

Tsuzuki Denki Co., Ltd

Financial Results for the Year Ended March 31, 2023

May 12, 2023

Tsuzuki Denki Co., Ltd



- 1 FY03/23 Results**

- 2 FY03/24 Consolidated Earnings Forecast**

- 3 Shareholder Return**

1 FY03/23 Results

2 FY03/24 Consolidated Earnings Forecast

3 Shareholder Return

Highlights

Net sales: JPY123,899mn, an **increase** of JPY4,582mn (+3.8% YoY)

Operating income: JPY5,118mn, an **increase** of JPY1,105mn (+27.6% YoY)

Achieved a record profit

Information Network Solutions (INS)

- Customer ICT capital investment became even stronger from 2H onward
- Impact of delivery delays caused by semiconductor shortages were resolved
- Accelerated shift to cloud service (growth in service business)

Electronic Devices

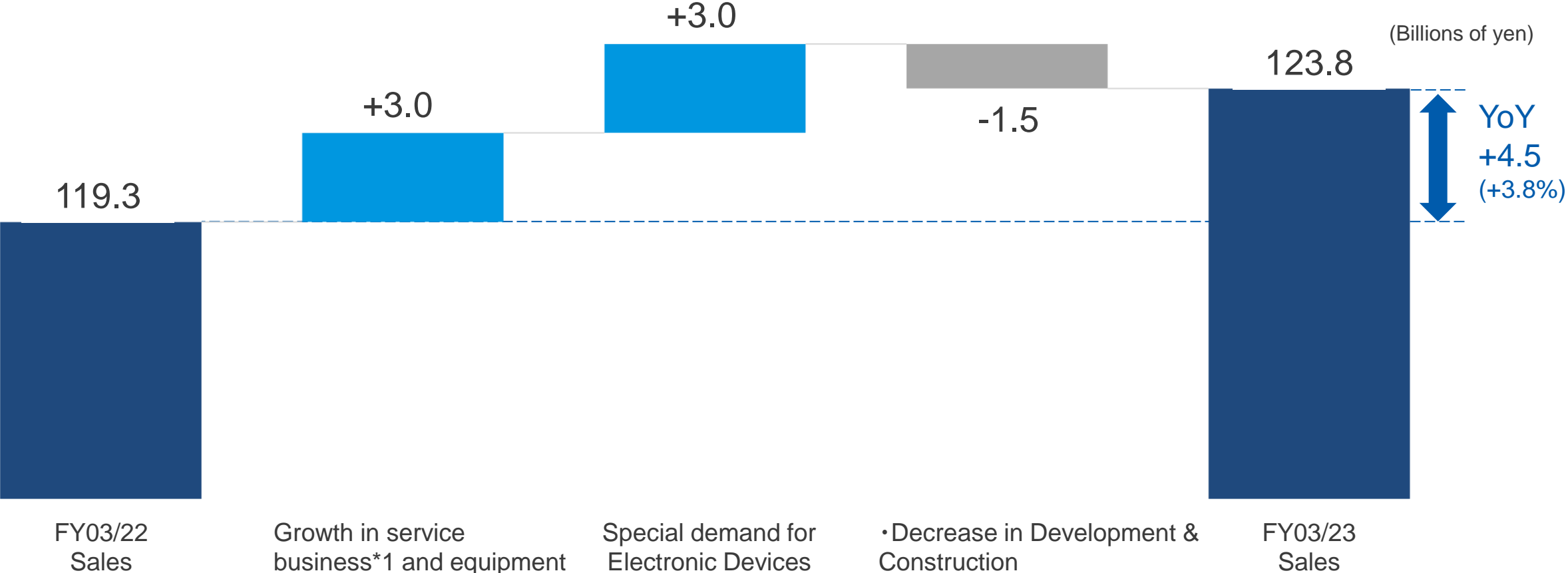
- Sales were strong despite an absence of advanced orders following an improvement in the supply-demand balance of semiconductors
- In particular, sales of electronic parts for decarbonization and energy saving products grew

Statement of Income

(Millions of yen)

	FY03/22	FY03/23	Change (amount)	Change (YoY)
Net sales	119,316	123,899	4,582	+3.8%
Gross profit	22,511	24,178	1,667	+7.4%
(Cost ratio)	(81.1%)	(80.5%)	(-0.6pp)	—
SG&A expenses	18,498	19,060	561	+3.0%
Operating income	4,012	5,118	1,105	+27.6%
(Operating margin)	(3.4%)	(4.1%)	(0.7pp)	—
Profit attributable to owners of parent	2,798	3,521	723	+25.0%
Orders	130,559	134,688	4,128	+03.2%
Order backlog	33,710	44,499	10,789	+32.0%

Factors Affecting Sales

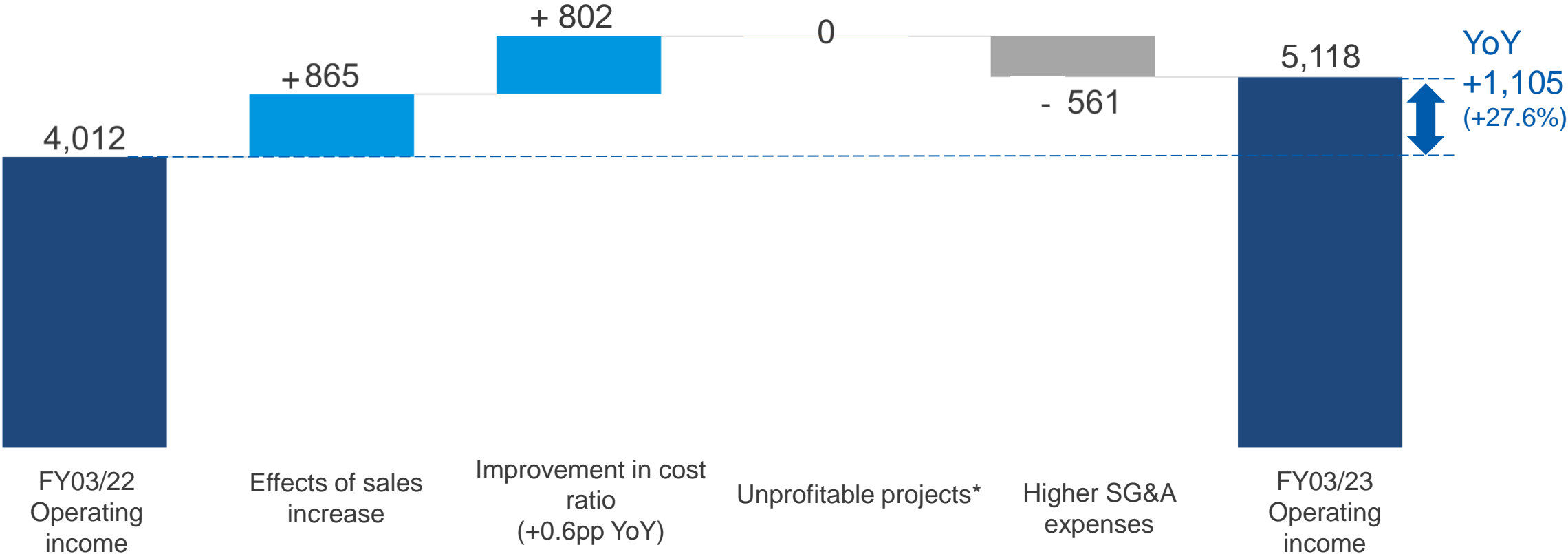


(*1) Boost in cloud service use (cloud computing for PBX and contact centers, increased use of cloud services as system infrastructure, etc.)

(*2) Resolution of delivery delays caused by semiconductor shortages

Factors Affecting Operating Income

(Millions of yen)



Positive factors

- Effects of sales increase: JPY865mn
 - Electronic devices business and service business
- Improvement in cost ratio: JPY802mn
 - Electronic devices business and equipment business

Negative factors

- Higher SG&A expenses: JPY561mn
 - Increase in expenses associated with activation of pre-order activities in INS
 - Increase in personnel expenses related to headcount expansion in the Electronic Devices business
- *There were no unprofitable projects in FY03/22 and FY03/23

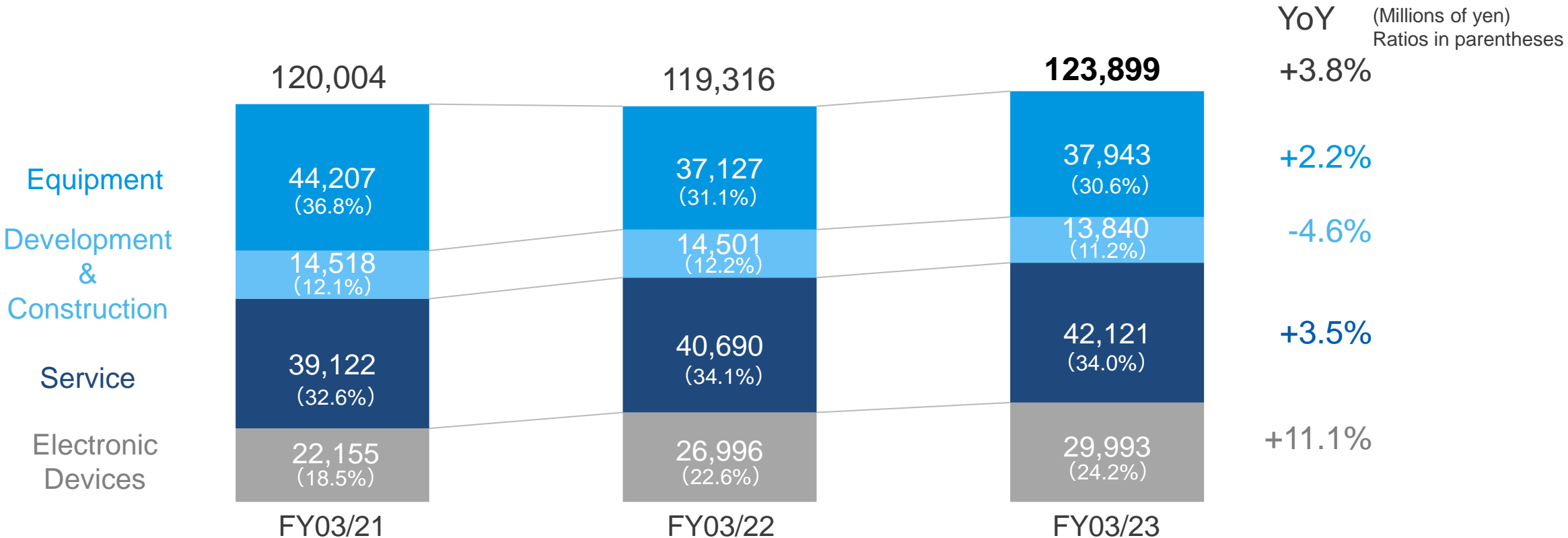
Results by Segment

(Millions of yen)

	Net sales				Operating income			
	FY03/22	FY03/23	Change (amount)	Change (YoY)	FY03/22	FY03/23	Change (amount)	Change (YoY)
Information Network Solutions	92,319	93,905	1,586	+1.7%	3,400	4,155	754	+22.2%
Electronic Devices	26,996	29,993	2,996	+11.1%	592	954	361	+61.1%
Consolidated Total	119,316	123,899	4,582	+3.8%	4,012	5,118	1,105	+27.6%

*Operating income adjustments are excluded

Results by Business Model (Net sales)



Equipment

Delivery delays caused by semiconductor shortages were resolved. Sales of PCs and network equipment to the public sector, distribution/retail, and transportation industries rose

Development & Construction

Sales fell owing to an accelerated shift toward cloud services (transfer to service business), despite strong demand for network enhancement and system development projects

Service

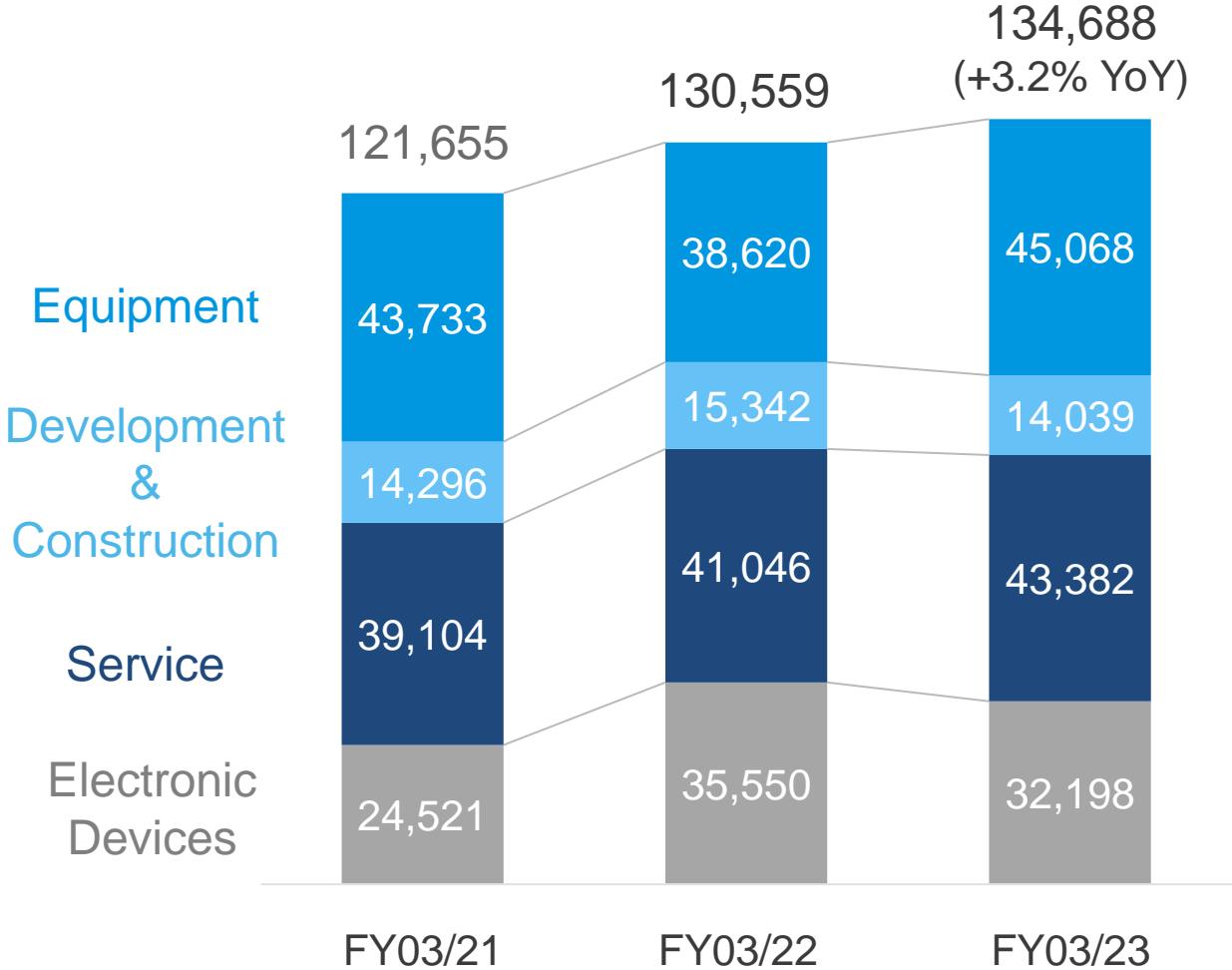
Various cloud services including cloud-based contact center systems grew

Electronic Devices

Supply-demand balance of semiconductors improved. In particular, sales of power semiconductors for decarbonization and energy-saving products increased

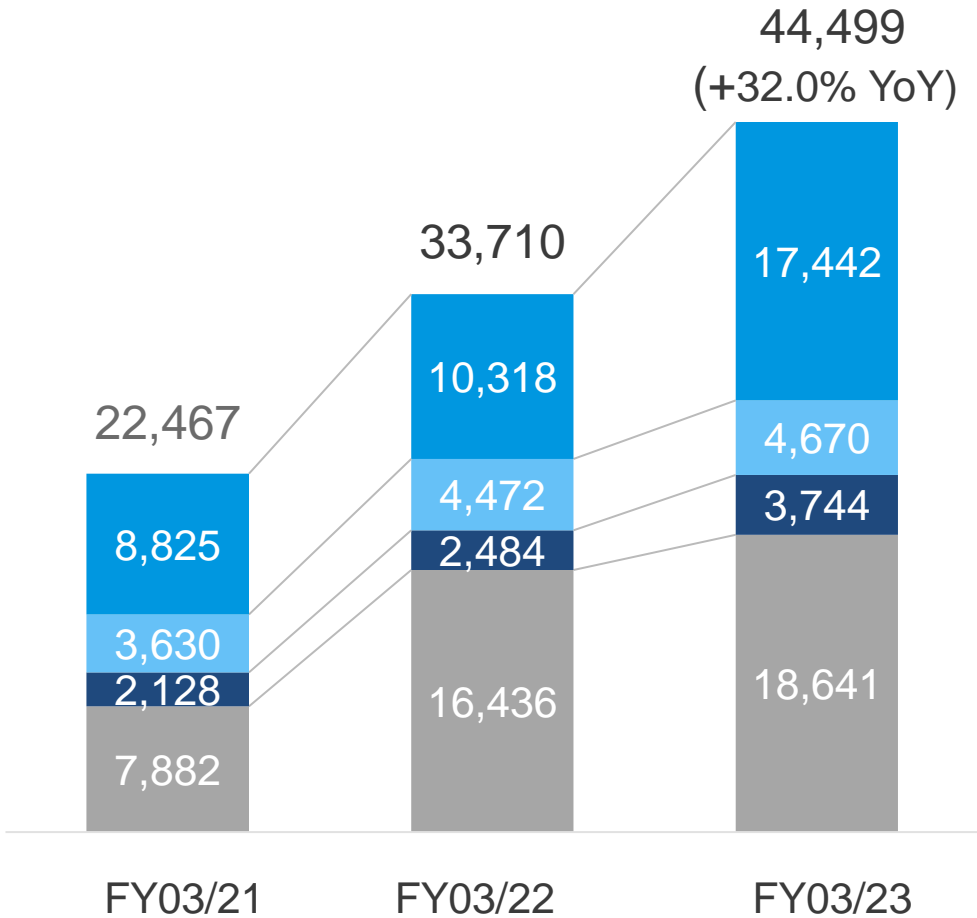
Results by Business Model (Orders/Order backlog)

Orders



Order backlog

(Millions of yen)



1

FY03/23 Results

2

FY03/24 Consolidated Earnings Forecast

3

Shareholder Return

FY03/24 Consolidated Earnings Forecast

Projecting higher sales and profits driven by high order backlogs in addition to anticipated expansion of ICT investment by customers in line with the normalization of economic activities

(Millions of yen)

	FY03/23 results	FY03/24 Forecast	Change (amount)	Change (YoY)
Net sales	123,899	126,500	2,601	+2.1%
Operating income	5,118	5,300	182	+3.6%
(Operating margin)	(4.1%)	(4.2%)	(+0.1pp)	—
Profit attributable to owners of parent	3,521	4,450*	929	+26.4%

*Includes extraordinary gains recorded from the sale of fixed assets at a consolidated subsidiary

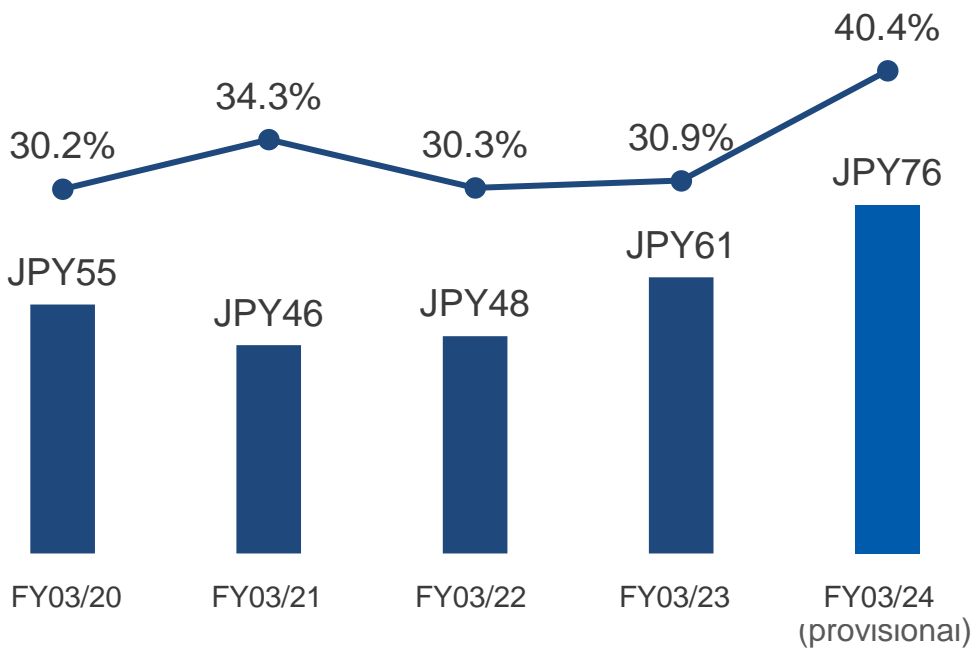
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Shareholder Return

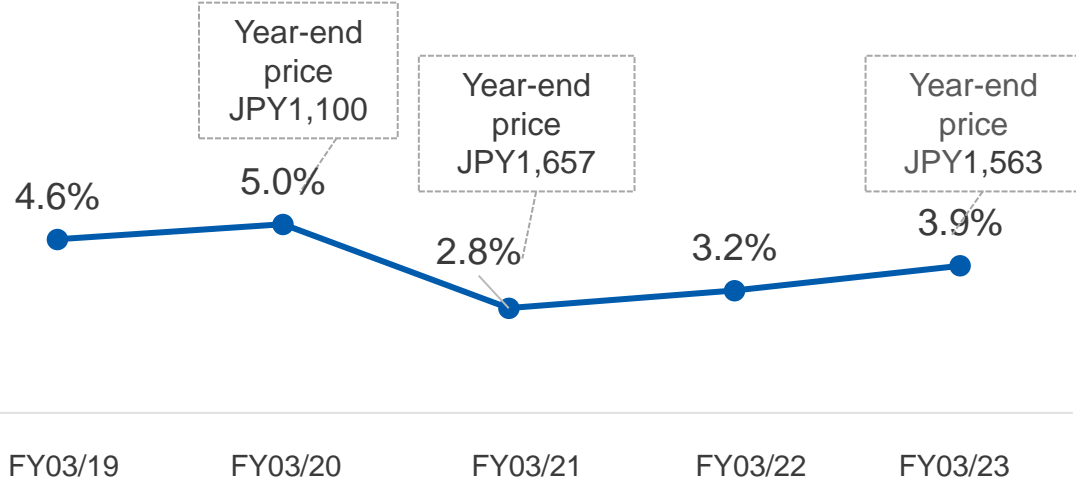
FY03/23 dividend at JPY61; Payout ratio at 30.9%
 FY03/24 dividend at JPY76 (provisional)

Planning to raise the dividend payout ratio to 40% to ensure stable dividends and substantially boost dividend payouts (Minimum dividend payout ratio of 3.5% DOE)

Dividend per share



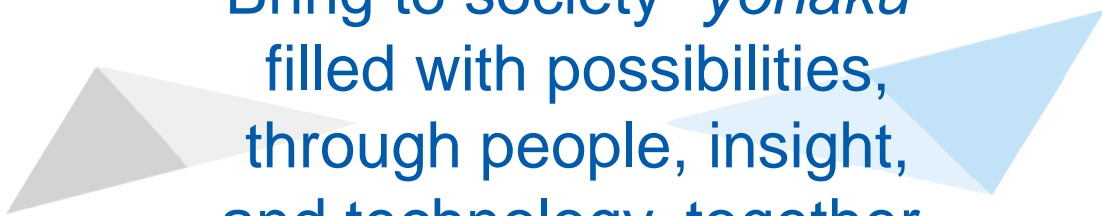
Dividend yield



*Dividend yield = Dividend per share / Share price at the end of the period (final record date)

Shareholder benefits

Number of shares held	Products	Donation
100 shares to less than 1,000 shares	JPY1,000 worth of food items	JPY1,000
1,000 shares or more	JPY3,000 worth of food items	JPY3,000



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

Medium-term Management Plan “Transformation 2026”

The 1st stage toward achieving our long-term vision

May 12, 2023

Tsuzuki Denki Co., Ltd.





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“Innovation 2023”**
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"Transformation 2026"**



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Review of Innovation 2023

High achievement across all targets except sales thanks to proactive efforts to promote key priorities

Management targets

	FY03/20	FY03/23			
	Results	Initial target	Revised target <small>(announced May 13, 2022)</small>	Results	Initial target achievement rate
Net sales	JPY125.3bn	JPY126.0bn	JPY120.0bn	JPY123.8bn	98.3%
Operating income	JPY4.4bn	JPY4.6bn	JPY4.0bn	JPY5.1bn	110.9%
Operating margin	3.6%	3.7%	3.9%	4.1%	(+0.4pp)
ROE	10.8%	9%	-%	10.2%	(+1.2pp)

Key priorities

1 Reforming our business structure by expanding the service we offer



2 Promoting data-driven businesses



3 Reinforcing our management base



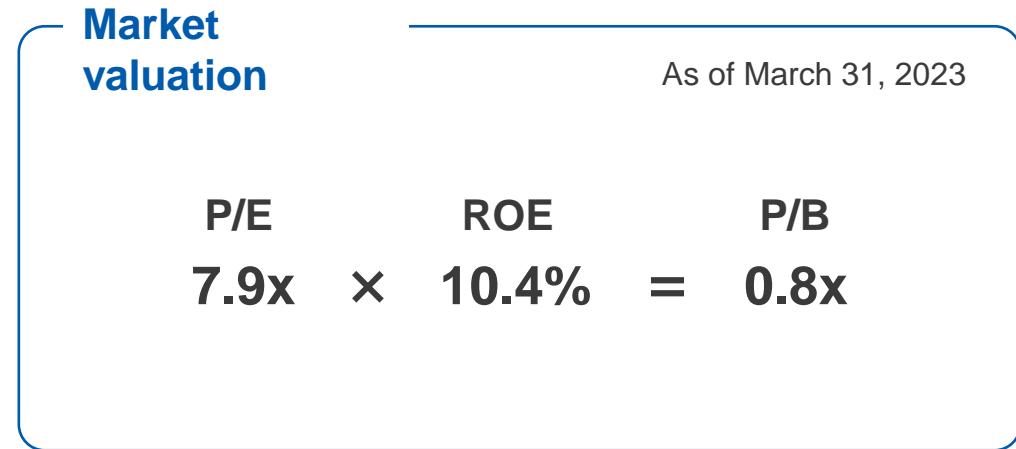
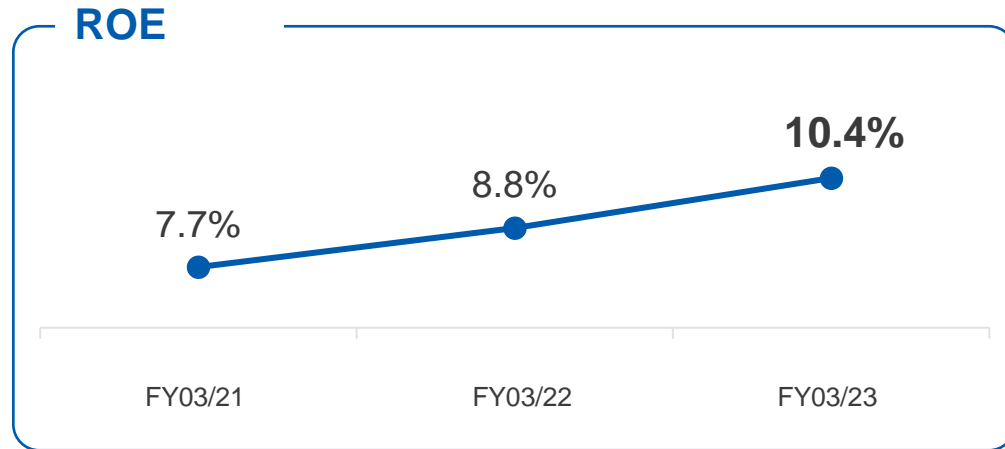
Results of Key Priorities and Key Points for the Next Medium-Term Management Plan

Significant achievements at both the business and corporate level. Steady progress in service and DX business sales expansion and human resource development

Key priority	Results	Key points for next medium-term plan
<p>1. Reforming our business structure by expanding the service we offer</p>	<ul style="list-style-type: none"> ● Information Network Solutions: Strengthen service lineup with a focus on co-creation. We missed the 40% consolidated service sales composition target, but profitability improved as service sales composition for Information Network Solutions rose FY03/20: 37% → FY03/23: 45% <ul style="list-style-type: none"> - Organized each core service under TSF* * Total SolutionService Framework - Promoted co-creation, including making ComDesign Inc. a subsidiary and forming a capital and business tie-up with Nextgen, Inc. - Invested JPY2.4bn in total, including 10 new service releases and other R&D ● Electronic Devices: Results expanded substantially thanks to management reforms through spin-offs and favorable market conditions 	<p style="text-align: center;">Further strengthen the established foundation and boost profits</p>
<p>2. Promoting data-driven businesses</p>	<ul style="list-style-type: none"> ● DX talent development progressed at a faster pace than planned. Sales of data-driven businesses also grew steadily DX associate* : FY03/20 14 people → FY03/23 162 people DX sales (innovation/modernization) : FY03/20 JPY1.8bn → FY03/23 JPY9.2bn Product sales (software business) : FY03/20 JPY3.3bn → FY03/23 JPY10.0bn <small>*DX associate: In-house certification that assesses skills by having employees take the DX Certification test and a written exam</small> <ul style="list-style-type: none"> - Conducted many PoC projects in the AI and IoT businesses, mainly in the distribution industry, and ensured that these projects led to business negotiations - Engaged in co-creation with other companies and strengthened internal systems 	
<p>3. Reinforcing our management base</p>	<ul style="list-style-type: none"> ● Strengthened overall management base, leveraging the listing on the First Section/Prime Section of the Tokyo Stock Exchange ● Further enhanced governance and support systems for group companies ● Implemented various measures to enhance human capital, such as setting up a telework environment and other work style reforms, promoting health management, renovating offices, and investing in training. Also implemented cost reductions <ul style="list-style-type: none"> - Total investment in office renovation and human resource development (training, etc.): JPY1bn - Cost reduction: JPY300mn 	<p style="text-align: center;">Reorganize group company functions</p> <p style="text-align: center;">Further enhance human capital</p>

Understanding of Current Situation to Enhance Corporate Value

Three years of efforts have been successful and return on capital has steadily improved, but there are still issues with market valuation



Despite higher return on capital, P/B ratio remains below 1.0x. P/E ratio is below industry average

- ✓ Growth with improved profitability is needed to enhance market valuation
- ✓ Promote portfolio review while advancing and reforming business models
- ✓ Allocate capital with a focus on growth and capital efficiency
- ✓ Work to lower the cost of shareholders' equity by engaging in dialogue with investors



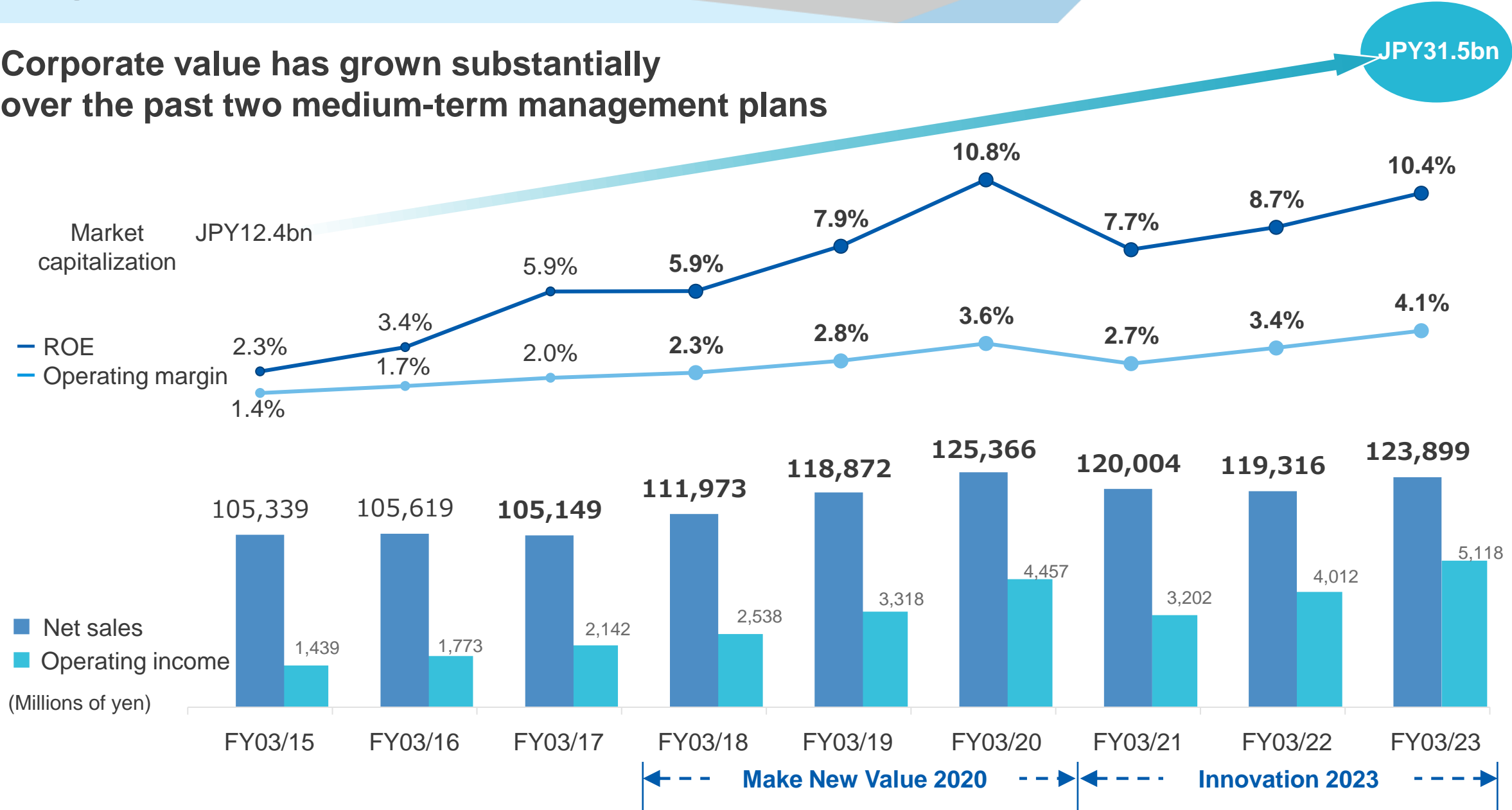
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Long-term Performance

Corporate value has grown substantially over the past two medium-term management plans



Understanding of the Environment

Social and business environments have changed drastically in the wake of the COVID-19 pandemic
We will strive to engage in corporate activities that create a sustainable society while keeping up with changes in ICT needs

Changes in the Social Environment

Social issues such as division, disparity, and environmental and energy problems became apparent with the spread of COVID-19



Worldwide movement accelerated to create a new framework (Great Reset) in view of the post-COVID world

Growing sustainability awareness

Companies may not be able to get social approval without fulfilling their social responsibilities

Changes in the Business Environment

- Changing lifestyles
- Acceleration of corporate DX
- Urgent need to improve labor productivity amid declining population
- Rise of the digital native generation
- Acceleration of technology cycle
- Emergence of new challenges such as security risks



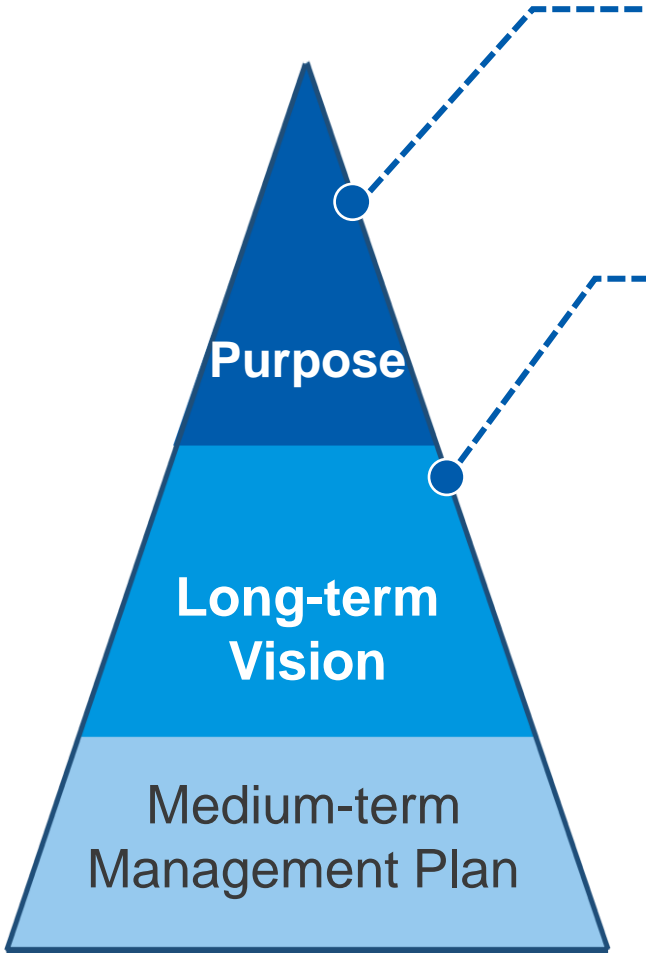
Expectations for ICT have shifted toward business reform and resolving social issues

Taking on the challenge of developing cutting-edge technologies and identifying growth areas will be key as demand grows

Long-term Vision

Become the preferred corporate group that drives customer growth

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



10-year Vision

Growth Navigator

An organization that navigates growth and grows together with stakeholders

Three core activities

- ① Create new value
- ② Build connections with diverse customers
- ③ Continue leading growth

Ideal position

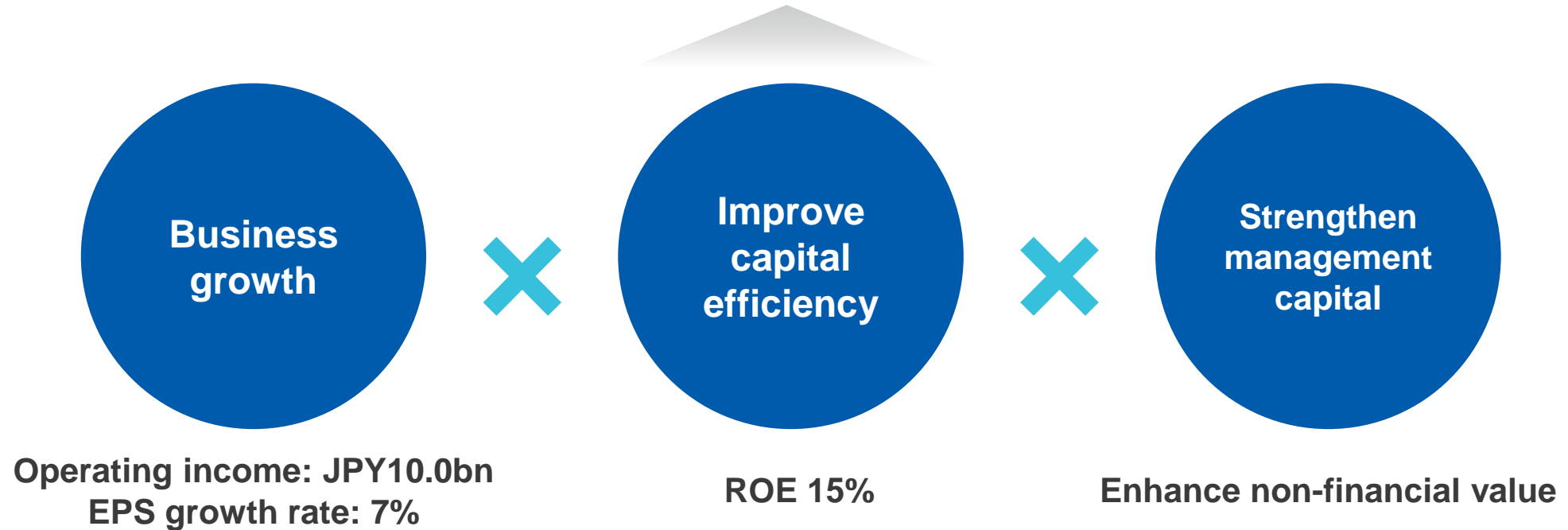
Shift from standing alongside customers to becoming a partner that leads growth

Targets

Operating income: JPY10.0bn
Net sales: JPY150.0bn

To Enhance Corporate Value

We aim to achieve a P/B ratio of over 1.0x quickly,
while continuing to further enhance corporate value



- ✓ Proactive information disclosure centered on growth businesses
- ✓ Enhance constructive dialogue with investors with a proactive approach
- ✓ Strengthen governance to support strategy execution

Basic Approach to Business Growth

Actively cultivate growth areas/new business areas by drastically changing our approach to management resources

Maintain profitability in existing areas by closely monitoring market trends

	Past	Future
Organization & Personnel	By function Sales/Technical/ Administration	Value Creation Focus on creating value for customers as "one team" by overcoming boundaries between sales, technical, and other functions
Customer	Cultivate existing customers Individual customer support	Grow loyal customers and new customers Further strengthen customer base by approaching them through digital transformation (DX)
Investment	Defensive investments	Offensive investment Active allocation of human and intellectual capital Promote M&A and capital/business tie-ups Keep pace with new technologies
Business approach	Based on customer needs and wants	Add a social angle Pursue business from an ESG perspective

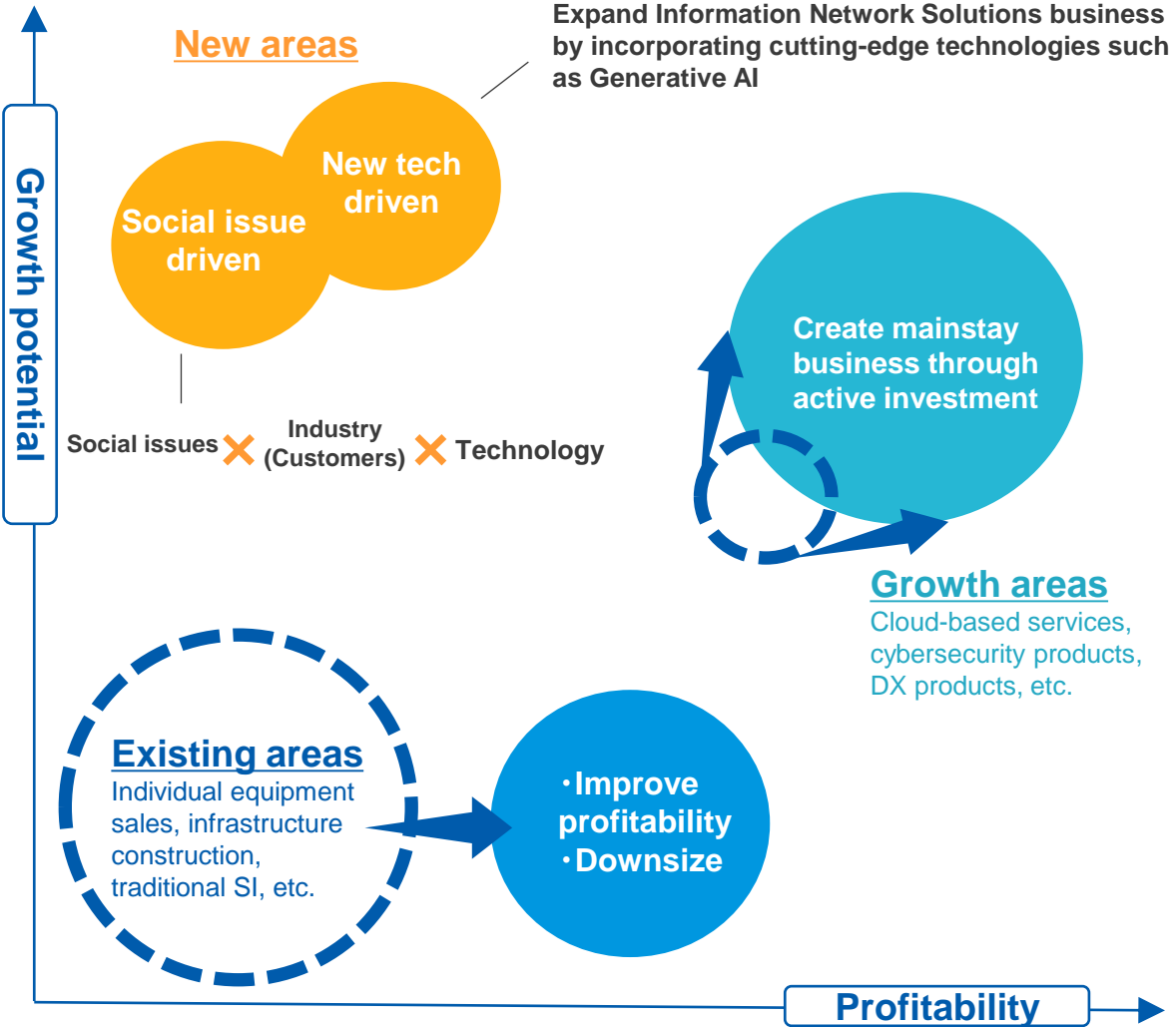




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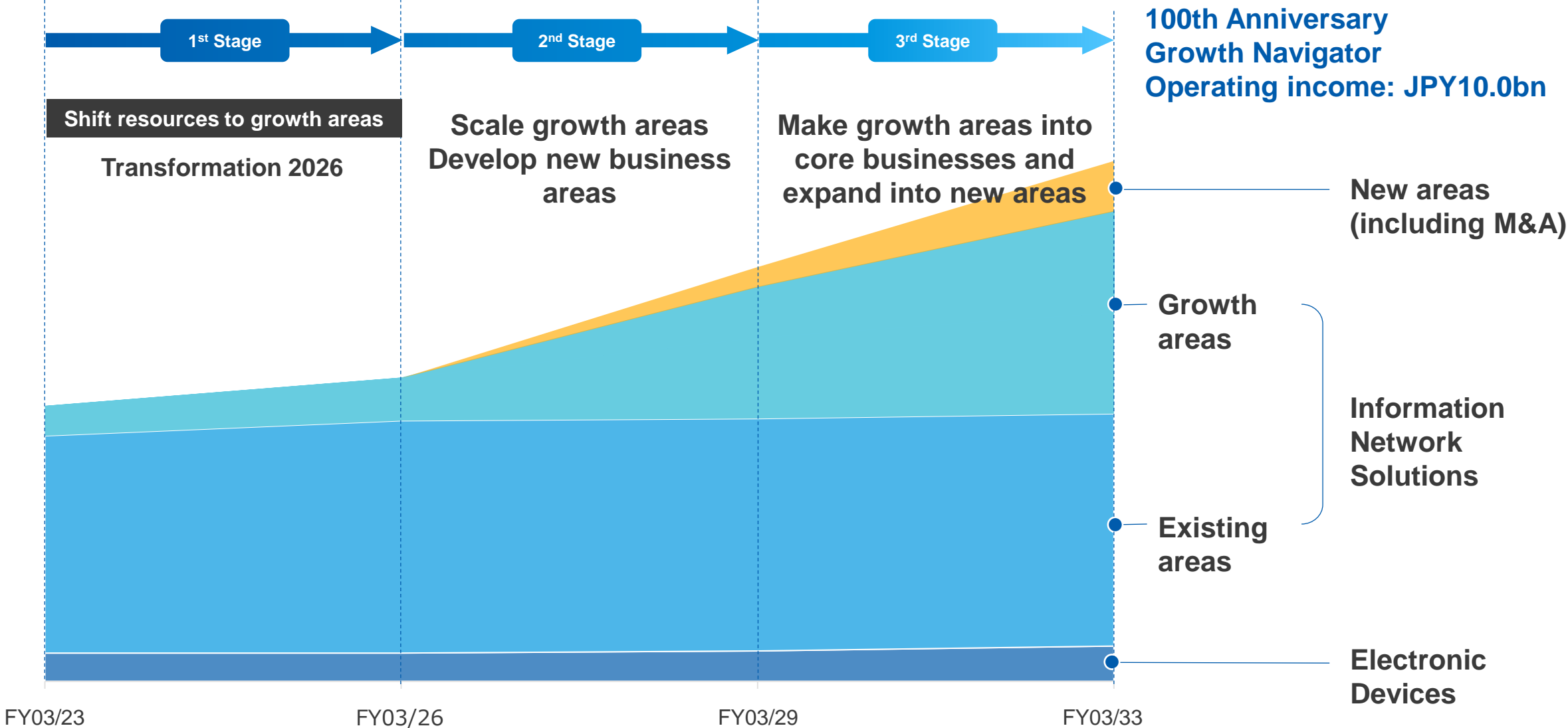
① Business Strategies

② Financial Strategies

③ Management Base Reinforcement

Positioning of the Medium-Term Management Plan

First stage: Shift resources and put growing businesses on track to achieve our long-term vision



Overview of New Medium-term Management Plan

Transformation 2026 ~ Shift resources to growth areas

FY03/23 results			FY03/26 targets (vs. FY03/23)
<p>Net sales JPY123.8bn</p> <p>Operating income JPY5.1bn</p> <p>ROE 10.4%</p>	<p>1. Business Strategies</p>	<p>Expand growth areas Increase profitability of existing businesses Restructure business portfolio and group companies</p>	<p>Net sales JPY130.0bn (+5.0%)</p> <p>Operating income JPY6.5bn (+27.5%)</p> <p>ROE Over 10%</p>
<p>CO2 emissions Scope1+2 719t-CO2</p>	<p>2. Financial Strategies</p>	<p>Operate finances while being mindful of the cost of capital Secure growth funds through optimizing the balance sheet Optimize capital allocation</p>	<p>CO2 emissions Scope1+2 591t-CO2 (-17.8%)</p>
	<p>3. Management Base Reinforcement</p>	<p>Actively invest in personnel capital (organizational and personnel development) Make further advancements in governance Strengthen sustainability activities</p>	



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Basic Policies by Segment

Achieve profitable growth mainly in the Information Network Solutions (INS) business

	Policies	Key priorities	FY03/26 Targets	
			Sales (vs. FY03/23)	Operating income (vs. FY03/23) Operating margin
Information Network Solutions	1. Strengthen six growth areas	<ul style="list-style-type: none"> (1) Promote collaboration with other companies by leveraging core technologies (2) Strengthen technical, marketing, and product development capabilities through human resource development (3) Expand service lineup 	JPY102.2bn (109%)	JPY5.5bn (131%) 5.4%
	2. Improve profitability in existing areas	<ul style="list-style-type: none"> (1) Strengthen product portfolio management under the concept of TSF (2) Ensure thorough pricing management (3) Reorganize business formation 		
Electronic Devices	1. Improve gross profit margin in existing devices and systems business	<ul style="list-style-type: none"> (1) Expand sales of overseas products, power supply modules, and other products with expected growth and profitability (2) Enhance outreach to existing small and medium-sized customers (3) Thoroughly implement low-cost operations 	JPY27.8bn (93%)	JPY1.0bn (105%) 3.6%
	2. Expand business by creating new solutions	<ul style="list-style-type: none"> (1) Expand solutions by co-creating with partners (2) Take on the challenge of entering new areas (3) Strengthen digital marketing and inside sales 		

Strengthen Six Growth Areas: 1

Become the market leader by leveraging our strength in voice platform technology to expand our two communication businesses

1. Contact Center System 2. Cloud Communication

Market

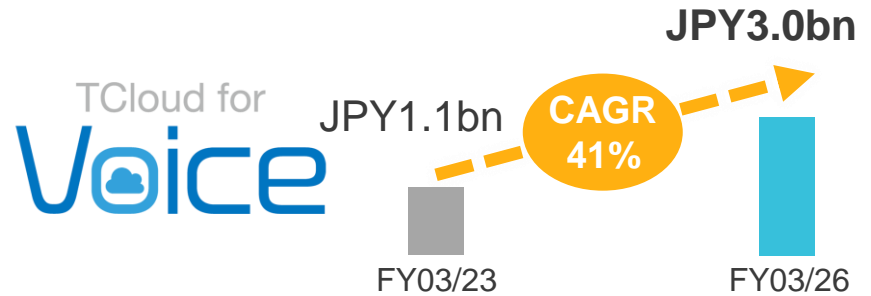
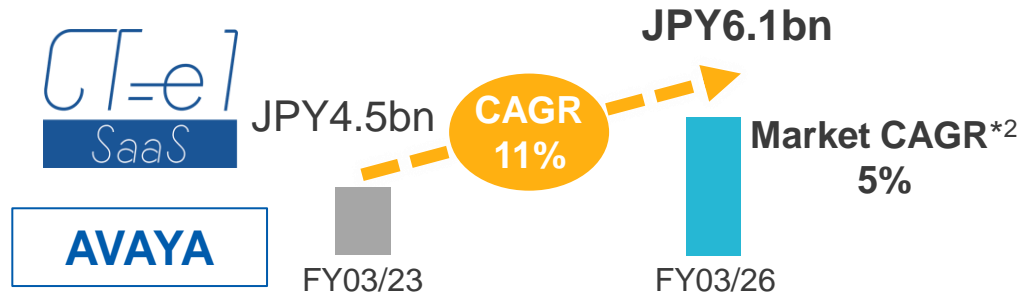
- Growing trend toward using services rather than owning them as assets. The shift to cloud services will progress further
- Demand for additional services, such as AI and data analysis, are becoming more sophisticated
- The market remains robust, especially among small and medium-sized customers

Measures

- Respond to diverse demands by expanding the product lineup covering on-premise and cloud services
- Maintain competitiveness as an industry leader by incorporating AI technology and collaborating with other companies to further advance Ct-e1*1
- Improve usability to streamline operations, while reinforcing integration with CRM and other peripheral systems to enhance CX (customer experience) and improve customer satisfaction

- Enhance **TCV (TCloud for Voice) CPaaS*3** functionality
- Implement a channel strategy focused on partner sales
- Strengthen customization features to reduce installation costs for customers and improve ease-of-use for sales partners
- Step up branding and promotional activities

Sales target



1 ... CT-e1 is a cloud contact center system offered by consolidated subsidiary ComDesign Inc.
 *2 ... IDC Japan Exhibit

* 3 ... Communications Platform as a service

Strengthen Six Growth Areas: 2

Expand sales in our four strong areas by leveling up our technological capabilities through human resource development and expanding our service lineup

3. Security 4. DX Consulting

Market	<ul style="list-style-type: none"> Cybersecurity risks are becoming more serious Technology standards are constantly changing and growing, while options are confusing 	<ul style="list-style-type: none"> Continued strong demand for DX, with companies taking a wait-and-see approach for full-scale implementation Disparity in competitiveness likely to emerge due to the high level of difficulty in this area
Measures	<ul style="list-style-type: none"> Proactively develop a security service lineup under the Zero Trust Security concept (already established ahead of competitors). Launch diagnostic services Expand business in the NI area by investing in human resources and stepping up outreach from the upstream (cyber security management support services: consulting). 	<ul style="list-style-type: none"> Expand lineup of DX upstream services under the D-VUE®* Service Train and recruit more consultants Enhance outreach to client business divisions Expand business tying into peripheral SI and NI businesses <p><small>* Service of construction of AI system and data analytics by us</small></p>
Sales target	<div style="border: 1px solid #0070C0; padding: 5px; display: inline-block;"> Cyber Security Solutions </div> <p style="margin-left: 20px;"> FY03/23 JPY300mn ▶ FY03/26 JPY1.5bn CAGR : 71% Market : 6% </p>	<div style="border: 1px solid #0070C0; padding: 5px; display: inline-block;"> D-VUE® </div> <p style="margin-left: 20px;"> FY03/23 JPY200mn ▶ FY03/26 JPY1.0bn CAGR : 82% Market : 9% </p>

5. Managed Services 6. Market-specific DX Services

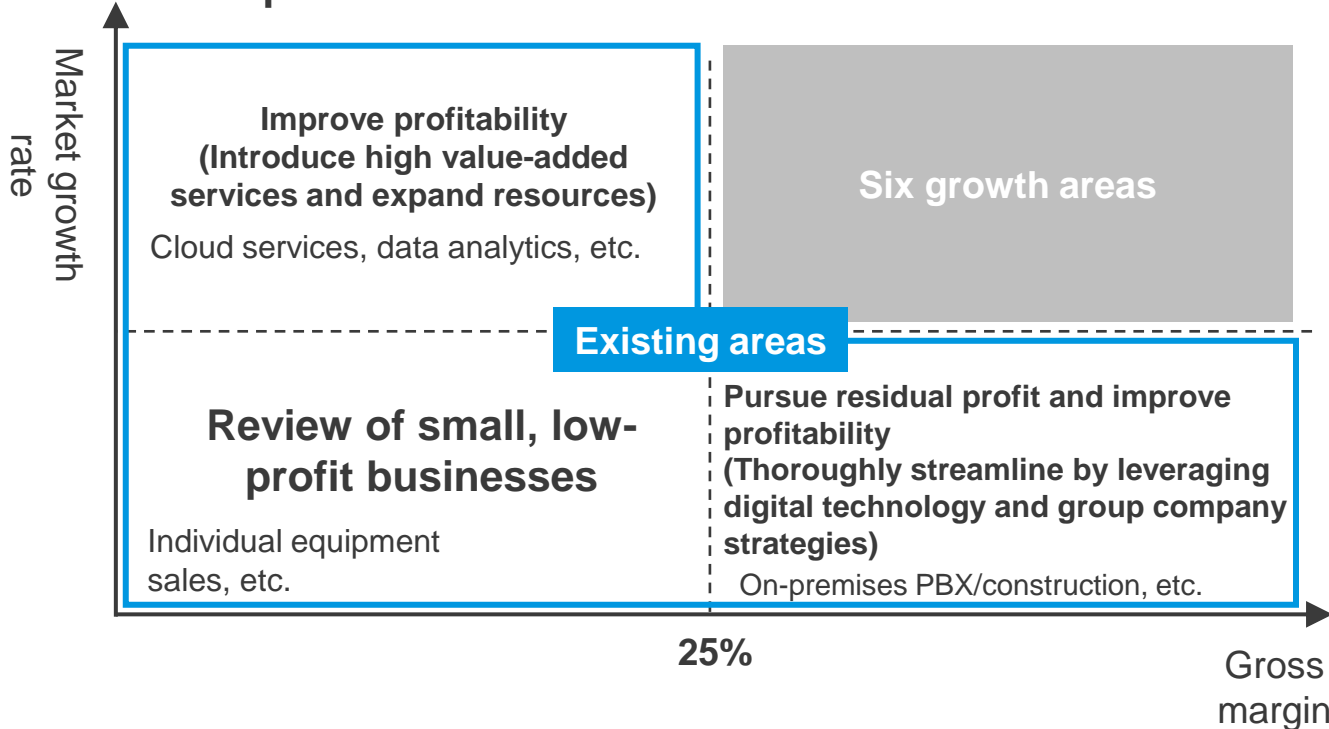
Market	<ul style="list-style-type: none"> Demand for help desk and other outsourcing services is growing due to the increasing shortage of IT personnel in the corporate sector 	<p>Sector-specific IT implementation demand remains strong</p>
Measures	<ul style="list-style-type: none"> Expand TManaged Service* lineup (not only for outsourcing, but also for high-value-added services that enable customers to streamline operations through data analysis, etc.) Enhance sales promotion system for the service <p><small>* Generic name of managed service and outsourcing service by us</small></p>	<ul style="list-style-type: none"> Capture migration demand by converting backbone systems into cloud systems for specific industries (fruit and vegetable markets, logistics, real estate, etc.) that we excel in Lower implementation hurdle and expand target base through cloud services
Sales target	<div style="display: flex; align-items: center;"> <div> <p style="margin-left: 20px;"> FY03/23 JPY2.8bn ▶ FY03/26 JPY3.8bn CAGR : 11% Market : 3% </p> </div> </div>	<div style="display: flex; align-items: center;"> <div> <p style="margin-left: 20px;"> FY03/23 JPY100mn ▶ FY03/26 JPY600mn CAGR : 81% </p> </div> </div>

* TManaged Service is...

Improve Profitability in Existing Areas

Pursue fair profit with a multifaceted approach

1. Strengthen product portfolio management under the concept of TSF



2. Ensure thorough pricing management

- (1) Set strategic prices by combining high-value-added services (cloud strategy consulting, data science, etc.) and high-growth services
- (2) Strengthen outreach to prime customers (optimize customer portfolio)

3. Reorganize business formation

Pursue overall optimization by reviewing functional responsibilities among group companies and reallocating human resources

Sales (FY03/23)	
Tsuzuki Info-Techno East Japan	Tsuzuki Info-Techno West Japan
JPY2.3bn	JPY1.1bn



New company: Tsuzuki Cross Support Co., Ltd.
(Effective date: October 2023)

Employees	Appx. 160	Offices	Appx. 15
Business	Installation and maintenance of information and communication systems and environmental systems		
Purpose of merger	Expand earnings by strengthening group synergies and streamlining operations		

Electronic Devices Business Strategy

Improve profitability by focusing on small and medium-sized customers, creating new products, and transforming our sales approach

1. Improve gross profit margin for existing devices and systems business

2. Expand business by creating new solutions

Market

- Market growth slows in the near term as semiconductor supply-demand balance improves
- Increasing number of customers looking for new suppliers in preparation for parts shortages
- Demand for power supply modules for the industrial machinery market is on the rise

- Advancements in AI have made it easier to identify differences in images, etc., and demand for image analysis has expanded
- Non-face-to-face sales activities became the norm following the COVID-19 pandemic

Measures

- Expand sales of products with expected growth and profitability (overseas products, power supply modules, etc.)
- Enhance outreach to existing small and medium-sized customers and expand earnings through cross-selling
- Thoroughly implement low-cost operations

- Expand solutions by co-creating with partners
Strengthen IoT solutions (image analysis and sensing)
- Take on the challenge of entering new areas
Expand business areas to include creating product specifications and selecting contract manufacturing partners
- Strengthen digital marketing and inside sales

Sales target

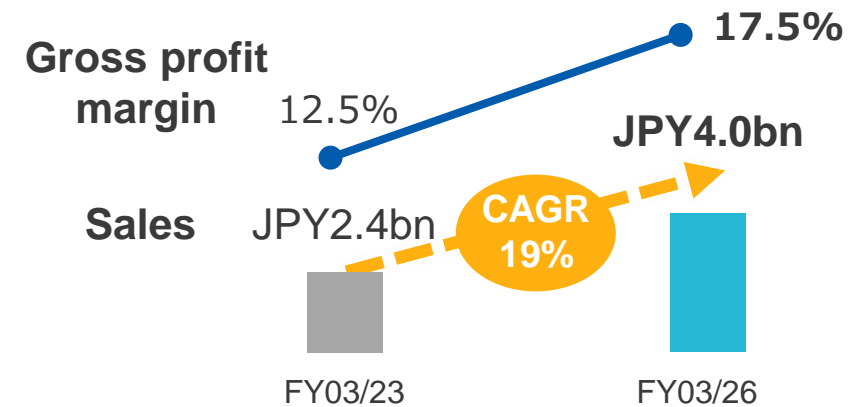
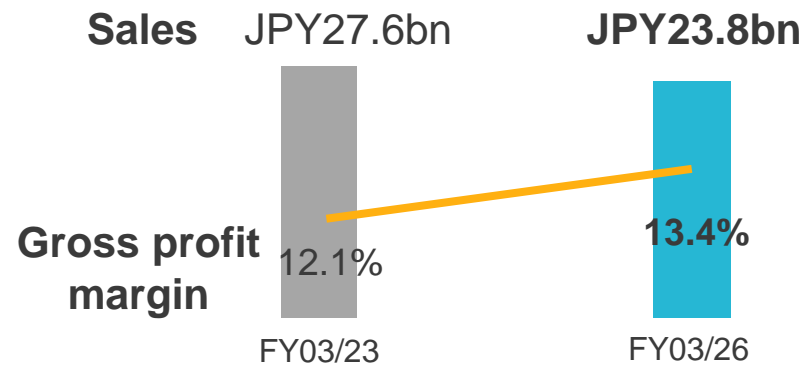




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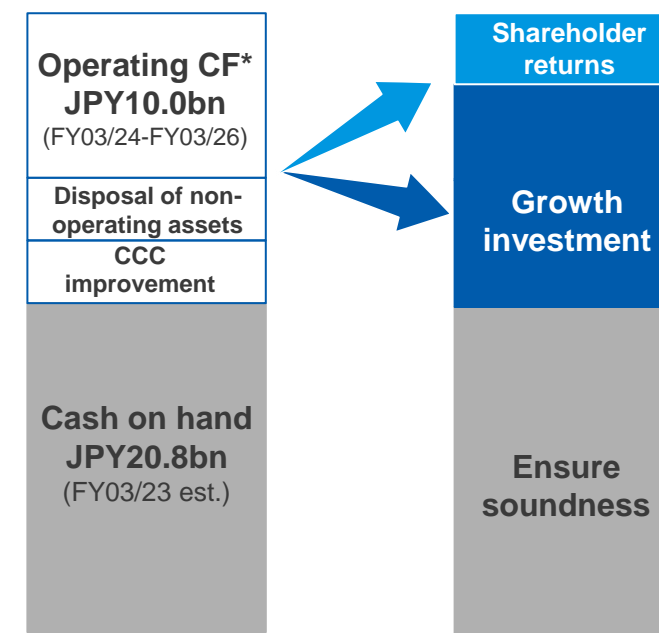
③ Management Base Reinforcement

Basic Policy

Maintain financial soundness while ensuring ROE of 10% or more through appropriate capital controls

Key priorities	Details
1. Cost of capital	<p>Cost of shareholders' equity is estimated at around 9%</p> <ul style="list-style-type: none"> Set based on figures from multiple prediction models and our share price <p>Change hurdle rate/tighten investment discipline</p> <ul style="list-style-type: none"> Hurdle rate set at 7% with WACC around 6%
2. Capital structure	<p>Maintain current financial soundness</p> <ul style="list-style-type: none"> Establish and apply specific capital/liability structure targets <p>Asset review/group-wide fund generation</p> <ul style="list-style-type: none"> Continued reduction of policy shareholdings, asset reduction, CCC improvement activities, etc.
3. Capital allocation	<p>Enhance investment and boost shareholder returns</p> <ul style="list-style-type: none"> Focus investment in personnel, product and service development, and internal DX Strategic investment in M&A, etc. Raise dividend payout ratio to 40% (Minimum dividend payout ratio of 3.5% DOE)

Capital allocation



*Operating CF of JPY10.0bn is calculated net of repayments of lease obligations of JPY3.0bn (financing CF)

Strategic Investments

Proactively invest in growth with a focus on capital efficiency and profitability

Category	Amount	Details
Technology	JPY8.0bn	R&D investment (implementation of advanced technology, advancement of development technology) Service product development Boosting the added value of existing services
Personnel		Training investment to develop ideal talent portfolio Recruit external expert talent
Internal DX		ERP system update Business process transformation and advancement
Strategic investments	JPY10.0bn	M&A (with the aim to expand business/technical areas, as well as quickly acquire business capabilities to take on the challenge of entering new ICT areas, and establish businesses that address social issues) Capital and business tie-ups

Shareholder Return

Achieve stable dividends and large dividend increases by raising the dividend payout ratio and introducing a dividend on equity (DOE) metric

Dividend per share

Until FY03/23

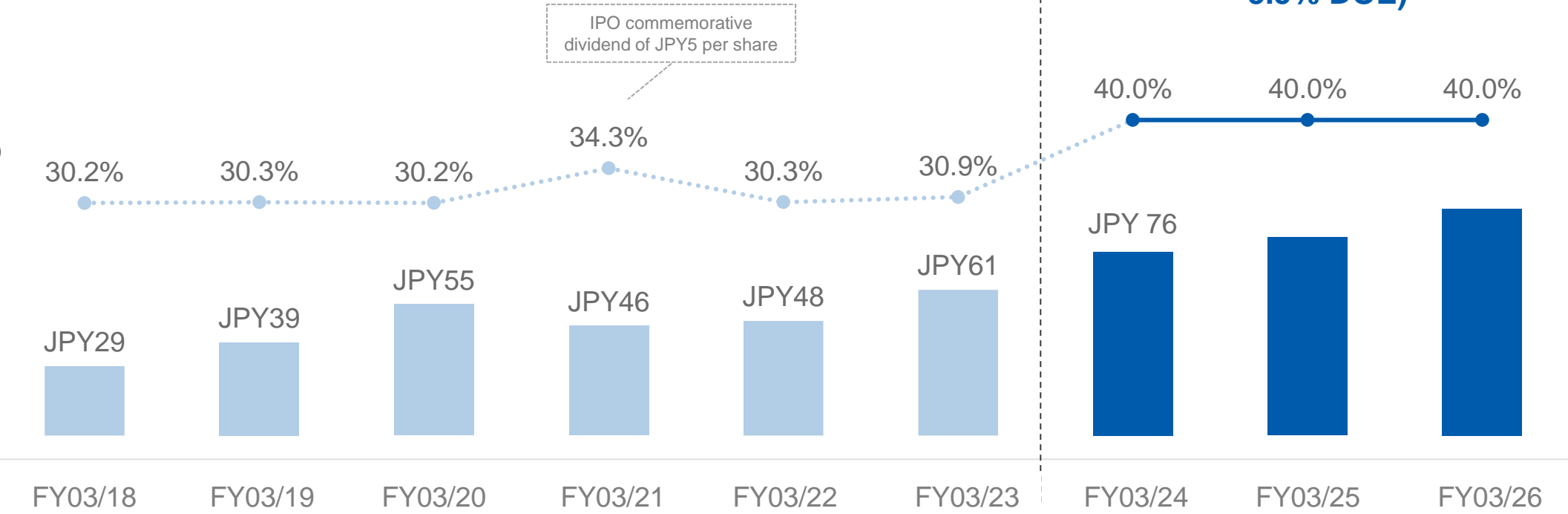
From FY03/24

Payout ratio of about 30%

Raise dividend payout ratio to 40%*
(Minimum dividend payout ratio of 3.5% DOE)

IPO commemorative dividend of JPY5 per share

(Reference)
Dividend
payout ratio



*Applies to earnings per share excluding extraordinary gains/losses, etc.



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③ Management Base Reinforcement

Initiatives to Enhance Human Capital

Double the investment from previous medium-term plan to approx. JPY1.0bn and promote measures to enhance performance and engagement of personnel, our source of growth

Key priorities	Basic policy	Key measures through FY03/26	Target	Amount
Personnel development	<ul style="list-style-type: none"> ● Three pillars <ol style="list-style-type: none"> 1. Develop leadership talent 2. Develop diverse professional talent 3. Build teams that work autonomously and engage both internally and externally ● Develop professional talent and enhance organizational capabilities needed to execute our growth strategy →Enhance ability to meet a wide range of needs from both organizational and individual perspectives <ul style="list-style-type: none"> • Promote individual initiative by reviewing training programs to be voluntary and recruitment-based • Recruit highly specialized talent • Improve in-house talent mobility 	<p><u>Recruitment for growing business</u></p> <ul style="list-style-type: none"> • Enhance referral recruitment • Actively recruit women <p><u>Develop diverse talent</u></p> <ul style="list-style-type: none"> • Launch in-house university (Carry-out reskilling program) 	<p>Leadership talent : TLF*1 participants: 65 Professional talent (in-house certified): Advanced DX talent*2: 10 DX associates*3: 240</p> <p>Diversity: Female ratio: Full-time: 15% Career-track: 12% Managerial: 5%</p>	JPY900 mn
Prepare internal environment	<ul style="list-style-type: none"> ● Two pillars <ol style="list-style-type: none"> 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 ● 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 at their own initiative <ul style="list-style-type: none"> • Develop empathy through a fundamental review of the personnel system and a change in awareness and culture • Improve autonomy by promoting intrinsic motivation 	<p><u>Performance-driven system</u></p> <ul style="list-style-type: none"> • Assign work posts • Introduce remuneration system that motivates young employees • Eliminate job classifications <p><u>Open corporate culture reform</u></p> <ul style="list-style-type: none"> • Introduce external exchange, second job, and mentoring programs 	<p>Engagement: Group average 3.20/6.00</p>	JPY100 mn

*1 TLF: Next generation management talent development training *2 Advanced DX talent: In-house certification (requires employees to have an external certification designated by the Company and a passing score on 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

Strengthen Governance

Steadily implement measures to enhance the effectiveness of the medium-term plan

Key priorities	Basic policy
Group governance	<ul style="list-style-type: none"> ● Establish group infrastructure to execute business strategies (group reorganization) ● Build an effective group management system for rapid decision-making and integrated management <ul style="list-style-type: none"> • Assess and visualize risks of each group company, and provide parent-driven support • Unify group financial base
Board of Directors	<ul style="list-style-type: none"> ● Implement consistent reforms in line with the Board of Directors' effectiveness survey <ul style="list-style-type: none"> • Further invigorate the Nomination and Remuneration Committee • Enhance monitoring function ● Executive remuneration system that enhances corporate value <ul style="list-style-type: none"> • Increase ratio of stock compensation (planned change of cash: stock ratio from the current 9:1 to 8:2) • Also considering further reviews
Shareholder dialogue	<ul style="list-style-type: none"> ● Implement measures to increase frequency of dialogue <ul style="list-style-type: none"> • Regularly identify and approach actual shareholders and increase exposure by leveraging IT platforms ● Implement initiatives based on investor demographics <ul style="list-style-type: none"> • Select presenters based on themes and make use of analyst reports ● Share and discuss value creation stories through the integrated report scheduled to be published ● Expand opportunities for appropriate and effective feedback from shareholders and investors

Dialogue with Shareholders in FY03/23

Take a proactive approach to deepen the dialogue, both in terms of frequency and substance

Category	Overview
Main correspondents	President, Managing Executive Officer of Management Planning (IR), and IR Manager
Overview of shareholders	<ul style="list-style-type: none"> ● Investment style: Domestic active investors, overseas active investors ● Respondents: Fund managers, analysts
Key themes and shareholder interests	<ul style="list-style-type: none"> ● Key themes <ul style="list-style-type: none"> • Business model (discussion designed to promote understanding of business) and growth drivers • Market trends, current performance trends, and full-year forecasts • Medium-term outlook and initiatives ● Interests <ul style="list-style-type: none"> • Market evaluation, execution progress of measures • Capital policy, M&A and other growth investments, and shareholder returns
Feedback	<ul style="list-style-type: none"> ● Frequency: Report on general IR activities at the annual meeting of the Board of Directors, and other reports as appropriate for relevant topics ● Content: Trends in market capitalization, trading volume, and shareholder composition; opinions received during one-on-one meetings with investors and measures taken in response; capital market trends and specific activities; etc.
Incorporated items	<ul style="list-style-type: none"> ● Implementation and disclosure of management practices focused on cost of capital and return on capital (incorporated into the current medium-term management plan as one of the key themes)

Strengthen Sustainability Activities

Further strengthen efforts to improve sustainability through our business

Basic Sustainability Policy

We will create a sustainable society by embodying our purpose

1. We will develop an environment that fosters "**people, insight, and technology**" and strive to provide value to society
2. We will create a "**yohaku**" filled with possibilities by solving social issues
3. We will contribute to society **together** with our stakeholders through responsible corporate behavior

Three-year activity theme

1. Develop an environment that nurtures people (strengthen human capital)
2. Development of an environment that fosters insights/technology

3. Promote responsible corporate behavior – Reduce environmental impact

Environmental Management: Initiatives to achieve the target of reducing greenhouse gas emissions by 50% in FY03/31 compared to FY03/14

[Ongoing measures]

Reduce company-owned vehicles (**2.4% reduction**)

[Planned measures]

- Replace air conditioning equipment at some locations (**3.3% reduction**)
- Office renewal and efficiency improvement (**8.9% reduction**)

*Red figures in parentheses indicate projected annual reductions in GHG emissions

[Target (Scope 1+2)]

(Unit: t-CO2)

Results		Targets		
FY03/14	FY03/23	FY03/26	FY03/31	FY03/51
1,113	719 (-35.3% vs. FY03/14)	591 (-46.9% vs. FY03/14)	536	0

Total of Tsuzuki Denki + TES

In Conclusion

We will **pursue growth by transforming our business model**

We will **strive to improve return on capital through strategic capital control**

We will continue to **invest in our people**, the source of our growth, and **enhance our human capital**

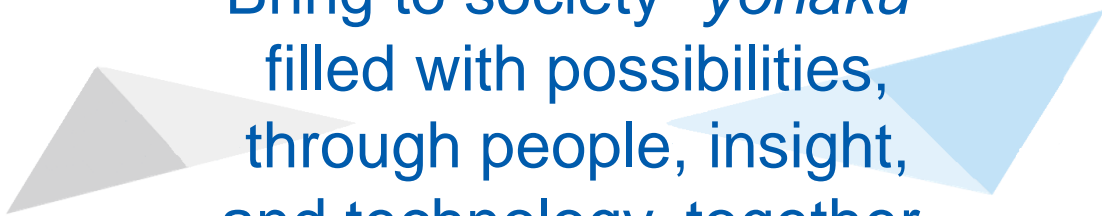
We will strive to **further enhance our corporate value through dialogue with our stakeholders**

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Disclaimer

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