TSUZUKI DENKI

ANNUAL REPORT
2009

Year ended March 31, 2009

TO OUR SHAREHOLDERS

(Greetings from Shuichi Torigata, President and Representative Director)

It is my pleasure to have this opportunity to express our gratitude to all of our shareholders for your understanding and support.

Tsuzuki Denki Co., Ltd. is pleased to present the 69th term (from April 1, 2008 to March 31, 2009) business report to you.

During the term under review, uncertainty about the future of the Japanese economy further increased. Corporate performance, particularly in export-oriented industries, weakened markedly due to soaring resource prices from the first half of the period and the effects of the worldwide financial crisis and violent exchange fluctuations in the second half.

In the information technology (IT) sector in which the Group operates, customers reduced capital expenditure in response to the economic downturn. The downward trend in the prices of personal computers and servers for corporations was accelerated by intensifying competition among domestic solution providers and global enterprises. Demand for semiconductors plummeted.

As a result, both sales and profit of the Group declined from the year-ago level during the term under review. The Group posted net sales of ¥99,549.84 million, down 8.6% from the previous year, operating income of ¥2,401.73 million, down 22.1%, ordinary income of ¥2,638.88 million, down 24.9%, and net income of ¥812.78 million, down 37.8%.

We have decided to pay a year-end dividend of ¥4 per share for the term (an annual dividend of ¥8 including an interim dividend).

We will continue to strive to reform our business model and to contribute to the development of information networks by providing productive services and systems to our customers.

To contribute to customers' businesses, we aim to grow with our customers as an invaluable partner.

We greatly appreciate your ongoing support and encouragement.

(1) Business Review and Results

During the term under review, the Japanese economy contracted significantly in the face of a worldwide financial crisis, violent exchange rate fluctuations, and soaring prices of resources. The situation had a major impact on customers' motivation for capital investment.

In the IT sector in which the Group operates, competition among domestic solutions providers and global companies intensified, and accelerated the downward trend in prices of personal computers and servers for corporations. Given the circumstances, IT companies were required to urgently reform their existing business models. The electronic devices sector declined more than expected due to rapid production and inventory adjustments in the second half of last year.

Responding to the challenging environment, the Group provided high value-added solutions from the perspective of customers to meet their needs.

As a result, the Group recorded net sales of ¥99,549.84 million, a decrease of 8.6% from the previous year, operating income of ¥2,401.73, a decline of 22.1%, and ordinary income of ¥2,638.88 million, a fall of 24.9%. The Group posted a loss on the sale of investment securities and a write-down loss on investment securities. Consequently, the Group posted net income of ¥812.78 million, a decrease of 37.8%.

Information Network Systems

In our network solution services, the performance of the platform business, especially IP telephony, remained strong. Demand was favorable for the building of corporate network infrastructure especially with existing customers in the fields of precision machinery, chemicals, healthcare products, engineering, financial operations, railroads, and electric power.

We will begin operations in the field of Unified Communication*[1], where we expect market expansion, and will expand demand by acquiring new technologies.

In system integration services, we have provided solutions for customers especially in the distribution, food, and medical and healthcare industries.

Through proposals for the building of IT infrastructure, we remained focused on developing operations for customers such as manufacturers and local authorities. We differentiated ourselves from our competitors by developing unique solutions, including cinema, market, real estate, and production management systems, areas in which we excel.

We provided services including IT operational support and life cycle management (LCM)*[2] to expand our businesses.

The sale of products such as personal computers and servers was difficult because of declines in the unit prices of orders caused by intensifying competition.

As a result, sales in the information network systems segment were ¥73,044.74 million, down 5.3% from the previous year, while operating income decreased 8.1% to ¥2,218.69 million.

Electronic Devices

The business environment of the semiconductor sector was very difficult. Although capital investment in infrastructure remained solid, especially in Asia, in the first half of the fiscal year, manufacturers significantly adjusted production and inventory in the second half with the sharp deterioration in market conditions.

In the electronics sector, 3.5-inch HDDs manufactured overseas contributed to the business for audio visual equipment. Meanwhile, demand for 3.5-inch HDDs for corporations plunged with curbs on capital investment by companies in association with the economic slowdown. The situation of 2.5-inch HDDs was also difficult because of intensifying price competition.

As a result, sales in this segment were ¥23,864.26 million, down 18.9% from the previous year, and operating income declined 76.9% to ¥130.63 million.

Others

With the air conditioning industry reaching maturity, and new orders weak, market conditions in the environment-related sector remained harsh, and the air conditioning industry struggled. Although we developed a deodorization business as a new sector and began negotiating large orders, the situation generally remained severe.

In the field of environment-related, measurement and control devices, demand for high added-value measurement and control devices was favorable, but the performance of general-purpose electric components was poor, reflecting production adjustments made by manufacturers.

In the temporary staffing services sector, maintaining the employment of temporary staff was very difficult because of a sharp worsening of the employment environment, but we managed to record strong performance figures as a result of our efforts to develop new client companies and maintain temporary staffing numbers.

As a result, sales for other business segments were ¥2,640.83 million, up 12.9% from the previous year, and operating income declined 60.8% to ¥36.23 million.

*1 Unified Communication
A next-generation communication style in which voice, e-mail, images, and faxes are organically integrated.
*2 Life cycle management (LCM)
An outsourcing service for operations covering the overall life cycle, especially operations and management, but ranging from procurement and implementation to removal and disposal.

(2) Key Issues to be Addressed

The scope of application of IT continues to expand as IT permeates every aspect of the world. People's expectations of business reforms through IT solutions are also increasing.

In such circumstances, the Group will strive every day to contribute to a comfortable and safe network society as an indispensable partner for customers.

However, sales of the Group have been declining in recent years. To address these issues, we plan the following initiatives:

Marketing Strategy

With the advent of cloud computing, a paradigm shift (change of perspective) is taking place in IT, from ownership to use. In these circumstances, we will create a new business model to respond to the rapidly changing market.

We will provide solution services to our customers to enhance corporate value in a timely manner, proposing solutions that will contribute to cost cutting and bolstering our ability to provide support.

We will improve business efficiency by expanding easy-order solutions using our own template consisting of our business system's expertise and skills developed through many years of experience. Through synergy within the Group, we will provide high value-added products and services.

Enhancing Our Educational Environment

Recognizing that the training of personnel, our Group's greatest asset, is a critical issue, we will continue to develop our educational environment. We will improve our educational programs to cultivate professionals who have both technical capabilities and the ability to make proposals in specific industrial, operational, and technological fields.

Bolstering Internal Controls

To respond to changes in the business environment, we need to focus on substantial management reforms and innovations. To this end, we will appropriately handle operational risks relating to the visualization of processes, the reliability of financial statements, and security and access control.

We will carefully protect and manage every piece of information relating to our operations in compliance with the Personal Information Protection Act and other relevant laws and regulations.

CONSOLIDATED BALANCE SHEETS

As of March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
ASSETS			
Current assets:			
Cash at hand and in banks	**¥14,551**	¥14,360	**$148,087**
Trade receivables:			
Accounts and notes	**23,001**	27,195	**234,083**
Allowance for doubtful accounts	**(43)**	(16)	**(438)**
Net trade receivables	**22,958**	27,179	**233,645**
Inventories	**5,651**	6,649	**57,511**
Deferred tax assets	**1,124**	1,248	**11,439**
Other current assets	**1,034**	684	**10,523**
Total current assets	**45,319**	50,121	**461,215**
Property, plant and equipment:			
Land	**2,380**	2,385	**24,221**
Building and structures	**967**	982	**9,841**
Lease assets	**508**	—	**5,170**
Construction in progresss	**40**	72	**407**
Others	**125**	176	**1,272**
Total property, plant and equipment	**4,023**	3,616	**40,942**
Intangible assets:			
Goodwill	**71**	—	**723**
Lease assets	**182**	—	**1,852**
Others	**338**	491	**3,440**
Total intangible assets	**592**	491	**6,025**
Investments and other assets:			
Investments in securities	**4,820**	6,269	**49,054**
Long-term loans	**149**	123	**1,516**
Long-term time deposits	**5,100**	3,900	**51,903**
Deferred tax assets	**2,737**	2,234	**27,855**
Other	**1,950**	2,160	**19,845**
Allowance for doubtful accounts	**(389)**	(376)	**(3,959)**
Total investments and other assets	**14,369**	14,312	**146,234**
Total assets	**¥64,305**	¥68,541	**$654,437**

Notes: (1) The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥98.26=$1.00 on March 31, 2009.
(2) Certain reclassifications of previously reported amounts have been made to conform with the current presentation.

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities:			
Short-term bank loans	**¥ 6,229**	¥ 6,289	**$ 63,393**
Current portion of long-term debt	**970**	1,230	**9,872**
Trade payables	**13,782**	18,345	**140,261**
Accrued employees' bonuses	**2,113**	2,032	**21,504**
Lease obligations	**184**	—	**1,873**
Allowance for loss on orders	**34**	—	**346**
Income taxes payable	**885**	502	**9,007**
Other current liabilities	**2,898**	3,671	**29,493**
Total current liabilities	**27,098**	32,070	**275,779**
Long-term liabilities:			
Long-term debt	**2,290**	2,470	**23,306**
Lease obligations	**542**	—	**5,516**
Deferred tax liabilities	**1**	2	**10**
Accrued retirement benefits	**4,229**	3,723	**43,039**
Provision for directors' retirement benefits	**355**	280	**3,613**
Negative goodwill	**139**	8	**1,415**
Other long-term liabilities	**5**	5	**51**
Total long-term liabilities	**7,563**	6,490	**76,969**
Net Assets:			
Shareholders' equity:			
Common stock: par value ¥50			
Authorized: 98,920,000 shares			
Issued: 25,387,802 shares	**9,812**	9,812	**99,858**
Additional paid-in capital	**3,476**	3,476	**35,376**
Retained earnings	**10,763**	10,152	**109,536**
Treasury stock	**(1,009)**	(931)	**(10,269)**
Total shareholders' equity	**23,043**	22,510	**234,510**
Valuation and translation adjustments:			
Net unrealized holding gains on other securities	**130**	482	**1,323**
Minority interests in consolidated subsidiaries	**6,469**	6,987	**65,836**
Total net assets	**29,643**	29,980	**301,679**
Total liabilities and net assets	**¥64,305**	¥68,541	**$654,437**

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Net sales	**¥99,549**	¥108,888	**$1,013,118**
Cost of sales	**82,193**	91,088	**836,485**
Gross profit	**17,356**	17,799	**176,633**
Selling, general and administrative expenses	**14,954**	14,714	**152,188**
Operating income	**2,401**	3,084	**24,435**
Other income (expenses):			
Interest and dividend income	**178**	267	**1,812**
Interest expenses	**(175)**	(176)	**(1,781)**
Write-down loss on investment securities	**(263)**	(28)	**(2,677)**
Other, net	**(223)**	85	**(2,269)**
Income before income taxes and minority interests	**1,918**	3,232	**19,520**
Income taxes	**1,152**	1,019	**11,724**
Deferred income taxes	**101**	(638)	**1,028**
Income before minority interests	**866**	1,574	**8,813**
Minority interests	**(54)**	(268)	**(550)**
Net income	**¥ 812**	¥ 1,306	**$ 8,264**
	Yen		U.S. Dollars
Per share:			
Net income	**¥ 36.40**	¥ 52.26	**$ 0.37**

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥98.26=$1.00 on March 31, 2009.

TSUZUKI DENKI CO., LTD. and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Period: April 1, 2008 - March 31, 2009

(Millions of yen)

	Shareholders' equity					Valuation and adjustments, etc.		
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on other securities	Minority interests	Total net assets
Balance as of March 31, 2008	¥ 9,812	¥ 3,476	¥ 10,152	¥ (931)	¥ 22,510	¥ 482	¥ 6,987	¥ 29,980
Changes during the consolidated fiscal year								
Cash dividends			(201)		(201)			(201)
Net income			812		812			812
Purchase of treasury stock				(84)	(84)			(84)
Disposal of treasury stock		(0)		6	6			6
Changes (net amount) of items other than shareholders' equity during the consolidated fiscal accounting period						(352)	(517)	(869)
Total changes during the consolidated fiscal year		(0)	611	(77)	533	(352)	(517)	(336)
Balance as of March 31, 2009	¥ 9,812	¥ 3,476	¥ 10,763	¥ (1,009)	¥ 23,043	¥ 130	¥ 6,469	¥ 29,643

(Thousands of U.S. Dollars)

	Shareholders' equity					Valuation and adjustments, etc.		
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on other securities	Minority interests	Total net assets
Balance as of March 31, 2008	$99,858	$35,376	$103,318	$ (9,475)	$229,086	$4,905	$71,107	$305,109
Changes during the consolidated fiscal year								
Cash dividends			(2,046)		(2,046)			(2,046)
Net income			8,264		8,264			8,264
Purchase of treasury stock				(855)	(855)			(855)
Disposal of treasury stock		(0)		61	61			61
Changes (net amount) of items other than shareholders' equity during the consolidated fiscal accounting period						(3,582)	(5,262)	(8,844)
Total changes during the consolidated fiscal year		(0)	6,218	(784)	5,424	(3,582)	(5,262)	(3,419)
Balance as of March 31, 2009	$99,858	$35,376	$109,536	$(10,269)	$234,510	$1,323	$65,836	$301,679

Notes: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥98.26=$1.00 on March 31, 2009.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
I . Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 1,918**	¥ 3,232	**$ 19,520**
Depreciation and amortization	**286**	229	**2,911**
Decrease (increase) in allowances	**775**	(1,684)	**7,887**
Impairment loss	**—**	30	**—**
Decrease in trade receivables	**4,233**	4,941	**43,080**
Decrease in inventories	**997**	1,195	**10,147**
Decrease (increase) in trade payables	**(4,562)**	(3,704)	**(46,428)**
Other	**(101)**	(114)	**(1,028)**
Sub-total	**3,549**	4,126	**36,118**
Interest and dividends received	**188**	357	**1,913**
Interest paid	**(185)**	(170)	**(1,883)**
Income taxes paid	**(811)**	(1,108)	**(8,254)**
Other	**41**	(881)	**417**
Net cash provided by operating activities	**2,782**	2,322	**28,313**
II . Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	**(829)**	(225)	**(8,437)**
Proceeds from sales of property, plant and equipment	**576**	746	**5,862**
Payments for purchases of investment securities	**(219)**	(2,005)	**(2,229)**
Proceeds from sales of investment securities	**259**	1,568	**2,636**
Other proceeds	**308**	1,580	**3,135**
Other payments	**(1,597)**	(2,384)	**(16,253)**
Net cash provided by investing activities	**(1,502)**	(719)	**(15,286)**
III. Cash flows from financing activities:			
Proceeds from short-term bank loans	**80**	496	**814**
Disbursements for repayments of short-term bank loans	**(140)**	(1,935)	**(1,425)**
Proceeds from long-term debt	**—**	1,600	**—**
Repayments on redemption of long-term debt	**(440)**	(808)	**(4,478)**
Other payments	**(589)**	(1,176)	**(5,994)**
Net cash provided by financing activities	**(1,089)**	(1,823)	**(11,083)**
IV. Net increase (decrease) in cash and cash equivalents	**190**	(221)	**1,934**
V . Cash and cash equivalents at beginning of year	**14,263**	14,484	**145,156**
VI. Cash and cash equivalents at end of year	**¥14,453**	¥14,263	**$147,089**

Note: The U.S. dollar amounts represent translation of Japanese yen at the rate of ¥98.26=$1.00 on March 31, 2009.

CORPORATE DATA
As of March 31, 2009

Name:	TSUZUKI DENKI CO., LTD.
Head Office:	19-15, Shinbashi 6-chome, Minato-ku, Tokyo 105-8665
Established:	May 1, 1932
Capital:	¥9,812,930,540
Number of Employees:	1,173

BOARD OF DIRECTORS
As of June 26, 2009

Directors

Shuichi Torigata*	President
Kangi Okamoto	Senior Managing Director
Hajime Ando	Managing Director
Yoshio Takeuchi	Managing Director
Toshihisa Mizushima	Managing Director
Akira Furukawa	Director
Kazunori Yoshii	Director
Toshiya Mukohda	Director
Kazuhiro Shimura	Director
Hideki Hiura	Director
Isao Emori	Director

*Representative Director

Auditors

Yoshinari Uchida	Standing Statutory Auditor
Kinjiro Shishido	Statutory Auditor
Kimihiko Tada	Statutory Auditor

MAJOR SHAREHOLDERS
As of March 31, 2009

Name	Number of shares held	Percentage of shares in issue
1. Fujitsu Limited	2,402,235	9.46%
2. Goldman Sachs International	1,862,000	7.33%
3. Employees' Stockholding	1,093,170	4.31%
4. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,037,907	4.09%
5. Sumitomo Mitsui Banking Corporation	751,215	2.96%
6. Mizuho Bank, Ltd.	525,607	2.07%
7. Hiroyoshi Shinya	462,000	1.82%
8. CBNY DFA INTL Cap Value Portfolio	376,000	1.48%
9. UNIMAT LIFE CORPORATION	360,000	1.42%
10. MARUKYU CO., LTD.	352,000	1.39%

PRINCIPAL SUBSIDIARIES

Subsidiaries (consolidated)

Tsuzuki Densan Co., Ltd.	Sales of semiconductors, electronic components, and personal computer equipment
Tsuzuki Techno Service Co., Ltd.	Maintenance of computers and office automation equipment
Tsuzuki Software Co., Ltd.	Design of software
Tsuzuki Amenity Co., Ltd.	Sales and installation of air conditioning equipment

BRANCHES AND OFFICES
As of March 31, 2009

Branches: Hokkaido, Kanagawa, Nagoya, Kyoto, Osaka, Kobe, Takamatsu, Kyushu

Offices: Asahikawa, Muroran, Tohoku, Mito, Tsukuba, Chiba, Omiya, Kawasaki, Kofu, Shizuoka, Hamamatsu, Toyota, Ogaki, Okayama, Hiroshima, Tokushima, Matsuyama, Kochi

TSUZUKI DENKI CO., LTD.

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