGPT menu sorted by areas of use in in-house operations; began usage

Strengthening the Cloud Business

As a leading company in system and network integration, TSUZUKI DENKI positions the enhancement of cloud business as a priority initiative.

With the progress of digital transformation (DX), the use of the cloud is indispensable in today's business environment. Yet, many companies have overly optimized their existing systems to suit their settings and have concerns about cloud migration, including the fit and gap, initial and running costs, and added burden in human resource development and other areas. As a result, these companies often maintain on-premises equipment. The operational complexity and difficult risk assessment associated with adapting to a cloud environment are also factors hampering cloud migration. It is not easy for these companies to find the medium- to long-term value of the cloud and make decisions accordingly.

While being mindful of these concerns, we support customers' use of the cloud by tapping into our experience assisting customers over many years and by leveraging our strength in understanding the traits of each vendor's cloud services.

Specifically, we are promoting our cloud business through the following measures.

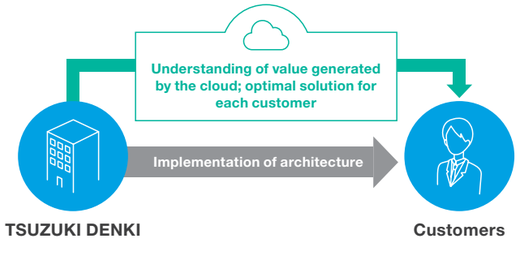
▶ Unifying our mindset across the Company, including the management team

We have formulated educational programs for different roles in the organization. Through this, we are encouraging all employees, including the management team, to reaffirm the importance of promoting the cloud business and to work together with a common mindset to fuel stronger momentum.

▶ Demonstrating best practices underpinned by our track record

We will support our customers' decision-making by clearly indicating potential issues that may arise from the use of the cloud and by proposing best practices, including on-premises solutions. To provide our customers with high-quality services in the areas of construction and operations, we are substantially bolstering technical and sales partnerships.

In particular, we are focusing on our forte of cloud communications, along with cloud security and market-specific DX services.



Launch of the New TSUZUKI SOFTWARE

Kenji Kawazu President and CEO, TSUZUKI SOFTWARE Co., Ltd.

With the merger with Next Vision in October 2024, TSUZUKI SOFTWARE transformed into a company providing packaged systems for the tourism and travel sector in addition to being a software developer, which has been its traditional role.

The merger was driven by changes in our business environment. Demand for development from scratch—an area TSUZUKI SOFTWARE excelled at—shrank because of issues such as costs and delivery lead time, while the adoption of SaaS and packaged services increased. Meanwhile, Next Vision was unable to fully capitalize on the rapidly expanding post-COVID demand for packaged systems targeting the travel sector because of its insufficient infrastructure for development and implementation.

Through the merger of the two companies facing challenges and the mutual utilization of their resources, I believe TSUZUKI SOFTWARE can transform into a solutions business, improve profitability through strengthened synergy, raise efficiency through appropriate staff allocation, and secure outstanding talent. Sales style transformation will be key to the company's business strategy. In the past, TSUZUKI SOFTWARE approached sales passively. Moving forward, however, we will shift to an offensive stance, leveraging the market-specific DX services that we plan to develop.

By multiplying our strengths rather than simply adding them up, we hope to demonstrate a greater presence than before so that, in a few years' time, our merger would be remembered as a great success.

"Move Forward" with Business Formation Reorganization

TSUZUKI DENKI reorganized its group companies to improve profitability in existing areas. Here are the comments from the presidents of the two companies that underwent transformation.

Birth of TSUZUKI XROSS SUPPORT

Noriyuki Shimizu President and CEO, TSUZUKI XROSS SUPPORT Co., Ltd.

In October 2023, TSUZUKI XROSS SUPPORT was established through the merger of TSUZUKI INFO-TECHNO EAST JAPAN and TSUZUKI INFO-TECHNO WEST JAPAN.

In the background was the intensifying competition in the ICT infrastructure equipment business, which was one of TSUZUKI Group's core businesses. To win the competition, we needed to assemble the Group's specialist resources to make higher-value proposals to our customers and to provide outstanding products and services. Therefore, we decided to reorganize.

When establishing the new company, we held dialogue with our employees communicating that, by providing products and services, we played an important role in our customers' businesses as well as the Group's, and that it was important to think and act based on our own will rather than wait passively. I am confident that employee attitudes have definitely changed.

Moving forward, we will make the most of the strong customer relationships we nurtured through our services to date, further enhance our mobility and expertise, and efficiently provide services customers can use with peace of mind.

Based on the concept of "bringing comfortable workstyles to your towns," we will strive to become a community-oriented engineering company that provides on-site network and facility support services nationwide, ensuring uniform service quality.

Message from the General Manager of Corporate Administration Unit

Further Enhancement of Corporate Value Through Focused Cash Allocation and Continued Investments Toward Growth

Kazuhisa Oyama
Director, Senior Managing Executive Officer
General Manager of Corporate Administration Unit

Achieved record profit by absorbing divestiture-related falloff with sales growth, improving the cost ratio, and reducing SG&A expenses

Net sales and profit increased year-over-year in FY03/24, with profit reaching a record high. We executed measures centered on the reinforcement of the six growth areas and pricing management, which are strategies for the Information Network Solutions business under the Transformation 2026 medium-term management plan. I understand that sales growth, cost ratio improvement, and reduction of SG&A expenses (the three building blocks of profit) all contributed to profit growth in a well-balanced manner as a result. We sold the Electronic Devices business in January 2024, and this caused the falloff of associated sales and profits in the fourth quarter, but nonetheless, we were able to post a record profit. We achieved business portfolio transformation—one of the centerpiece measures in the long-term vision and medium-term management plan—and kicked off a new start as a pure-play ICT company, and on top of this, we managed to perform strongly. In this sense, FY03/24 was a meaningful year for us. Being a pure-play ICT company allows us to deploy resources in a focused manner. I believe this will improve our capital efficiency.

On another topic, since announcing the long-term vision and medium-term management plan in May 2023, our P/B ratio has steadily remained in the over 1x territory. According to our analysis, the main reason for this was that, in the medium-term management plan, we clearly indicated to our investors the Company's cost of capital and expressed our commitment to increasing the equity spread. Another contributing factor was the ROE increase to 14.5%, accomplished through the steady implementation of the medium-term management plan and the posting of record profit. Meanwhile, although the P/B ratio and ROE improved substantially, PER came in lower than those of peer system and network integrators. For this, we recognize the importance of exhibiting profitability and capital efficiency through performance and developing an achievable growth story. As we see the need to demonstrate these points to our shareholders and investors, we will continue to address these challenges moving forward.

Further invest in growth strategies, including M&A, while steadily reorganizing businesses and investing in human resources

In terms of capital allocation, our policy is to channel funds to growth investments and shareholder returns while securing working capital. For investments, we have set the hurdle rate at 7%, being mindful of the cost of capital. Previously at the frontline, sales and profit amounts were the metrics to judge performance. However, by establishing a Budget Committee and repeatedly providing advice regarding the profitability of investments, I believe we have been able to change awareness of our people at the frontline as well. For M&A and other strategic investment projects, the Business Strategy Planning Office takes the lead in going through all types of information cross-organizationally and interacting with the sales, technology, and administrative divisions to evaluate opportunities that complement our businesses. We have considered 33 projects through FY03/24. In the three years of the current medium-term management plan, we intend to thoroughly consider about 100 projects in total to further promote strategic investments.

Under the medium-term management plan, we are looking to invest a total of 8.0 billion yen in the four categories of technology, human resources, internal DX, and business restructuring. The actual amount invested during FY03/24 came to 2.6 billion yen. We have invested in our people who are the source of the Company's growth. While primarily focusing on the development of DX talent and the implementation of reskilling programs, we also improved employee working conditions and introduced a referral recruitment system. In improving employee working conditions, we emphasized the "ease of work," for instance, by giving allowances to employees covering for their peers taking childcare leave. In terms of employee treatment, we did away with age-related criteria to enable active appointment of young talent, while also introducing a new "role-based" allowance for middle managers as a form of compensation commensurate with their responsibilities. For those employees who have been re-hired after mandatory retirement, we are offering job authority and compensation based on their abilities. In such ways, we are improving working conditions so that employees at each stage of their careers can thrive in the workplace. We will seek to enhance profitability while simultaneously elevating our competitiveness in the recruitment market. As an investment toward creating a comfortable workplace, we also renovated our offices in Tokyo, Osaka, and Nagoya.

Introducing DOE* as an additional metric for shareholder returns while raising the payout ratio from 30% to 40%

For shareholder returns, our policy is to pursue steady returns by raising the dividend payout ratio from 30% to 40%. By introducing DOE, we intend to demonstrate our strong commitment to business management; we will also aim to increase dividend payments through increased profits. Additionally, the Company is considering potential share buybacks and further dividend hikes. As the officer overseeing TSUZUKI DENKI's financial and human resource strategies, I will continue to focus on cash allocation and seek to further improve the Company's corporate value.

* Dividend on equity ratio

Medium-term Management Plan Key Priorities and Basic Policies

	Key Priorities	Basic Policy
Financial Strategy	Manage finances while being mindful of capital costs	▶ Change business model ▶ Tighten investment discipline
	Optimize balance sheet to generate funds for growth	▶ Maintain financial soundness ▶ Review assets/make group-wide efforts to generate funds
	Optimize capital allocation	▶ Enhance investment and boost shareholder returns
Human Resource Strategy	Human resources development	▶ Develop leadership talent ▶ Develop diverse professional talent ▶ Build teams that engage proactively within and outside the Company
	Prepare our internal environment	▶ Create a foundation that enables employees to take on challenges on their own ▶ Establish an environment that supports the success of diverse talent
Business Strategies		Initiatives integrated with business strategy

→ Create customer value / Maximize TSUZUKI DENKI's corporate value

Investment Plan FY03/24 results

Category	Amount (FY03/24 to FY03/26)	FY03/24 Actual	FY03/24 Progress (vs. total budget)	Specific activities in FY03/24
Technology	8.0 billion yen	2.6 billion yen	33%	▶ Enhanced market-specific DX service functions ▶ Researched ChatGPT and other AI tools ▶ Tested low-code development tools, etc.
Human Resources				▶ Developed DX talent and implemented reskilling programs ▶ Improved employee work conditions ▶ Introduced a referral recruitment system
Internal DX				▶ Updated the ERP system ▶ Enhanced security
Business restructuring				▶ Reallocated human resources within the Group ▶ Business restructuring costs
Strategic investments	10.0 billion yen +α	Deals considered: 33		▶ Considered many specific projects while narrowing down some target areas based on our business strategy

Financial Strategy

Medium-term Management Plan Basic Policies

We are conducting financial management aimed at maximizing corporate value, and have set ROE of 10% or over as a KPI. Specifically, we are focused on three key priorities: Implementing initiatives with an awareness of capital costs, maintaining financial soundness and thoroughly streamlining assets, and strategically allocating the cash generated from these initiatives and business activities to investments and shareholder returns. We are strongly aware that the success or failure of business enhancement strategies greatly affects corporate value, and we aim to realize strong and reliable financial management.

Profitability and capital efficiency	Growth potential	Shareholder returns	
ROE	Growth investments	Payout ratio	DOE
10% or more	18.0 billion yen	40%	3.5% or more

Implementation of Management Mindful of the Cost of Capital

1 Restructuring of the business portfolio and group companies

To further enhance corporate value, the TSUZUKI Group decided to concentrate its management resources on the Information Network Solutions business, which operates in a rich range of growth areas, and accordingly, divested the Electronic Devices business (comprising four subsidiaries). In arriving at this decision, we carefully considered the industry environment, the competitiveness of our business, profitability, and capital efficiency. Looking back, we evaluate this decision positively, as the business sale led to an improvement in various performance indicators, and we were able to increase our corporate value.

We also began reorganizing the Group to improve profitability in the existing areas. Last year, we merged the two subsidiaries handling the installation and maintenance of communication equipment. This year, we merged two companies that develop business systems. The TSUZUKI Group will further improve its management efficiency while strengthening competitiveness.

2 Balance sheet review

We generated 5 billion yen in funds for growth by selling some of our real estate properties and strategic shareholdings. Our cash conversion cycle also improved substantially, mainly due to the sale of the Electronic Devices business. With the cost of capital in mind, we will continue to evaluate the rationale behind our holdings and sell assets if we deem them inappropriate.

3 Launch and operation of the Budget Committee

The newly established Budget Committee assesses and determines investment projects, setting the hurdle rate at 7%. The committee has also worked to reform cost consciousness by reviewing the budget management process for all expenses, taking steps to transform our business into a highly profitable one. To further enhance our investment quality, we will continue to improve the accuracy of recoupment plans, standardize valuation processes, conduct regular reviews, and bolster monitoring.

Strategic Investments

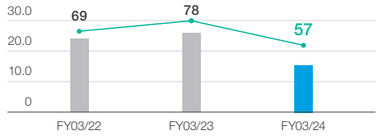
In FY03/24, we mainly invested in technology for the creation of businesses using DX and AI, as well as in human resources, which are the source of our growth, and in internal DX to transform our business processes. Total investments came above plan at 2.6 billion yen. Meanwhile, based on our business strategy, we also began collaborating with many companies, and narrowed down the target fields for potential M&A opportunities as well. Although we have yet to execute a deal, we are currently considering many specific projects.

Effects of the sale of our business

▶ Profitability improvement

Operating margin	FY03/22 results	FY03/23 results	FY03/24 results	FY03/25 forecast
Information Network Solutions	3.7%	4.4%	5.8%	6.1%
Electronic Devices	2.2%	3.2%	2.2%	-
Consolidated	3.4%	4.1%	5.2%	-

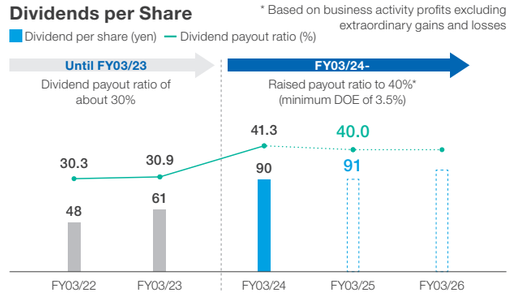
▶ Cash conversion cycle improvement



Shareholder Returns

Our policy is to ensure proactive and stable dividend payments. To this end, since FY03/24, we have raised our target for dividend payout ratio from 30% to 40% (based on business activity profits excluding extraordinary gains and losses) and set the lower limit of dividend on equity (DOE) ratio at 3.5%. In FY03/24, we paid a dividend of 90 yen per share, far exceeding the initial plan of 76 yen per share. In FY03/25, we plan to pay a record dividend of 91 yen per share.

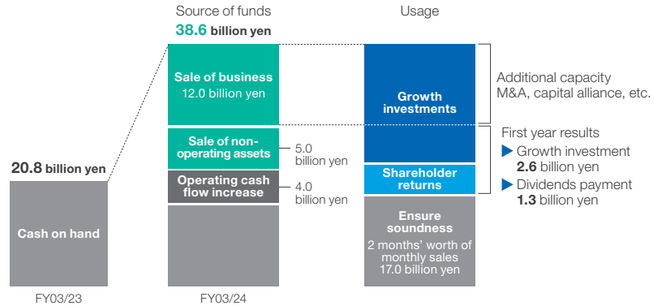
Dividends per Share



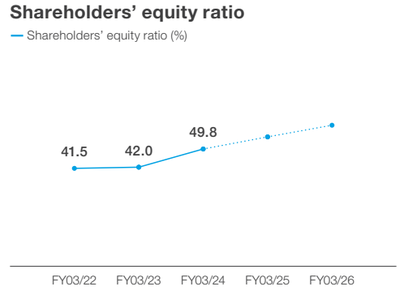
Financial Standing (state of cash)

In the first year of the medium-term management plan, we generated roughly 17 billion yen in cash through the sale of the Electronic Devices business and the disposal of non-operating assets. As a result, we now have more room to implement dynamic strategic investments (for collaboration opportunities through M&A and capital alliances). Our shareholders' equity ratio reached 49.8% at the end of FY03/24, closing in on the upper end of our target range (40–50%). We plan to make flexible and dynamic allocations, factoring in potential changes in asset-liability composition due to M&A and other activities, and depending on the progress on this front, consider further expansion of shareholder returns, including dividend hikes and share buybacks.

First year of the medium-term management plan



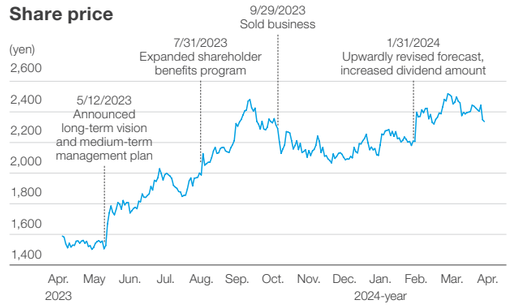
Shareholders' equity ratio



Market Evaluation

Our share price tracked a steady upward trajectory. We attribute this to the formulation and steady execution of our cost-of-capital-conscious business strategy, as well as our financial strategy. The P/B ratio also improved to around 1x. We view this as a reflection of the market evaluating us positively to a certain extent. That being said, we have not been able to improve the equity spread sufficiently. We understand that our PER is lackluster compared to those of other system and network integrators and see the need to further reexamine our strategies and raise growth expectations.

Share price



Going Forward

FY03/26 will be the final year of the first stage of our medium-term management plan toward realizing the long-term vision. To achieve ROE of 10% or more with certainty, we will work together with our business units to implement strategies encompassing the enhancement of business profitability, resource shift to growth areas, and corporate collaborations including M&A, which is a priority theme. At the same time, we will seek to maximize our corporate value through steady execution of our financial strategy.

Human Resources Strategy

To become a Growth Navigator, we must transform our organization and human resources. Our human resources strategy focuses on activities from two perspectives, organizational development (to strengthen the Group) and human resources development (to strengthen the individual). Our medium-term management plan addresses both human resources development and internal environmental improvements. We will promote transformations so that our employees can work as one team to focus on creating value for customers as value creators without being bound to their roles.

Current situation

Challenges

- In addition to staying close to customers and responding to various demands, we must also reconfirm market needs and create new value from various perspectives.
- We must create new value with customers by breaking down boundaries between sales, engineering, administration, and other functions while broadening our perspectives.
- We must create ideas based on the diverse perspectives, specializations, and connections of each employee.

Medium-term management plan

	Human resources development	Preparation of internal environment
Key Priorities	**Three Pillars** 1 Develop leadership talent 2 Develop diverse professional talent 3 Build teams that work autonomously and engage both internally and externally	**Two Pillars** 1 Create a foundation that enables employees to take on challenges on their own 2 Establish an environment that supports the success of diverse talent
Basic Policy	**Develop professional talent and enhance organizational capabilities necessary for executing growth strategy** **Enhance ability to meet a wide range of needs from both organizational and individual perspectives** ▶ Promote individual initiative by reviewing training programs to be voluntary and recruitment-based ▶ Hire highly specialized talent ▶ Improve mobility of in-house talent	**Further develop and enhance frameworks established during the previous medium-term management plan** **Foster a culture that enables diverse talent to take on challenges and play an active role voluntarily** ▶ Develop empathy through a fundamental review of the personnel system and a change in awareness and culture ▶ Improve autonomy by driving motivation from within
Key Measures	**Recruitment for business growth** ▶ Expand referral-based recruitment ▶ Actively recruit women **Develop diverse talent** ▶ Launch in-house university (host reskilling programs)	**Performance-driven system** ▶ Placement based on internal job posting ▶ Introduce remuneration system that motivates young employees ▶ Eliminate job classifications **Open corporate culture reforms** ▶ Introduce external exchange, second job, and mentoring programs
Investment Amount	**900 million yen**	**100 million yen**

KPIs

	FY03/26 targets	FY03/24 results
Leadership talent		
▶ TLF*1 participants	65 people	43 people
Professional talent (in-house certification)		
▶ Advanced DX talent*2	15 people	7 people
▶ Certified DX associates*3	240 people	239 people
▶ DX Certification™ holders	500 people	409 people
Diversity (Female Ratio)		
▶ Full-time employees	15.0 %	13.8 %
▶ Career-track employees	12.1 %	11.8 %
▶ Managers	5.0 %	2.6 %

	FY03/26 targets	FY03/24 results
Work engagement ▶ Group average (6.0 points possible)	3.20 points	3.02 points

Vision

Ideal human resources and organization

TSUZUKI Value Creator

- Have highly specialized teams create new value (ideas and technologies)
- Create and deepen relationships with customers
- Lead the Company and customers toward value creation
- Espouse an open culture that encourages challenges that stimulate ideas
- Espouse a culture of self-directed learning and activity based on a medium- and long-term perspective
- Provide a platform where diverse human resources can play active roles

Long-term Vision

Growth Navigator

- From standing by customers' side to becoming a partner that leads growth

*1 TLF: Training to develop next-generation management talent
*2 Advanced DX talent: In-house certification (criteria: employee must have an external certification designated by the Company and clear a set score in the DX certification test)
*3 DX associate: In-house certification that assesses skills by having employees take the DX certification test and a written exam.

Human Resources Strategy

Under the Transformation 2026 medium-term management plan, we seek to improve profitability and achieve business growth by generating higher profits in existing businesses and by providing consultations that lead to services, which is our strength. To this end, we are stepping up our efforts in the human resources strategy front, setting KPIs for leadership talent, professional talent, and diversity.

Leadership Talent

At TSUZUKI DENKI, leadership talent refers to human resources who, in addition to improving profitability, can demonstrate strong impact on corporate culture reforms. To achieve profitability improvements, we believe it is essential to raise management literacy. Hence, we took steps to enhance the job-level-based leadership training programs. Although participation is voluntary as these programs emphasize proactivity, demand has been very high, and we are making progress developing talent. We also held workshops for middle managers to boost their leadership skills so that they can grow into managers who can exhibit strong impact on culture reforms at individual business units. Many of the participants are now proactively reaching out to their colleagues to improve communication and promote reforms toward a culture of taking on challenges. Moving forward, we plan to introduce TLF to the group companies as well and make a group-wide effort to foster individuals having the dual skills of driving businesses and developing talent.

Professional Talent

To realize our long-term vision, in addition to providing value to individual customers, we aim to provide value to an even greater number of customers by identifying common needs across industries and business sectors and developing services to meet those needs. Seeing that DX is a key domain for this, our officers took the lead in taking the DX certification test and improving DX literacy across the Company. Over 400 employees, or 30% of all employees, have thus far passed the certification test. As for our DX associate in-house certification system, the 2026 target of 240 certified DX associates will certainly be achieved ahead of schedule. We have also prepared an environment allowing all employees to use generative AI in their work. In such ways, we are promoting DX, not only by acquiring knowledge but by making practical use of tools on a daily basis.

Diversity (Female Ratio)

Since we began recruiting women for career-track positions in 2010, our ratio of female managers is still low. Based on the view that the opinions and ideas of a diverse range of people are necessary to create new value, we have designated gender as a priority area p. 48 within the promotion of diversity and inclusion. By improving our systems and environment, we will work to raise female ratios in the workplace.

Preparation of Internal Environment

For all our employees to create and deepen relationships with our customers as value creators, it is important to establish an environment where diverse human resources can proactively take on challenges, play active roles, and generate ideas, and to create an organization and culture that encourages them to do so. We look to link our efforts on this front to our business strategies by establishing an environment that is conducive to transformation, starting with people, based on the "viewpoints of improving autonomy and supporting growth."

Viewpoints of improving autonomy and supporting growth

1. A workplace facilitating high psychological safety and quality relationships (human connection)
2. Opportunities for individuals and teams to learn, take on challenges, and engage in dialogue (growth opportunities)
3. Support for a sense of meaning in life and work (fulfillment)
4. A corporate culture that accepts diversity and recognizes it as a source of value (recognition)
5. Diverse choices and discretion in location, attire, hours, and time off (freedom)
6. Support for the physical and mental health of employees and their families (health)

We consider being happy about growth together with various stakeholders an important value shared by all employees, and we aim to instill a sense of happiness and high engagement among our diverse range of employees.

The work engagement index for the Group as a whole stood at 3.02 points, up from the previous year's 2.96 points. To promote autonomy and challenge, we have changed the application method for all training programs from a nomination-based approach to voluntary registration. We also introduced "cross-border" programs for interaction with parties outside the Company with a view to developing human resources who will drive our business of resolving social issues. Individuals who have experienced a new sense of value through the cross-border programs are now strongly recommending these programs to others through word of mouth, and the momentum is accelerating. By linking participation in cross-border programs to the company-wide diversity and inclusion initiatives, we are supporting the activities of high-energy talent who are capable of reaching out both internally and externally.

We recognize that further actions are essential for us to achieve the target KPI (work engagement). In particular, we understand that achieving better results at our group companies is a priority. Moving forward, we will provide opportunities for the entire Group to grow together, with employees learning individually and as teams, taking on challenges, and engaging in dialogue.

Employees participating in a cross-border program to resolve local community issues

Sustainability

For Sustainable Growth

Conversation

Making TSUZUKI DENKI a Better Company Together

Kazunori Yoshii
Representative Director, President and CEO

Kodai Mizota
Organizational HR Sec, HR Dept., General Affairs and Human Resources Division

Takeshi Akiyama
Sec I, Security Business Promotion Dept., Managed Services Division

Makiko Yahagi
Sales Sec. I, Sales Dept. I, Communication Sales Division I

"Grow and revitalize people" is one of TSUZUKI DENKI's materiality topics. The Company has long placed importance on elevating its employees' level of happiness, understanding that this will ultimately lead to providing sustainable value to society. What are the thoughts and wishes of the employees actually working on the frontline? President Yoshii sat down with some young employees to listen to their voices.

Yoshii I have asked Mr. Mizota from the Karabari Project Secretariat, along with Mr. Akiyama and Ms. Yahagi who are members of the project, to join me today to exchange views about the workplace environment and how they feel in the course of their daily work and during the Karabari Project activities. I think TSUZUKI DENKI has a culture of valuing people and an open atmosphere where people can speak up regardless of their positions, so please feel free to express your views.

Mr. Mizota, can you first explain what the Karabari Project is?

Mizota Yes. Karabari is a short for Colorful Value in Japanese. The word was coined to define our concept for promoting diversity and inclusion (D&I); it encapsulates the idea of our employees creating diverse values by expressing their individuality. The Colorful Value Project, which operates based on voluntary employee participation, seeks to develop systems and environments supporting diverse talent, so that individuals can take on challenges and thrive. Teams aligned with the five priority areas of D&I promotion are driving the efforts.

In the beginning, when we decided to make project participation voluntary, I feared that no one would raise their hands, but 28 people joined the project from the get-go. This meant that many people had a strong desire to change the Company, so in a good way, the result surpassed my expectations. I myself have been able to experience firsthand the transformation of TSUZUKI DENKI.

The project comprises the six teams of Gender, Career, Senior, Junior, Cross-border, and Para, and each team is working actively. Today, I invited Mr. Akiyama and Ms. Yahagi from the Junior team to join us. Can you tell us why you volunteered to participate in the project?

Akiyama I joined the project because I wanted to change the Company for the better. Currently, I am also the vice chairperson of our labor union. As part of the union's activities, we are focusing on the theme "TSUZUKI ReBranding" and are encouraging employees to reacknowledge the TSUZUKI brand. I've also had experiences that made me believe taking action with passion could actually change things.

For the Karabari Project as well, I volunteered, thinking that participation could start a trend for people of my generation to drive change in the Company for the better.

Yahagi In my case, with telework taking root, I felt there were fewer opportunities to spend time with the junior members of my department. So, I got in touch with about 10 junior colleagues from my department and organized regular face-to-face get-togethers in the office to share concerns and issues. It was just around then that I heard about the project. I thought it would be good if I could participate in a company-wide effort and apply what I learned to the activities in my department. That is why I decided to join the project.

Akiyama The Junior team of the Karabari Project seeks to improve work satisfaction for the Company's young employees while also helping them enrich their in-house personal relationships, which are still underdeveloped. The aim of the team's activities is to enhance the appeal of work life at TSUZUKI DENKI. The team's theme is "be an influencer—a person who takes action freely in all directions." Members are dedicated to engaging with individuals at all levels—senior, junior, and across departments—while developing themselves as the next generation of leaders who will positively influence both their peers and the generations to come. As one of its actions, the Junior team conducted a survey for young employees aged 34 and under. The survey results

were very intriguing. There were differences in opinions depending on the region or the generation, even among the young employees. I'm in my 10th year since joining the Company, but I found out from the survey that new graduate hires and second-year employees felt a greater distance in their relationship with me than what might be expected given our actual age gaps.

Yahagi This project positions those in their mid-30s and under as young employees. That being said, I feel that people of different generations—for instance, new graduate hires, employees in their mid-20s, and those in their mid-30s—all think differently. From the survey results and talks with them, I get the impression that young employees are a little hesitant about taking on challenges. They feel strongly that failure is unacceptable. Although they want to be praised and recognized for taking active roles, their strong desire to succeed without failing seems to make them fearful of making mistakes or uncertain about their actions. Also, teleworking and other factors have made it difficult for them to connect with peers within the Company, so they lack interaction or face difficulty collecting information. As a result, I sense that they struggle to take initiative or even question whether they should act at all.

Yoshii When I was your age, I used to edit the Company newsletter. At one point, a colleague came up with a new business proposal for the Company, so we posted it in the newsletter. However, due to numerous challenges, we were unable to implement it. I regret that we did not take on that business challenge at the time, as it might have led to even greater growth for the Company. It is important for the Company to support employee endeavors; we've included this notion in our Corporate Governance Code. That being said, I also sense that this idea has yet to spread to the frontline. We have worked rigorously to eliminate unprofitable system development projects and raise productivity, and we have made visible progress. Meanwhile, if this has created an environment where our people find it difficult to take on challenges, we need to reflect on the matter. I will make sure to further explore ways to support employee endeavors.

Mizota I feel that we are still in the process of creating a culture of challenge. Judging from the state of employee participation in voluntary projects like Karabari and the cross-border programs (HR development programs where employees learn by immersing themselves in new environments within or outside the Company), it appears many employees want to act proactively and take on challenges. On the other hand, there are also employees who have difficulty taking the first step to embrace challenge. Even if you have the motivation to take on a challenge, you also have your regular work to do. Taking up a new activity while handling work may at times mean being unable to use 100% of your energy on regular work. This may affect your performance. I think there are people who want to take on the challenge and create value but are torn between that and focusing on what they ought to protect. How to support these people is an issue the Human Resources Division must address.

Akiyama Our personnel systems and workplace environment have changed dramatically over the past 10 years. The introduction of teleworking, business casual dress code, and flexible working hours, among other systems, has created a very comfortable working environment. On the other hand, challenges remain in the workflow of business operations and administrative tasks. Some parts are not linked with our systems. I feel this has led to an increase in administrative tasks.

Yahagi Yes, I also agree that our personnel systems are good. I think it is especially remarkable that the Company introduced teleworking in as early as 2016 and that the system has really taken root. Meanwhile, there are still many administrative tasks. We have a comfortable working environment, but there is also room for improvement.

Yoshii We certainly hear many opinions about administrative tasks, so we are aware of the issue. People are the source of TSUZUKI DENKI's value creation. In this sense, I think it is my responsibility to make efforts on both the hardware and software fronts to create an environment where everyone can thrive at work.

In closing, what kind of company do you want TSUZUKI DENKI to become?

Akiyama I hope the Company will continue to value the connections it has with people. Also, because these are times of rapid change, I want to make TSUZUKI DENKI a company that can transform itself flexibly in response to various changes and a company where individuals can devote themselves to things they are interested in.

Mizota When I tell people that I work at TSUZUKI DENKI, I want them to say, "Oh, that's excellent." That's the kind of company I aspire to help build. As a member of the HR Department, I hope to provide support so that employees can pour their passions into TSUZUKI DENKI.

Yahagi I want to make it a company that stands by the customers' side, remaining committed to growing together with the customers. I want to increase the number of people who are eager to continue working at TSUZUKI DENKI or aspire to join because it is a great company. For this, I hope to continue taking part in the activities of the Karabari Project.

Yoshii I have always told our employees, "TSUZUKI DENKI is a place where you can realize your dreams." I firmly believe that realizing dreams is most important for people. Everyone has their dreams, and dreams could change over time. Still, I wish to always make TSUZUKI DENKI a company that can help its employees make their dreams come true and achieve self-realization.

This has been a valuable opportunity to hear your voices directly. I'd like to create more venues for this kind of communication moving forward. Thank you.

Diversity & Inclusion

Objectives and Key Initiatives

In promoting diversity and inclusion, TSUZUKI DENKI seeks to create and develop an environment that produces diverse value creators while cultivating a corporate culture in which these value creators can continue to take on challenges and thrive.

In FY03/24, we defined our concept of diversity and inclusion (D&I) promotion as “Colorful Value” (nicknamed “Karabari”) and launched activities in earnest. We created a logo that expresses the colorful blossoming of value by superimposing on our company logo the seven colors, which represent the Seven Actions constituting our values.

To realize our vision, we must widen the scope of acceptance for the diversity of values, human existence, and workstyles and to have each employee develop a more in-depth understanding of diversity.

We also recognize that the challenges in driving our activities entail spreading employee awareness and improving the female ratios. For this, we are making efforts in the following three areas.

1. Cultivation of a corporate culture in which diverse talent can continue to take on challenges and thrive
2. Development of an environment in which employees feel comfortable taking childcare leave and returning to work after the leave
3. Improvement in the ratio of female new graduate hires

KPIs

We aim to change into an organization where decision-making and human resource development are based on diverse values and to cultivate a culture where employees, regardless of their gender, feel comfortable taking childcare leave. To this end, we first set quantitative goals associated with female ratios and childcare. Graphs 1 and 2

We included in our metrics the term of childcare leave for male employees as well, with a view to developing an environment where everyone can participate in childcare and also return to work with ease of mind. While people can take short-term leave, we recommend they take childcare leave for at least one month. In such a way, we encourage the creation of an environment where employees can balance work and personal life even when major life events like childcare emerge.

For accelerated promotion of childcare leave, we set the bar for this KPI higher than the target disclosed in our General Business Owner Action Plan.

Specific Initiatives

We have pressed on with our D&I activities through actions to Cultivation of corporate culture and Development of systems. Since September 2023, we implemented 24 measures and internally disseminated information 30 times, executing measures at least twice a month.

Cultivation of corporate culture

Colorful Value Project (Karabari)

The Karabari Project provides opportunities to verbalize diversity through voluntary employee participation. In light of employee needs, we utilize these ideas and develop systems and environments that support a diverse array of human resources in taking on challenges and achieving success. Our employees are taking the lead in cultivating culture. Of the 24 measures implemented overall, 17 were from the Karabari Project. Likewise, of the 30 times information was disseminated internally, 26 were regarding the Karabari Project.

As shown in table 1, we are implementing measures in the five priority areas.

Development of systems

Workplace support bonus for childcare leave, etc.

To create an environment where employees actively help each other and where everyone can raise children with peace of mind, in May 2024, we introduced a new workplace support bonus for childcare leave and other purposes.

Under this system, we pay a workplace support bonus to those who fill in for employees taking childcare leave for one month or more. It is a way to support mutual assistance through monetary means, and employees do not have to belong to the same division to apply for the bonus.

Workplace support bonus for childcare leave, etc. —amount granted

	Less than one month	One month or more	Two months or more	12 months or more
Amount granted	-	100,000 yen	200,000 yen	400,000 yen

Referral recruitment

If a candidate referred by an employee passes the selection process and joins the Company, we pay a reward to that employee. The system makes it easier than before to attract talent with diverse values and experiences and therefore opens up more windows to innovation.

Results

As a result of our efforts and specific measures to date, the figures for each of the KPIs are showing improvement. Graphs 1 and 2

In particular, the ratio of male employees utilizing childcare leave has improved by a large margin, reflecting the fact that an environment where men feel comfortable taking childcare leave is taking shape.

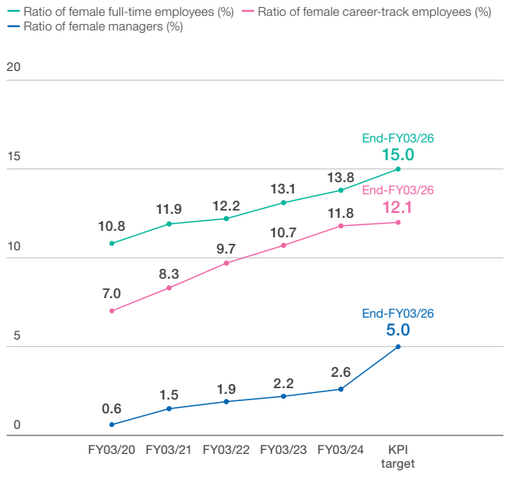
In 2023, we received a two-star Eruboshi certification and a Kurumin certification, also gaining recognition from outside the Company.

To develop a comfortable working environment for employees, regardless of their gender, we will continue to improve employee work-life balance and contribute to the enhancement of productivity and ease of work.

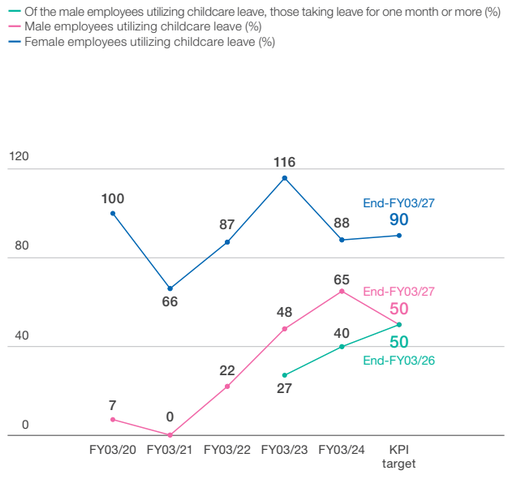
Table 1 Colorful Value Project Challenges and actions in the five priority areas

Areas	Challenges	Examples of actions
Gender	▶ Nurture a corporate culture of respecting diverse values, where the individuality and strengths of individual employees, regardless of their gender, are reflected in our business management and daily operations	▶ **Sister Salon** Created a network among female employees. Also organized the Brother Week aimed at helping male employees balance childcare and work ▶ **Anonymous roundtable discussions (held on a trial basis)** Hosted a roundtable discussion session where participants shared honest opinions about workstyles. The participants’ anonymity was secured through the use of avatars and voice changers
Generation	▶ Develop an environment where employees of different generations are given opportunities to take on challenges, gain experience, and work with a sense of fulfillment ▶ Providing support so that employees’ diverse experiences serve as assets that can be applied internally	▶ **Survey for young employees** Conducted a survey to grasp and analyze the current issues the Company’s young employees face and to consider improvement measures and other effective initiatives ▶ **Discussions on active roles for senior employees**
Career	▶ Create an environment and corporate culture where innovations can be generated with relative ease through the fusion of diverse experiences	▶ **Networking event for mid-career hires** Hosted a networking event where mid-career hires can share their concerns and issues ▶ **Consultation room for mid-career hires** Created a dedicated online chat group to facilitate casual information exchange among mid-career hires
Cross-border	▶ Develop an environment where everyone can cross “borders.” To achieve this, explore measures for cultivating corporate culture, and developing mechanisms, systems, and training programs, etc.	▶ **Briefing session on cross-border activities** Organized and hosted a session to communicate what “cross-border” entails by explaining our overall efforts under the cross-border programs and sharing stories of the participants. With the aim of creating an environment where everyone can cross borders, we hosted the event as a way to urge more employees to take on challenges.
Para	▶ Consider ways to create an environment where everyone, regardless of disability, can play an active role in a diverse range of job positions ▶ Consider ways to create an environment that is easy for everyone to work in ▶ Improve literacy so that diverse members can thrive in the workplace	▶ **Study sessions for managers** Gave basic input and provided information on how to conduct one-on-one meetings, among other matters, to managers who supervise employees with disabilities ▶ **Neurodiversity study session for all employees** Conducted a study session open to all employees. Provided information on the diversity of human brain functions, which applies to all people

Graph 1 Female ratios: FY03/20–FY03/24 results and KPI targets



Graph 2 Utilization of childcare leave: FY03/20–FY03/24 results and KPI targets



Note: KPI target is 50% or more for “of the male employees utilizing childcare leave, those taking leave for one month or more;” data from FY03/23 onward applies to “of the male employees utilizing childcare leave, those taking leave for one month or more”

Health Management

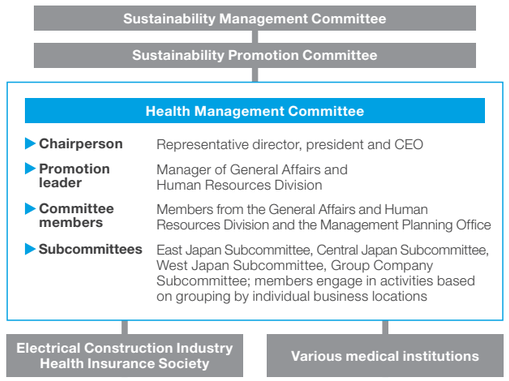
Objective and Significance

Through the promotion of physical and mental well-being, the Group's health management efforts encourage people's behavioral change toward sustainable growth and thereby supports the embodiment of corporate purpose. Being healthy and energetic gives one the strength to adapt to environmental changes and continue to take on challenges. The endeavors and self-realization of each employee will lead to consistent learning and improvement and ultimately foster an energetic organizational culture. Effective behavioral change signifies a state in which individuals can, without conscious effort, choose actions that have a positive impact on their health and workstyles. By continuously supporting the mental and physical well-being of our employees, their families, and other stakeholders, we will help create a foundation for sustainable growth toward the realization of our management philosophy.

Promotion Structure

Since 2017, we have been promoting health management under the leadership of our president and CEO. In 2019, we formed the Health Management Committee, establishing a framework for planning and managing activities at each business location in East Japan, Central Japan, West Japan, and the offices of group companies. Health Management Committee meetings are held three times a year. These meetings function as a venue for formulating annual plans with the help of the industrial physician and public health nurse, sharing information, and conducting discussions.

Additionally, to promote collaborative healthcare, we regularly exchange opinions with the Electrical Construction Industry Health Insurance Society. To optimize the impact of our measures, we also focus on disseminating information, raising awareness, and verifying effectiveness. Furthermore, we are strengthening our ties with medical institutions, including Shinkokai medical corporation whose chairperson is one of our outside directors.



KPI targets (health management/occupational health and safety)

▶ Employees getting medical checkups	**100%** each year (non-consolidated basis)
▶ Employees taking stress check tests	**90%** or more each year (non-consolidated basis)

In the areas of health management and occupational health and safety, we have set targets for the ratio of employees getting medical checkups and the ratio of employees taking stress check tests. The ratio of employees getting medical checkups has been 100% every year since 2017. The ratio of employees taking stress check tests stood at 96.0% in FY03/24, exceeding the KPI target.

Specific Initiatives

To maintain and promote our employees' mental and physical well-being, we run a PDCA cycle based on the analysis of data from the annual medical checkup, stress check test, and employee survey. Based on the results of the analysis, we extract those investments deemed effective and formulate a health management strategy map. In line with this map, we promote initiatives aimed at improving lifestyle habits (sleep, diet, alcohol consumption, exercise, smoking), stress levels, and communication. Specifically, we plan and implement projects that match the needs and issues of our employees while making use of local resources. For instance, to promote active communication and help develop exercise habits, we provide subsidies for participation in marathon events. We also encourage participation in beach clean-up events that contribute to local environmental conservation.

Challenges Moving Forward

The Group's health management incorporates activities based on employee voices and data. To raise the level of specialization and ensure comprehensiveness of our activities, we work together with internal and external collaborators to review the division of roles and the scope of initiatives as necessary. As our activities matured, responses to changes in life stages or the impact of unexpected events have become increasingly important. Hence, we are working to raise the quality of our initiatives through collaboration with various other activities, including areas such as occupational health and safety and D&I. Moving forward, we plan to further delve into the significance of corporate engagement in health management and expand the scope of our activities so that we can maintain and improve not just the health of our employees and their families, but also the mental and physical well-being of diverse stakeholders.

External Evaluations

Ministry of Economy, Trade and Industry
Certified for the seventh straight year

Japan Sports Agency
Certified for the fifth straight year

Tokyo Metropolitan Government
Certified for the fifth straight year

Workstyles

Objective and Significance

To realize decent work (work that is fulfilling and humane), we are promptly implementing various initiatives to promote autonomy, creativity, and productivity of our employees.

We aim to improve employee satisfaction and performance by creating a freer, higher-quality environment in which employees can work with a sense of happiness, being healthy both mentally and physically.

TSUZUKI DENKI's Workstyle Concept

The SODA! workstyle concept is the result of a series of workshops and discussions among younger employees. We came up with the slogan "SODA!" (Japanese for "I got it!"), which corresponds with the Seven Actions representing the Company's values. Embracing the SODA! concept, we aim to create a place where ideas effervesce like bubbles.

KPIs

FY03/24 KPI targets	1 Degree of approval for workstyles and workplace	85% or more
	2 Degree of work environment appeal	85% or more
FY03/24 Results	1 Degree of approval for workstyles and workplace	90.4%
	2 Degree of work environment appeal	86.0%

We achieved our KPI targets by supporting employees' autonomous workstyles through the development and periodic review and update of the office environment.

Specific Initiatives

1. **Planning new workstyles**
2. **Updating the working environment through office relocation, renewals, etc.**
3. **Supporting workstyles at group companies**

Full renewal of the Osaka office

Following the renewal of the Tokyo office completed in August 2021, the full renovation of the Osaka office finished in November 2023. The new Osaka office is a single-floor office structured in such a way that employees naturally gather in the center space, forming networks that transcend departmental boundaries. It is an office suitable for the Kansai area, where people prefer face-to-face communication.

Hosted Family Day to improve employee work engagement

As an initiative to improve employee work engagement, we hosted a Family Day in the Tokyo office in August 2023. As a program for children of elementary school age and younger and their families, on the day of the event, the children received a letter from the president, appointing them as one-day child employees. They were also given an employee ID card that looked just like the real ID card. Other Family Day activities included a company briefing, an office tour, and an opportunity to exchange business cards. Since the company briefing was tailor-made for children, it was also suitable as material for children's school projects over the summer.

Hosted an office tour for junior high school students with a view to developing future DX talent

Through July 2024, we hosted two office tours for junior high school students: one for a school in Shikano, Tottori, and another for a school in Tokyo's Minato ward. In addition to introducing our business, we explained how the power of IT was demonstrated in everyday life. By covering topics such as AI, robotics, and IoT, we were able to prepare content that was of interest to many students. We also gave the students an opportunity to actually experience how to use generative AI, helping develop future DX talent in a small way. We plan to host office tours for students on an ongoing basis.

The feedback from the questionnaire filled out after the event was 100% positive. We believe the tour provided an opportunity for students to start thinking about their future.

Challenges Moving Forward

Review and optimize offices across Japan

We are considering measures to review and optimize our offices across Japan, basing our plan on the Tokyo office completed in August 2021. In September 2024, we relocated our offices in Shizuoka and Hamamatsu. Moving forward, we plan to fully renovate the Fukuoka office.

By optimizing user count and space, we will renovate our offices into venues that are comfortable for employees to work in and convenient for visitors to use during business trips.

Promote active communication among employees

We plan to introduce a system enabling real-time connection of the Tokyo and Osaka offices to facilitate casual communication, regardless of the physical distance. In addition to creating opportunities for casual conversation between employees of different offices, we plan to use this system for business negotiations with customers in remote areas and ultimately generate new business ideas.

Resolving Social Issues Through ICT

Since its founding, TSUZUKI DENKI has helped customers solve their problems through the power of ICT, addressing various social issues along the way. ICT can enhance customers' corporate value while directly contributing to the creation of a sustainable society. For this reason, we have designated "creating value for society through business" as one of our materiality topics and are working to increase sales from services that help resolve social issues. Here are some of the initiatives we are particularly focusing on.

Social Issue to Resolve | 2024 Problem in Logistics

Real-time fleet management service using a smartphone. Optimizes logistics operations through real-time monitoring of vehicle status, loading volume, cargo room temperature, and other data

Overview of the Social Issue

The 2024 Problem* in the logistics industry

We have provided ICT services for the logistics sector for over 20 years, offering support to over 500 corporate customers in this field. Leveraging the accumulated expertise and our cloud services, we are helping resolve the social issues faced by the logistics industry.

* Refers to issues emerging from the inability to transport goods as before due to the enforcement of the Workstyle Reform Act in April 2020, which capped the annual overtime for truck drivers at 960 hours starting from 2024.

Solution

▶ Issue

Bold operational improvements are necessary to protect what has previously been the norm

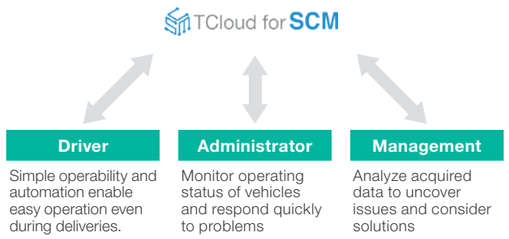
In addition to reducing driver working hours, the transport industry is faced with a wide range of challenges, such as shortening the delivery lead time and securing human resources for the future. Unless these issues are solved, delivery quality may be significantly compromised.

For this reason, the logistics industry has been called upon to make bold operational improvements, and required a system to make these improvements a reality.

▶ TSUZUKI DENKI's Approach

Enhance functionality of TCloud for SCM, which promptly resolves logistics issues and achieves optimization

TSUZUKI DENKI has been providing TCloud for SCM—a cloud-based fleet management service for the logistics industry—since 2022. This service enables real-time management of vehicle travel information and other data using smartphones. Equipped with functionality like delivery efficiency analysis, management of delivery destination records, and delivery route navigation, the service has been solving the issues faced by the logistics industry. We upgraded this service to solve the "2024 Problem."



▶ Effects

1 Reduced working hours spent on tasks other than delivery, thus achieving unwasteful logistics

TSUZUKI DENKI focused on the fact that there were many time-consuming operations apart from delivery, such as drivers' waiting time and time spent by administrators to check and report status. Accordingly, we realized a system that allows drivers, delivery administrators, and goods recipients to share delivery status in real time. The system has enabled logistics operators to concentrate on delivery operations. Additionally, the improved accuracy of arrival time estimates and the function to notify the delivery destination have reduced inquiries from the place of delivery, improving overall operational efficiency.

2 Helped eliminate driver shortages with a user-friendly system

To mitigate driver workload, we made it possible to complete all delivery-related tasks using only a smartphone. The system can be used without any special knowledge. This operability allows new graduate hires and newcomers who have switched jobs from other industries to carry out their work smoothly. This aspect has helped reduce training costs and also made it easier for customers to widen their scope of recruitment. In this way, the service has contributed to solving the labor shortage issue as well.

3 In addition to the food product domain, also provided solutions in the medical field

We placed a sensor in the cargo room of trucks to add a temperature management functionality to TCloud for SCM. As this feature enables quality control from shipment to delivery when transporting food products, it has been contributing to measures against food loss. Moreover, the feature has come to good use for the delivery of supplies in the medical field, which includes blood and drugs that require strict temperature control.

▶ Plan Moving Forward

Realize a next-generation shared delivery system through mixed loading across multiple companies

It is commonly known that "air" takes up 60% of the cargo in today's delivery trucks. Even if loads can be optimized through the introduction of a fleet management system, it is difficult to get the load of all trucks close to 100% because of the hurdles associated with load volume and delivery area.

To resolve this issue, we hope to realize mixed loading across multiple companies by having the companies adopting the TCloud for SCM service share information on cargo space availability and delivery areas. If this "shared delivery" becomes an industry standard, cargo rooms will be put to efficient use, and we will be able to further improve efficiency.

Social Issue to Resolve | Labor Shortages at Contact Centers

Enhance contact center efficiency through the cloud and AI. Eliminate operator shortage while improving user satisfaction.

Overview of the Social Issue

Labor shortages at contact centers

Having begun business in 1932 with the installation and maintenance of telephone switching equipment, TSUZUKI DENKI possesses advanced technology in voice communication. Leveraging this technology, we have been operating in the contact center domain since the 1990s, and today, we are helping to eliminate labor shortages at contact centers using state-of-the-art technology.

Solution

▶ Issue

Resolution of labor shortages at contact centers calls for ease of work and efficiency improvements through ICT

For companies, their contact centers serve as a touchpoint to communicate with customers through the use of telephone, e-mail, chat, and other means. Contact centers are thus an important business unit that affects customer satisfaction. However, much like in other industries, labor shortages owing to Japan's declining birthrate and aging population are becoming a serious problem at contact centers as well. Given that insufficient manpower obstructs contact center service functions and negatively impacts the relationship-building between customers and companies, demand for a system to resolve labor shortages has been rising.

▶ TSUZUKI DENKI's Approach

Enhance functionality of CT-e1/SaaS

In 2020, TSUZUKI DENKI acquired ComDesign Inc., which boasts a high market share for cloud-based contact center solutions. ComDesign's CT-e1/SaaS solution stands out for being fully equipped with the necessary functions, despite not requiring expensive equipment like on-premises systems. It also allows for flexible customization. Since making ComDesign a subsidiary, we have steadily expanded operator seat counts, but to achieve further growth and resolve the growing manpower shortage in contact centers, we further bolstered the functions of CT-e1/SaaS.

▶ Effects

1 Secured workers by making it possible to work from home

Previously, a set number of operators had to assemble at contact centers and use special equipment to handle phone calls. For this reason, contact centers were slow to introduce telecommuting and teleworking and did not offer a comfortable working environment for those seeking diverse workstyles. CT-e1/SaaS made it possible for operators to perform their duties using smartphones and home phones. As this allowed people with workplace and work-hour restrictions to take on responsibilities, contact centers could secure workers more easily.

2 Enabled around-the-clock operation with just a few people by having AI recognize voice with high accuracy

The AI can decipher customer calls and respond to them. This capability has reduced the number of calls the operators needed to handle and has minimized operator workload. For the customers calling in, AI-based responses have resolved the issue of lines being busy or the inability to make calls outside business hours.

3 Visualized operator workload through emotion analysis based on voice during conversations

The system analyzes the emotions of operators and customers through their voices. This has enabled early detection and care of overloaded operators, reducing operator stress.

▶ Plan Moving Forward

Strengthen co-creation with partners excelling in cutting-edge fields

The use of AI at contact centers is already in full swing. However, the speed of technological innovation and changes in the industry are tremendous, and we expect to see new solutions emerging in the future. Through co-creation with partners, we intend to realize hybrid human-AI responses and contribute to the operation of ideal contact centers that meet customer demands of always being able to make contact and not having to wait.

COLUMN

Established contact centers for COVID-19-related inquiries in as little as five days

CT-e1/SaaS was adopted by many municipalities that were responsible for handling COVID-19-related inquiries. This was because CT-e1/SaaS, which allows for speedy introduction and operation as well as system modifications, matched the needs of municipalities in times of emergency like the COVID-19 pandemic. As a result, we were able to provide peace of mind to anxious residents.

Management

Foundation Supporting Our Businesses

We are working to elevate corporate governance and enhance sustainability activities, which form the foundation underpinning the growth of our businesses. In FY03/24, we focused on re-identifying materiality topics, and reforming the Board of Directors based on the Board effectiveness evaluation. We also engaged in dialogue with investors regarding our long-term vision and medium-term management plan. Going forward, we intend to strengthen activities toward resolving the materiality challenges that have been re-identified, while also seeking to raise the effectiveness of our long-term vision and medium-term management plan.

Directors and Corporate Auditors

As of July 1, 2024

In appointing and selecting members of the senior management, we give full consideration to each candidate's character, insight, and other attributes without distinction of gender or nationality. In such a way, we nominate and appoint suitable individuals who can fulfill their duties and responsibilities.

Representative Director, President and CEO

Kazunori Yoshii

Years in position	Shares held
19	49,106

People are the source of TSUZUKI DENKI's value creation, and human capital is of absolute value to the Company. I firmly believe that one of my important roles as top management is to realize the dreams of the people working at TSUZUKI DENKI and to apply that achievement to the Company's growth. We will continue to stand alongside our employees and listen to their voices so that they can proactively take action and perform at their best, while we as an organization can produce results. When employees accomplish their endeavors, we will make sure to acknowledge and praise their success. We will also create a system where employees can recognize one another, and we will have this practice take root by expanding it throughout the Company. To become the Growth Navigator set forth in the long-term vision, we will support our employees' endeavors and energize the Company to make it an organization that can generate new value.

Director

Kazuhisa Oyama

Years in position	Shares held
8	12,048

Senior Managing Executive Officer
General Manager of Corporate Administration Unit

Revitalizing in-house communication is key to improving the work engagement of our employees. In particular, to resolve communication issues amid increased uptake of teleworking, we have worked to raise employee motivation by hosting events such as the Summer Festival and Family Day. Additionally, we intend to raise work engagement by sharing the thoughts of the management with our employees through communication projects involving the management team. It is often said that companies with high work engagement also demonstrate strong business performance. We aim to motivate employees by enriching non-material values such as affection, fulfillment, and sense of freedom, which money cannot buy.

Outside Director

Hidetoshi Takinaka

Years in position	Shares held
4	0

President and CEO, Aso Information System Co., Ltd.
Representative Director and Executive Vice President, ASO CORPORATION

As TSUZUKI DENKI undergoes major transformation into a pure-play ICT company, the ideal vision for its human resources also changes dramatically. To stir innovation necessary to the Company, employees must develop the "ability to listen" to customers' stories, along with the "ability to coordinate," making proposals combining solutions based on open-minded and interesting concepts. For this, employees need to go outside the Company, meet many people, foster rich relationships, and ultimately polish their "ability to sense." The idea is to increase the pieces of the elements you possess, and then to assemble these blocks freely based on your own design. Furthermore, what serves as the bedrock for this is one's resourcefulness. I have high expectations of TSUZUKI DENKI's resourcefulness, backed by its long history and proving even greater potential moving forward.

Outside Director

Tomoko Tsukahara

Years in position	Shares held
2	0

Executive Officer, EVP CQO, FUJITSU LIMITED

TSUZUKI DENKI is an ICT company, and the technologies undergirding its businesses are progressing daily. That being said, even if we offer state-of-the-art technology to society, we will not be taken seriously unless that technology itself is safe and secure. Then, how do we realize quality assurance? There are conventional approaches like formalizing process rules and know-how and developing human resources. However, these actions are accompanied by the image of requiring steady efforts. As an ICT company, TSUZUKI DENKI should think of ways to apply technology to quality assurance as well. There are several areas to be tackled, including the use of various tools and AI, as well as automation through operational standardization. I sincerely hope that TSUZUKI DENKI will continue to make tireless efforts to improve and pursue high quality as one of its strengths.

Outside Director

Toshihiro Murashima

Years in position	Shares held
7	6,485

Partner, Murashima Hozumi Law Office
Attorney

Occasionally, corporate culture—in the context of management strategy—needs to be changed intentionally, depending on the times and environment. Meanwhile, TSUZUKI DENKI, which has been in business for over 90 years, has a philosophy that can be described as a corporate culture flowing deep down in the Company's root. The fear of being misunderstood notwithstanding, I would say that ours is a culture of familial warmth. Whether it is about employees, customers, or business partners, once TSUZUKI DENKI establishes a connection, it will treat them as if they were family. At first glance, this approach may appear to cause weakness in decision-making, but actually, I believe it generates trust, affection, and motivation among employees. It allows us to win greater trust from customers and business partners, offering them peace of mind. In turn, it greatly improves TSUZUKI DENKI's corporate value. Amid the dynamically changing social environment, the Company may be forced to alter various management strategies. However, I hope its culture, which is unique to a company with a long history, will be passed down as an unchanging asset of TSUZUKI DENKI.

Outside Independent Director

Kunio Matsui

Years in position	Shares held
5	2,086

Professor, Department of Information and Computer Science, College of Engineering, Kanazawa Institute of Technology

In the field of artificial intelligence, generative AI has made remarkable progress over the past year. IT companies in Japan and overseas have announced large-scale language models (LLMs) one after another, and the competition is currently fierce. That being said, if generative AI is used incorrectly or if it lacks the information it really needs, all it will be is a conversation partner. Generative AI for corporate use requires LLM-based customization that incorporates customer needs. This is the focal point of the competition. Our strength lies in a corporate culture of carefully handling each individual project. By leveraging this strength, I hope to see TSUZUKI DENKI help customers achieve DX, enabling them to utilize generative AI through the co-creation of suitable instructions (how to carry out tasks) and prompts (guidelines for generating appropriate responses).

	Kazunori Yoshii	Kazuhisa Oyama	Hidetoshi Takinaka	Tomoko Tsukahara	Toshihiro Murashima	Kunio Matsui
Corporate management	●	●	●			
ICT industry knowledge			●	●	●	●
Innovation and transformation	●				●	●
Finance and accounting	●	●				
Legal affairs risk management				●	●	
Human resources management		●	●			●
ESG and academic knowledge					●	●

Outside Independent Director

Noriyuki Moriyama

Years in position	Shares held
4	3,100

Chairman, Shinkokai medical corporation
Director, Midtown Clinic Medical Corporation
Director, HIMEDIC, Inc.

Health management covers the management of health issues such as cancer, hypertension, and other diseases, as well as one's mental well-being. Furthermore, it is important to manage the health of our employees and that of their families who also support and are invaluable to the Company. TSUZUKI DENKI has adopted this stance in health management from an early stage, and I sense that a system enabling employees to work long-term with peace of mind is already in place. In the future, early detection and early treatment will fully cure many types of cancer. The same can be said for cardiovascular and metabolic diseases. While health check-ups remain essential in health management, we must also create systems and environments that allow employees to return to work once recovering from their illnesses. I hope that TSUZUKI DENKI will continue to make improvements in line with societal changes and to further promote health management without being satisfied with the status quo.

Outside Independent Director

Hideki Wachi

Years in position	Shares held
2	0

Nihon Sogo Service Co., Ltd. Outside Corporate Auditor

When I look at the changes in technology in the IT industry, I am reminded of the word fueki-ryuko, which roughly translates to "constancy and change." Just three years ago, a US tech giant changed its name to a word representing virtual reality (VR), but today, the term VR is no longer heard often. On the other hand, there is lasting demand for expertise and talent even for traditional technology, provided the technology remains indispensable to people's day-to-day living. One example of this is voice communication—TSUZUKI DENKI's original business. What is crucial is to have an absolute advantage versus peers in one area of technology, or even a subcategory of that area. Furthermore, it is important to steadily expand these areas. If this can be achieved, customers will come to TSUZUKI DENKI, asking for its thoughts. For this, the Company must continue to take on challenges, engaging in lively discussions, and leveraging teamwork and strategies. TSUZUKI DENKI has the strength to do so.

Outside Independent Director

Naoshi Ogasawara

Years in position	Shares held
2	0

Representative, President and CEO, Avantia General Partnership / Certified Public Accountant / Auditor, National Institution for Academic Degrees and Quality Enhancement of Higher Education / External Director, Topre Corporation / Outside Audit & Supervisory Board Member, Nikkiso Co., Ltd.

We have pursued an optimal balance between debt and equity, assuming stable and favorable long-term relations with megabanks and other financial institutions. Accordingly, we have maintained a stable financial position, with the shareholders' equity ratio standing at roughly 50% as of the end of FY03/24. In the medium-term management plan, Transformation 2026, we estimate the cost of equity at 9%, considering various projection models and our stock price. Assuming the weighted average cost of capital (WACC) of around 6% in light of the debt-equity balance, we set the investment hurdle rate at 7%. From the standpoint of the Company's sustainability, it is critical that TSUZUKI DENKI meets investor expectations by achieving returns that exceed this cost of capital. As a member of the Board of Directors, I will remain thoroughly mindful of the fact that to accomplish this, we are called upon to formulate business and growth strategies and to execute them boldly.

Standing Corporate Auditor

Kazuhiro Shimura

Years in position	Shares held
5	28,594

Corporate auditors bear the important role and obligation of monitoring business management and reporting the status to the Board of Directors. To fulfill this obligation, auditors monitor the state of business affairs and the appropriateness of internal controls. If they come across problems, they also propose remedial measures. Internal controls represent the minimum set of rules necessary for maintaining a corporate organization. Even if there are no issues, internal controls are expected to be reviewed and improved continuously. To meet this expectation, it is crucial to cultivate a culture where all members of the organization consistently share awareness of issues. The creation of such a culture hinges greatly on the level of openness within an organization. Therefore, I believe it is essential to have in place a psychologically safe environment where issues can be directly communicated internally. As a corporate auditor, I will work on ongoing activities to elevate the appropriateness of internal controls through monitoring and follow-up on this point, among other matters.

Outside Independent Auditor

Kiyotake Yokohari

Years in position	Shares held
5	0

Senior Partner, Trident Lawyer Corporation
Attorney, Certified Public Accountant
Partner, VOVAN & ASSOCIES (Bangkok Law Office)

A considerable amount of time has passed since M&A began playing a part in the corporate growth strategies in Japan. On the other hand, not many companies have been able to truly incorporate M&A into their growth strategies, or, said differently, have been able to use M&A well. M&A is a way to buy time. These days, businesses become obsolete at an accelerated pace, so to quickly gain access to the most advanced business domains, M&A becomes essential. This means that for TSUZUKI DENKI to grow further, it must hone the skills to utilize M&A more dexterously. In my main line of work, I often provide support in M&A transactions. Using the knowledge honed through this experience, I will seek to make the Company an M&A expert by sharing precautions and other information relevant to M&A activities.

Outside Independent Auditor

Kenji Kusaka

Years in position	Shares held
2	0

TSUZUKI DENKI's Board of Directors comprises professionals with knowledge and experience in a wide range of domains, including business management, ICT, healthcare, legal affairs, and accounting. In operating the Board, we must ensure that lively discussions from diverse perspectives are conducted. To this end, we conduct a questionnaire survey for directors and corporate auditors and seek to make improvements by uncovering issues surrounding the Board operation method, among other factors. These efforts have resulted in certain improvements. For instance, for matters reported regularly, reporting is now concise and clearly focused on key matters. To the extent possible, we have also created more opportunities to discuss the direction and strategy of the Company's business management. Moving forward as well, I expect the Board of Directors to fully demonstrate its monitoring function over business management and to firmly guide the Company in the right direction.

	Noriyuki Moriyama	Hideki Wachi	Naoshi Ogasawara	Kazuhiro Shimura	Kiyotake Yokohari	Kenji Kusaka
Corporate management		●				
ICT industry knowledge		●		●		
Innovation and transformation	●	●				
Finance and accounting			●		●	●
Legal affairs risk management		●		●	●	●
Human resources management			●			
ESG and academic knowledge	●		●			

Corporate Governance

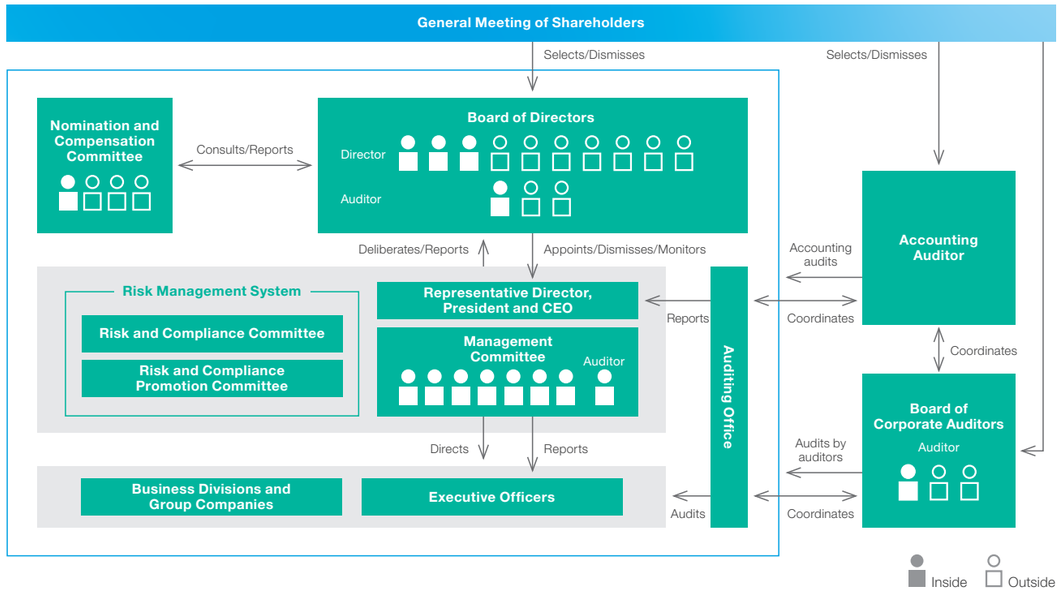
Basic Approach

As TSUZUKI DENKI's management philosophy is based on our purpose of "bringing to society 'yohaku' filled with possibilities, through people, insight, and technology, together," we aim to fulfill our social responsibility as a company and continuously enhance corporate value through efficient and transparent corporate management.

TSUZUKI DENKI is a company with a Board of Corporate Auditors. The Board of Directors consists of at least one-third independent outside directors and a majority of outside directors, including independent outside directors. A Management Committee has also been established, consisting of representative directors, senior managing executive officers, managing executive officers, and a standing corporate auditor to expand the delegation of authority to executive officers and speed up the management process.

Corporate Governance Structure

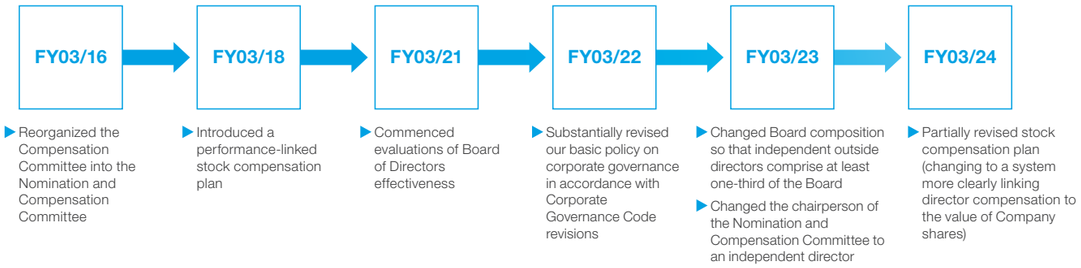
As of March 31, 2024



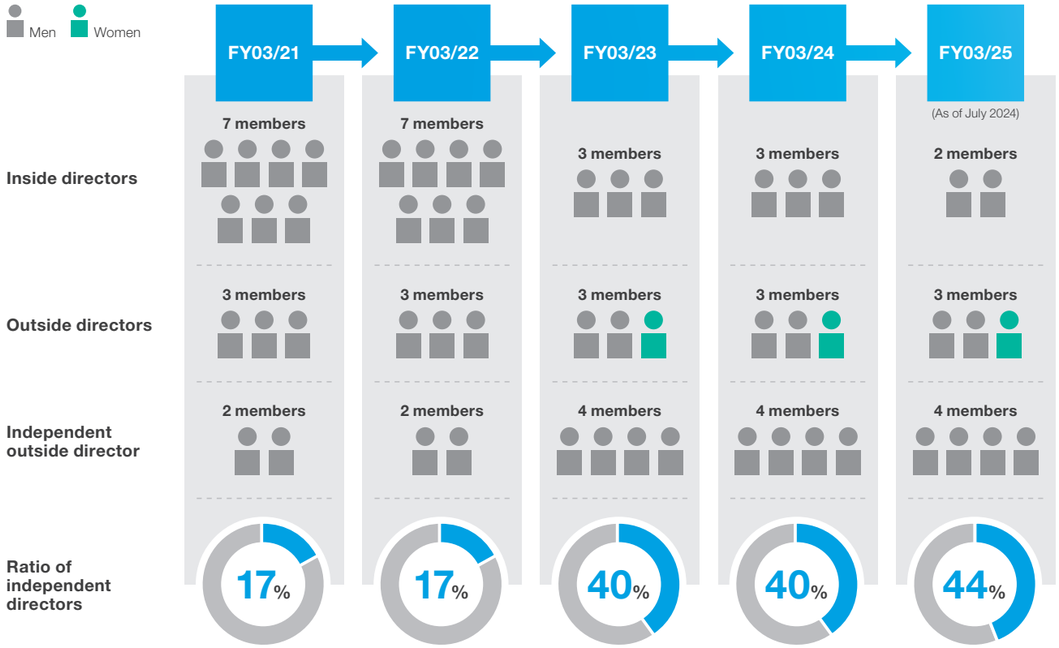
Main Meeting Bodies

Meeting	Composition	Meetings in FY03/24	Activities
Board of Directors	▶ 10 directors (of whom seven are outside directors) ▶ Three corporate auditors (of whom two are outside corporate auditors)	14 times	▶ Resolved matters stipulated by laws, regulations, and the Articles of Incorporation, as well as other important management issues ▶ Reported on business performance progress and the state of Company assets
Board of Corporate Auditors	▶ Three corporate auditors (of whom two are outside corporate auditors)	14 times	▶ Determined audit policies and examined state of business and Company assets
Nomination and Compensation Committee	▶ Four Nomination and Compensation Committee members (of whom three are outside directors)	4 times	▶ Discussed and considered matters relating to the selection of director candidates and director compensation policies and systems, etc.
Management Committee	▶ Seven members, including Representative Directors, Senior Managing Executive Officers and Managing Executive Officers ▶ One Standing Corporate Auditor	27 times	▶ As an advisory body to the Representative Director, President and CEO, deliberated and made resolutions on important matters related to the Group's overall management policies, strategies, and business execution based on basic policies determined by the Board of Directors ▶ Advised the Board of Directors as necessary
Outside Directors Meeting	▶ Seven outside directors ▶ Two outside corporate auditors ▶ One Representative Director and Vice President (Secretariat)	3 times	▶ Exchanged opinions with outside directors and outside corporate auditors Themes: ▶ Diversity and inclusion, materiality ▶ Long-term vision, medium-term management plans, etc.

Efforts to Strengthen Corporate Governance



Changes in Board of Directors Compositions



Board of Directors Activities

Meetings in FY03/24	14 times
Main items discussed	▶ Medium-term management plan ▶ Executive appointment ▶ Director compensation system ▶ TSUZUKI DENKI's approach to the Corporate Governance Code
Main items reported	▶ Board of Directors effectiveness evaluations ▶ Human resources strategy ▶ Project management initiatives ▶ IR activity reports ▶ Business risk countermeasures

Nomination and Compensation Committee Activities

Meetings in FY03/24	4 times		
Members (As of July 2024)	Chairman	Naoshi Ogasawara	Independent outside director
	Member	Toshihiro Murashima	Outside director
	Member	Kunio Matsui	Independent outside director
	Member	Kazunori Yoshii	Representative Director, President and CEO
Main agenda items	▶ TSUZUKI DENKI and affiliate company executive appointment ▶ Director and executive officer remunerations		

Board of Directors Effectiveness Evaluations

With the aim of improving the Company's Board of Directors function, we have analyzed and evaluated Board effectiveness every year since 2020 and disclosed summaries of the results.

Board of Directors Effectiveness Evaluation in FY03/24

▶ Scope of evaluation
All directors and corporate auditors

▶ Process

1 **Questionnaire submitted to evaluation targets**
29 questions evaluated on a five-point scale / Comments and requests are entered for each item / Responses sent directly to external consultants to ensure anonymity

2 **Outside consultants provide reports**
Differences in responses between TSUZUKI officers and outside officers, directors and corporate auditors, and previous and latest questionnaires are compared and reasons behind these differences are analyzed / Issues that require tackling to improve Board effectiveness are extracted

3 **Reported to Board of Directors for discussion**
Analysis results and issues are reported by the Board of Directors Secretariat / Responses to issues are discussed

▶ Main evaluation items
- Board of Directors composition and management
- Performance monitoring and management team evaluations
- Management and business strategies
- Business ethics and risk management
- Dialogues with shareholders, etc.

▶ Evaluation results summary

Overall scores
- ▶ The average score for all items was 4.1 (out of 5), exceeding the level of "4: Somewhat effective and appropriate."
- ▶ Positive evaluations (scores of 5 or 4) accounted for 83.8% of the total, with negative evaluations (scores of 2 or 1) making up only 6.9% of the total.

From the overall scores, we confirmed that the effectiveness of our Board of Directors is generally maintained.

▶ Future initiatives
We are making efforts to resolve the following issues identified in evaluation results with the aim of increasing Board of Directors efficacy.
- Monitoring each business unit in line with the medium-term management plan, etc.
- Enhancing discussions on management and business strategies
- Monitoring development of CEO candidates
- Developing risk evaluation processes
- Providing non-financial information appropriately

Executive Remuneration

Remuneration for directors is determined within the total amount of remuneration resolved at the General Meeting of Shareholders, and consists of basic remuneration, performance-linked remuneration, and stock-based remuneration.

The Company established Nomination and Compensation Committee to ensure transparency and objectivity in determining director compensation. The Nomination and Compensation Committee consists of at least three members (one of whom is the chairperson) appointed from among directors and corporate auditors based on a resolution by the Board of Directors, and is responsible for making decisions regarding director and executive officer compensation.

Remuneration for corporate auditors is determined within the scope of remuneration resolved at the General Meeting of Shareholders.

Basic remuneration calculation method	Basic remuneration is determined according to officer position and responsibilities in line with basic remuneration standards.	
Performance-linked remuneration calculation method	Calculated based on the degree of achievement of consolidated operating income and non-consolidated operating income targets for directors, excluding outside directors.	
Stock-based remuneration calculation method	Until FY03/23	At certain times each year, the Company grants points to directors, excluding outside directors, in accordance with stock-grant rules based on the amount of basic remuneration and the degree of achievement of performance targets for each fiscal year, and delivers the number of Company shares equivalent to the accumulated number of points when they leave office.
	FY03/24	Revised the method for granting points in proportion to the amount of basic remuneration for each position based on stock-grant rules aimed at sharing interests with shareholders and further raising awareness of shareholder-oriented management.

Total Amount of Director and Corporate Auditor Remuneration (FY03/24)

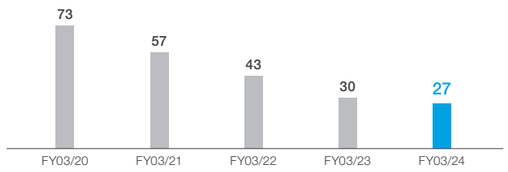
Officer classification	Applicable officers (Persons)	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)		
			Basic remuneration	Performance-linked remuneration	Stock compensation
Inside directors	3	229	111	80	37
Outside directors	6	57	57	—	—
Inside corporate auditors	1	22	22	—	—
Outside corporate auditors	2	12	12	—	—

Cross-shareholdings

TSUZUKI DENKI's policy is to acquire and hold shares only when the purpose of said holdings is clear and proactively significant. The Board of Directors continuously confirms that the business benefits of cross-shareholdings, such as receiving project orders and partnering in transactions with companies in which it has an interest, are commensurate with the cost of capital, while conducting quantitative and qualitative evaluations that include the history of the investment, the relationship with the company in question, and the prospects for future transactions, and dispose of holdings deemed unsuitable for these purposes.

A total of 5 holdings were reduced in FY03/24, some of which were sold. (Sales value 749 million yen)

Shareholdings



Dialogues with Shareholders

TSUZUKI DENKI proactively conducts dialogues with shareholders aimed at sustainable growth and enhancing corporate value over the medium- to long-term.

Details of dialogues held with shareholders in FY03/24 are shown below. Going forward, we will maintain this proactive approach to expand opportunities for dialogues and facilitate an even deeper understanding of our Company.

State of Dialogues with Shareholders (FY03/24)

Main respondents	President, Managing Executive Officer of Management Planning (IR), and IR Manager
Shareholder overview	▶ **Investment style:** Domestic active, overseas active ▶ **Interviewers:** Fund managers, analysts
Main topics and matters of concern for shareholders	▶ **Main topics** Business model (discussions aimed at facilitating an understanding of our business) and growth drivers / EOS and other market trends, latest business performance, full-year results forecast / Medium-term outlook and initiatives ▶ **Concerns** Reason behind the sale of the Electronic Devices business, associated outlook and use of proceeds / Market evaluation (cost of capital, valuation) and implementation status of measures / Capital policy, M&A and other growth investments, and shareholder returns
Feedback	▶ **Frequency** IR activity reports are submitted to the Board of Directors three times a year, with reports on other topics submitted as appropriate ▶ **Reported content** Market capitalization, trading volume, and shareholder composition trends, opinions received during one-on-one meetings with investors and measures taken in response, capital market trends and specific activities, etc.
Incorporated items	Re-examination of business portfolio (profitability improvement), dividend policy and other financial strategies

Protecting Minority Shareholders

TSUZUKI DENKI is an affiliate of ASO CORPORATION, which holds 24.02% of voting rights (as of end-FY03/24). Fujitsu Limited is a major shareholder, with 12.82% of voting rights (as of end-FY03/24).

We collaborate with these two companies, leveraging their strengths to enhance TSUZUKI DENKI corporate value.

Although a director from each of these two companies concurrently serves as TSUZUKI DENKI outside directors, we manage our business independently based on our own judgement.

Further, when transacting with ASO CORPORATION and Fujitsu Limited, we make appropriate decisions in the same manner as when transacting with companies with which we have no capital relationship, thus ensuring the interests of minority shareholders are protected.

Reduction of environmental impact

In May 2022, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and identified "contribution to global environment and society" as one of our materiality topics. We have been implementing activities that reduce environmental impact, particularly focusing on climate change.

Greenhouse Gas Emissions and Targets (Unit: t-CO_2)

Spanning the TSUZUKI DENKI Group

Scope 1+2 emissions

Scope category	FY03/14	FY03/24
Scope 1	782.45	489.58
Scope 2	1,548.06	1,084.24
Scope1+2	2,330.52	1,573.82
vs. FY03/14	—	32.4% reduction

Scope1+2 emissions targets

Scope category	FY03/26	FY03/31	FY03/51
Scope1+2	1,468 37.0% reduction vs. FY03/14	50.0% reduction vs. FY03/14	Net zero

Financial and Non-financial Data

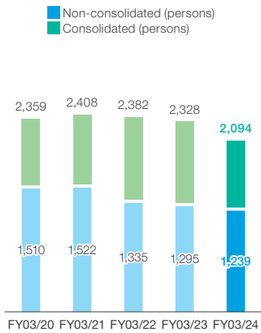
(Millions of yen)

	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Financial Data (Millions of yen)											
Profit and Loss											
Net sales	110,670	105,339	105,619	105,149	111,973	118,872	125,366	120,004	119,316	123,899	**124,856**
Gross profit	17,854	17,168	17,483	18,442	19,459	21,496	23,075	21,465	22,511	24,178	**25,308**
SG&A expenses	15,789	15,729	15,709	16,299	16,920	18,177	18,618	18,263	18,498	19,060	**18,868**
Operating income	2,065	1,439	1,773	2,142	2,538	3,318	4,457	3,202	4,012	5,118	**6,439**
EBITDA*1	3,244	2,589	3,125	3,435	3,838	5,237	6,704	5,656	6,634	7,333	**8,060**
Profit (loss) attributable to owners of parent	982	466	717	1,321	1,515	2,212	3,155	2,346	2,798	3,521	**5,477**
Cash Flows											
Cash flows from operating activities	-4,321	1,833	1,903	4,148	1,768	852	8,025	749	5,560	4,263	**4,954**
Cash flows from investing activities	211	468	-586	-554	-2,470	140	-8	-1,271	-4	39	**15,466**
Free cash flows	-4,109	2,301	1,317	3,594	-701	992	8,016	-521	5,555	4,302	**20,420**
Cash flows from financing activities	288	-787	-896	-1,056	-880	-1,551	-4,950	-2,029	-2,413	-2,612	**-2,613**
Financial Position											
Total assets	70,048	69,649	68,785	71,068	76,169	78,944	77,448	76,200	79,226	83,207	**81,066**
Cash and cash equivalents	13,016	14,661	15,034	17,562	15,968	15,409	18,456	15,927	19,130	20,845	**38,684**
Loan balance	14,934	15,138	15,120	13,833	11,935	12,151	8,992	9,500	9,581	9,106	**8,858**
Shareholders' equity	18,585	18,868	19,506	21,949	25,326	27,070	29,629	31,072	33,155	36,022	**40,230**
Per Share Information											
Profit (loss) attributable to owners of parent (EPS) (JPY)	81.79	38.40	58.40	101.65	96.10	128.89	182.10	134.06	158.47	197.48	**304.75**
Cash dividends (JPY)	12	10	15	18	29	39	55	46	48	61	**90**
Payout ratio	14.7%	26.0%	25.7%	17.7%	30.2%	30.3%	30.2%	34.3%	30.3%	30.9%	**41.3*2**
Other Financial Data											
Gross profit margin	16.1%	16.3%	16.6%	17.5%	17.4%	18.1%	18.4%	17.9%	18.9%	19.5%	**20.3%**
Operating margin	1.9%	1.4%	1.7%	2.0%	2.3%	2.8%	3.6%	2.7%	3.4%	4.1%	**5.2%**
ROE	5.3%	2.3%	3.4%	5.9%	5.9%	7.9%	10.8%	7.7%	8.8%	10.4%	**14.5%**
Shareholders' equity ratio	27.1%	30.5%	30.7%	33.9%	36.2%	36.4%	38.4%	40.6%	41.5%	42.0%	**49.8%**
Capital investment	869	735	330	565	1,410	1,307	722	1,064	2,023	383	**563**
Depreciation and amortization	1,085	1,056	1,276	1,293	1,299	1,919	2,247	2,408	2,531	2,124	**1,576**

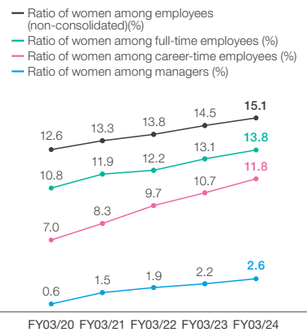
Non-financial Data

Employees

Employee headcount

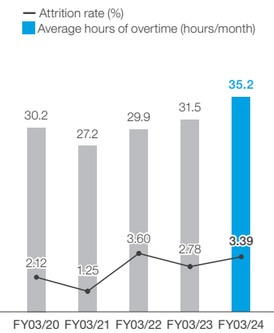


Female ratios

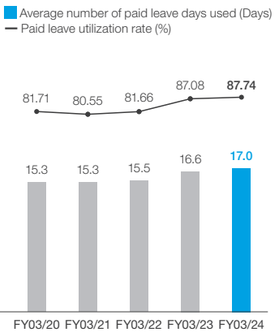


Workstyles (non-consolidated)

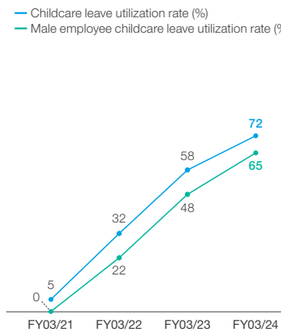
Attrition rate*3/ Average hours of overtime*4



Average number of paid leave days used / Paid leave utilization rate

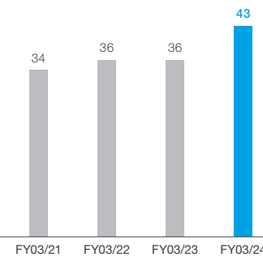


Childcare leave utilization rate / Male employee childcare leave utilization rate



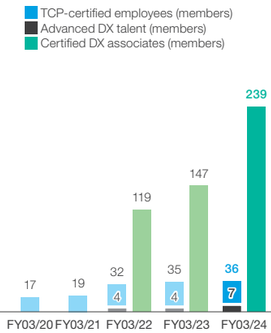
Human resource development (Consolidated)

Cumulative TLF participants*5

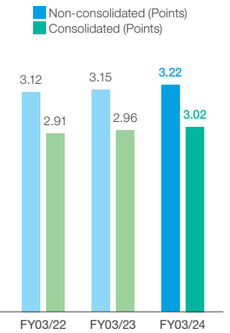


Human resource development (non-consolidated)

TCP-certified employees*6/ of which, advanced DX talent / certified DX associates*7



Work engagement*8 (Out of a possible 6.0 points)



*1. EBITDA is calculated as operating income + depreciation + amortization of goodwill.
*2. Based on business activity profits excluding extraordinary gains and losses
*3. Number of employees who retired during the period (excluding those who reached retirement age) ÷ Number of employees at the end of the period
*4. Prescribed working hours: 7.0

*5. Cumulative number of employees enrolled in the TSUZUKI Leaders Forum (next generation management talent development training), including employees appointed as executive officers and retirees.
*6. Number of employees certified under the TSUZUKI Certification Program (in-house ICT engineer certification system).
*7. Number of employees who have obtained internal certifications that assess and determine whether employees have the basic mindset, knowledge, and experience to promote DX.
*8. Questions based on the Utrecht Work Engagement Scale (17-item version)

Corporate Information As of March 31, 2024

Corporate Name
TSUZUKI DENKI CO.,LTD.
Enterprise identification number: 9010401054908

Head Office
6-19-15 Shinbashi, Minato-ku, Tokyo 105-8665, JAPAN
Tokyo Art Club Building

Contact
TEL: +81 3-6833-7777 (switchboard)
FAX: +81 3-6833-7802

Representative (As of July 1, 2024)
Kazunori Yoshii, Representative Director, President and CEO

Founded
May 1, 1932, as TSUZUKI Shoten

Established
March 26, 1941 as TSUZUKI Telephone Business, Co., Ltd.

Capital
9,812,930,540 yen

Stock Listing
Tokyo Stock Exchange Prime Market
(Securities Code: 8157)

Net sales (As of March 2024)

Consolidated	124,856 million yen
Non-consolidated	85,990 million yen

Employees (As of March 2024)

Consolidated	2,094 people
Non-consolidated	1,239 people

Business Summary
Design, development, construction, and maintenance of network and information systems

Main Banks
MUFG Bank, Ltd. / Mizuho Bank, Ltd. /
Sumitomo Mitsui Banking Corporation

Stock Information As of March 31, 2024

▶Stock Price and Trading Volume

▶Total number of shares authorized to be issued 98,920,000 shares

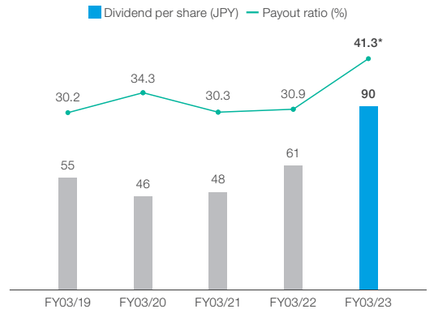
▶Total number of shares issued 20,177,894 shares

▶Number of shares constituting one unit 100 shares

▶Shareholders 7,770 shareholders

▶Dividends and Payout Ratio

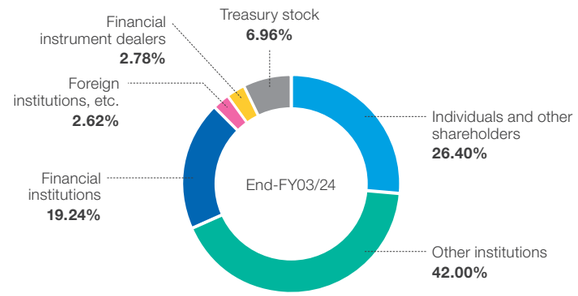
* Based on business activity profits excluding extraordinary gains and losses



▶Total Shareholders Return

	Three-year	Five-year	10-year
TSUZUKI DENKI	153.0%	309.8%	599.8%
TOPIX	152.5%	196.2%	288.6%

▶Shareholder composition



▶Major shareholders (10 largest shareholders)

Rank	Name	Number of shares (1,000 shares)	Shareholding ratio (%)
1	ASO CORPORATION	4,500	23.97
2	Fujitsu Limited	2,402	12.80
3	The Master Trust Bank of Japan, Ltd. (trust account)	1,337	7.12
4	FUSO DENTSU CO., LTD.	766	4.08
5	TSUZUKI DENKI employee stock ownership	693	3.69
6	MUFG Bank, Ltd.	296	1.58
7	Mizuho Bank, Ltd.	296	1.58
8	Sumitomo Mitsui Banking Corporation	296	1.58
9	Custody Bank of Japan, Ltd. (trust account)	255	1.36
10	HT Holdings K.K.	200	1.07

Note: The 1,403,000 treasury shares held by the Company, the 420,000 shares held in the TSUZUKI DENKI Board Incentive Plan, and the 332,000 shares held in the TSUZUKI DENKI Stock-grant ESOP trust account are excluded from the above major shareholders list. The shareholding ratio is calculated based on the total number of shares issued minus the number of treasury shares. Treasury shares do not include shares held by the TSUZUKI DENKI Board Incentive Plan, and the TSUZUKI DENKI Stock-grant ESOP trust account.