



TSUZUKI REPORT 2023

Tsuzuki Denki Integrated Report 2023



Transformation

TOP MESSAGE

Promoting Transformations to Enhance Corporate Value

92 Years of Continuous Support for Social Infrastructure

Founded in 1932, Tsuzuki Denki is now in its 92nd year. We are one of the oldest companies in the ICT industry, with a long and storied history. We are grateful for the support of all our stakeholders, which has enabled us to continue business up to now.

We currently develop business in two segments, Information Network Solutions and Electronic Devices, but in 1932, Tsuzuki Denki was established as a distributor of Fuji Electric Mfg. Co., Ltd. (currently Fujitsu Electric Co., Ltd.), engaged in the sales, installation, and maintenance of telephone equipment. Subsequently, communication via telephone spread rapidly, and the “phone in every home” era grew into the “phone in every hand” era, with the advent of mobile phones and other developments. Computers, which began as large, general-purpose machines, advanced to the era of personal computing, and the importance of hardware shifted to a focus on software. The spread of the internet has also brought about massive changes in the nature of communication. We are now entering the era of digital transformation (DX) heralded by keywords such as AI, IoT, and 5G. Amid these rapid social changes and advances in information and communication technologies, we have grown by expanding our business domain and adapting to changes based on a corporate culture that encourages taking on challenges.

Even with these major changes in the environment, one thing will never change at Tsuzuki Denki: Our ongoing commitment to support information and communication infrastructure, which are critical for society, with people, insight, and technology.



President and CEO
Isao Emori

変革

Transformation

Previous Medium-term Management Plan Achieves Record-high Profit

The three-year previous medium-term management plan ended with FY03/23 as the final year. This plan, Innovation 2023, targeted net sales of 126.0 billion yen, operating income of 4.6 billion yen, an operating margin of 3.7%, and ROE of 9.0%. Actual results were net sales of 123.8 billion yen, operating income of 5.1 billion yen, an operating margin of 4.1%, and ROE of 10.4%. Although net sales achieved only 98.3% of the target, the achievement rate for operating income was 111%. Both operating margin and ROE exceeded the targets.

Looking back on the previous medium-term management plan, performance dipped slightly in FY03/21, the first year of the plan, due to the COVID-19 pandemic, but in FY03/23, the final year of the plan, we were able to achieve record-high profit. I think it was meaningful that we were able to achieve record-high profit despite the fact that the pandemic had drastically changed the way we work. Similar to many other companies, we also transitioned to telework, with the attendance rate dropping to a low of 30%. The world is gradually returning to pre-pandemic levels of activity with the reclassification of COVID-19 as a Category V infectious disease in May 2023, and many companies are seeing attendance rates rise to 70% and even 80%. We leave the decision of whether to work in-office or from home to each individual employee, with attendance rates remaining at 30%. Given the declining attendance rate, it should have been difficult to achieve record-high profit from the perspectives of communicating with customers and

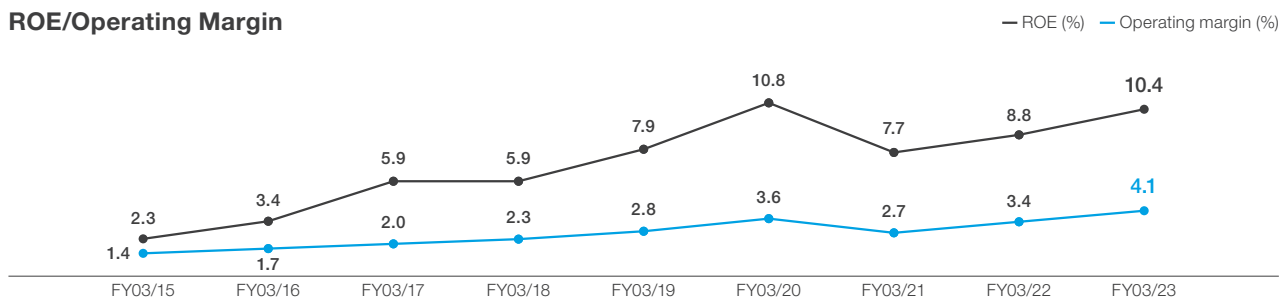
operational efficiencies. I think this achievement is the result of each and every employee adapting themselves to new workstyles and making efforts to produce results. Of course, as an ICT company, we were early adopters of telework, and the fact that we already had this system in place also contributed to this achievement.

I think cost optimization was another factor contributing to record-high profit. Consideration of appropriate business costs is something I have been cognizant of since being appointed president. Amid global increases in procurement costs due to soaring energy prices and heightened geopolitical risks, procurement costs continued to fall throughout the three years of the previous medium-term management plan. We made cutbacks where needed, and expenditures when necessary. This means we don't do anything wasteful. We will maintain efforts to optimize procurement costs, while at the same time investing for growth.

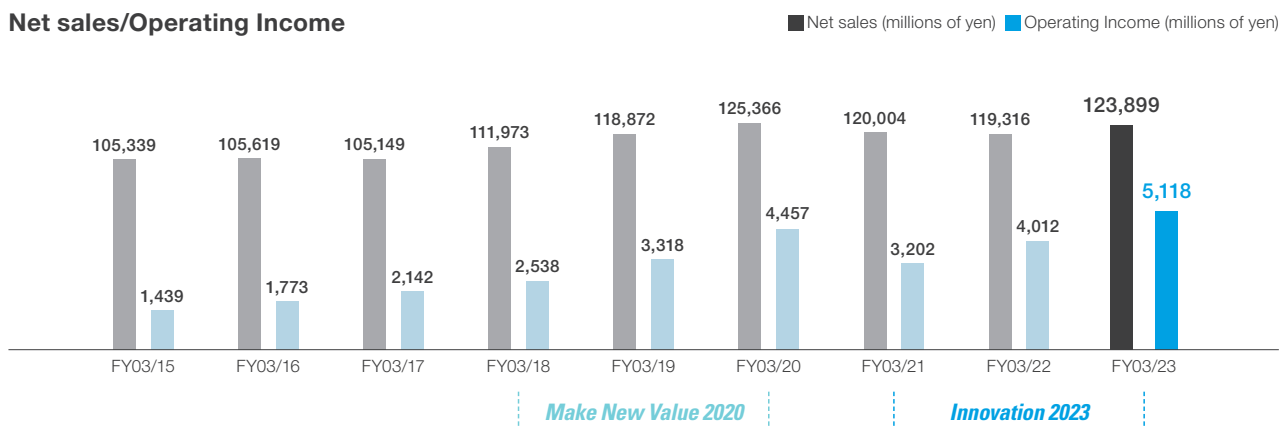
Transforming into Our Ideal Vision for the Next 10 Years

Although the previous medium-term management plan achieved record profit, there was no response from capital markets. Despite setting numerical targets in the previous plan, we regret being unable to provide a story behind those numerical targets. Numbers tell a story, and because there is a story, we can put the numbers together. In formulating our long-term vision and medium-term management plan, we remained conscious of communicating this story outside the Company.

ROE/Operating Margin



Net sales/Operating Income





Long-term Vision: Growth Navigator

Regarding long-term vision, we have set Growth Navigator (an organization that navigates growth and creates value together with stakeholders) as our vision of where we want to be in 10 years. As Tsuzuki Denki is not a manufacturer, we have always worked closely with customers and followed their lead. In this capacity, we provide solutions in response to requests from customers. Nowadays, even customers themselves do not have a clear grasp of business issues nor how to resolve them. These conditions necessitate a navigation-type service that works with customers to discover the issues they face and helps create solutions. Over the next 10 years, we aim to become a Group positioned to lead customer business and facilitate the growth of customer business itself. In terms of numerical targets, we aim to achieve operating income of 10.0 billion yen and net sales of 150.0 billion yen. / P.21 /

Medium-term Management Plan Transformation 2026

This plan was launched in a business environment where ICT needs are increasing due to the pandemic. We created a roadmap for achieving our long-term vision that divides the period ending in the target year FY03/33 into three stages: (1) Shifting resources to growth areas, (2) scaling growth areas and developing new business areas, and (3) establishing growth areas as core businesses and expanding into new areas. Our current medium-term management plan, Transformation 2026, is the first stage, during which we will

shift resources and get growth businesses on track.

Our business strategy will focus on expanding growth areas, increasing the profitability of existing businesses, and restructuring business portfolio companies.

In the Information Network Solutions segment, we will enhance profitability by strengthening product portfolio management and pricing management in existing areas while strengthening six growth business areas with high profit margins and market growth potential. In growth areas, we will focus on contact centers and cloud PBX services, where we can leverage our strength in voice platform technologies, while developing DX services in fruit and vegetable markets and in the logistics industry, where we have an established presence. / P.27 /

In the Electronic Devices segment, we will increase efficiency and profitability in existing areas including electronic device wholesaling, while attempting to create new solutions that will increase profitability. / P.31 /

In terms of financial strategy, we aim for ROE of 10% or more, based on the premise of maintaining financial soundness. In the current medium-term management plan, for the first time, we have presented our estimated cost of shareholders' equity, which is 9%. We will conduct management with the aim of achieving ROE higher than 9% to enhance corporate value. / P.35 / We will also make efforts to enhance human capital to support these strategies. / P.37 /

In light of the above, in FY03/26, the final year of the plan, we are targeting net sales of 130.0 billion yen, operating income of 6.5 billion yen, an operating margin of 5.0%, and ROE of 10.0% or higher.



Developing New Business Using the Latest Technologies

To lead our customer growth as a Growth Navigator, which is the objective of our long-term vision, we must firmly incorporate the latest technologies and develop them as businesses.

At present, we are particularly focused on the area of AI. The advent of ChatGPT is having a substantial impact on business. AI is an area that has attracted attention for some time, and with ChatGPT, we began to get a sense of how AI can be used in business. Of course, there are still issues and risks to be resolved, but we have already started using AI in various situations within the Company. Using AI allows us to think about how to use it to increase work productivity. This generates ideas about how to combine new technologies with our existing products or utilize them in areas where our strengths lie.

In the ICT industry, new things happen all the time. Personally, I love trying new things. It is probably my nature, but I enjoy being the first to do what no one else is doing. For example, I was the first person to create a network within Tsuzuki Denki. At that time, I was in the sales division and not an engineer, but my desk was the only one with an internet terminal. It wasn't there because I wanted to look at the internet, but because I wanted to be one of the first to experience all the new things that were coming out in the world, let my customers see them, and create new business. Since joining Tsuzuki Denki, the Company's culture has always allowed me to freely take on whatever challenges I like. This is how new services and products have been created. I will continue to cherish this freedom as our tradition. That being said, as our culture is not the only way to create new business, we will also invest in the R&D of new technologies and services.

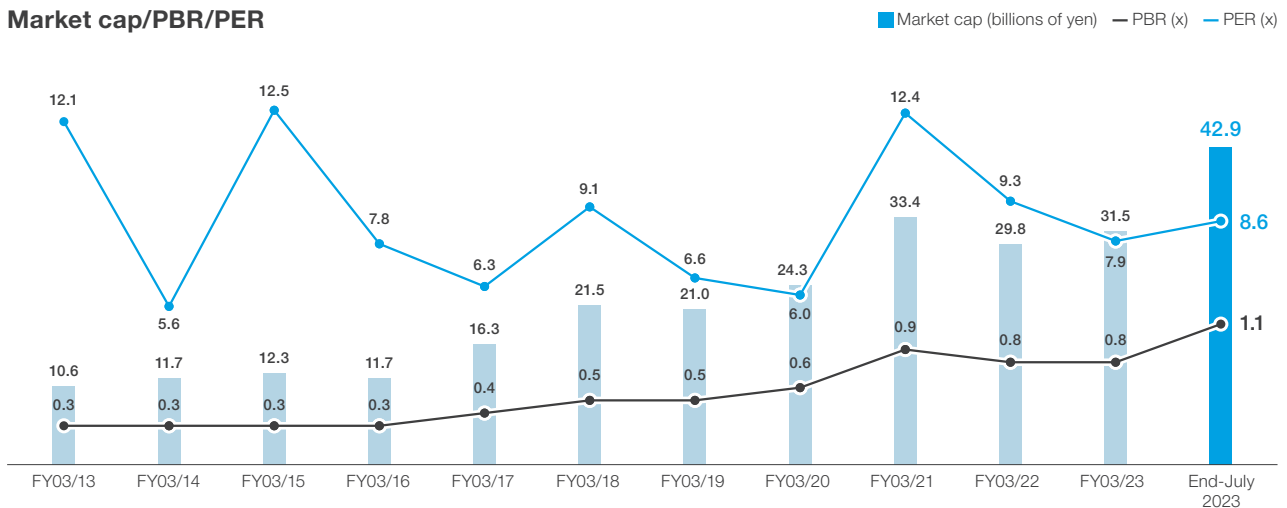
In tandem with growth investments, we will also proactively consider M&A opportunities. A certain amount of time is required to develop and cultivate human resources in new areas from the ground up. If we are going to tackle growth areas and new fields in the short term, it may be more advantageous to work with companies that have technologies we lack or that engage in business activities that we are unable to emulate. Although it is not easy to find companies with which we can maximize synergies, I think M&A and capital alliances are also drivers of growth. / P.24 /

Leading Customer Growth to Strengthen Customer Portfolios

When I think about Tsuzuki Denki' advantages, about what strength we possess that other companies in our industry do not, I believe it boils down to our "frontline capabilities." Frontline capabilities enable us to gain the trust of our customers. Customers expressing their satisfaction in choosing Tsuzuki Denki leads to further business opportunities.

We have about 20,000 customers, of which around 400 companies account for 70–80% of our sales. Our frontline

Market cap/PBR/PER



capabilities have earned the trust of these 400 customers, some of whom we have been doing business with for as long as 20 or 30 years. While some think it would be efficient to concentrate management resources only on these customers, we also place a high value on transactions with other customers. Our aim is to become a Growth Navigator, leading the growth of customers, enabling them to achieve growth to become a central part of our customer portfolio in around 10 years. If we are able to connect this to our own growth, nothing would make me happier. In this era of change, it is also possible for customers to achieve rapid growth. Considering the customer portfolio from a long-term perspective, we must also value relationships with customers who are not large in terms of transaction size.

Management, of course, is firmly committed to managing the profit of each project. However, focusing only on short-term profits and losses will lead to missing out on long-term gains. We are conscious of nurturing the future core of our client portfolio while also carefully cultivating the core of our current client portfolio.

Human Resources are Key to Growth

Tsuzuki Denki’s value creation depends on people. We are not manufacturers, and it is safe to say that people are all we have. In the medium-term management plan, we will implement measures to develop human resources and improve our internal environment as initiatives aimed at enhancing human capital. / P.37 / While we will implement these measures, at the end of the day, I think it all comes down to whether we can make a Company where employees are happy. If we can create conditions in which employees tell us they are happy, I will also feel happy, and this will definitely lead to the growth of the Company. It makes no sense for only the Company to grow while leaving individuals behind; it is important that individuals embody the growth of the Company.

There are many factors that contribute to a person’s sense of well-being, including finances, health, job satisfaction, and growth. In terms of remuneration, we

provide higher salaries than other companies in our industry, but this is also an investment in human capital, which we believe will pay off in the long run as it will enable us to retain high-level IT personnel.

We have also been proactively engaged in health management. While it is natural to value the physical and mental health and wellbeing of our employees, I am sending out the message that we must all remain healthy, including our families. It is essential for families to be happy, as this is directly related to work performance. For this reason, I want to make Tsuzuki Denki a “happy company” for both employees and their families.

I mentioned earlier that our competitive advantage lies in our frontline capabilities—each and every one of our employees contributes to the creation of these frontline capabilities. We will create systems and a corporate culture in which employees can thrive and play active roles, leading to individual growth and the growth of the Company.

Enhancing Intrinsic Corporate Value

The Company is being managed with an emphasis on corporate value. With an awareness of return on capital, including ROE, as indicators of corporate value enhancement, we will achieve a P/B ratio that is consistently over 1x. However, focusing only on numbers to improve ROE in the short term may end up damaging intrinsic corporate value. The essence of a company is to continue generating profits over the long term that exceed stakeholder expectations. This of course entails capital costs, but also includes employee wellbeing and social contributions through business activities. To enhance our intrinsic corporate value, we will accumulate high quality profits that include all these aspects.

Our purpose is to “bring to society ‘yohaku’ filled with possibilities, through people, insight, and technology, together.” This means working with stakeholders to contribute to the expansion of social possibilities. I would like all our stakeholders to understand our growth story and look forward to Tsuzuki Denki’s transformation.

Purpose



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.



CONTENTS

Top Message

1 Top Message

Introduction

7 Purpose, Table of Contents, Editorial Policy
9 History of Tsuzuki Denki
10 At a Glance
11 Value Creation Model
13 Tsuzuki Denki Strengths and Business Model
15 The Six Types of Capital
16 Feedback from Customers and Partners
17 Customers and Main Solutions

Long-term Vision and Medium-term Management Plan

21 Long-term Vision: Growth Navigator
23 Medium-term Management Plan: Transformation 2026
25 Business Strategies
25 Information Network Solutions Segment
30 Electronic Devices Segment
33 Message from Director Oyama
35 Financial Strategy
37 Human Resources Strategy

Tsuzuki Denki Human Resources

41 Message from Vice President Yoshii
43 Diversity & Inclusion
45 Workstyle and Workplace Reforms
47 Health Management
48 Human Capital Infographics

Foundation Supporting Transformation

51 Directors
55 Corporate Governance
59 Compliance, Information Security
60 Responding to System Development Risks and Enhancing
Project Quality, Status of Dialogues with Shareholders
61 Sustainability
62 Response to Climate Change

Financial and Non-financial Information

63 Financial and Non-financial Data
65 Corporate Information
66 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.

Editorial Policy

This report identifies the sources of our value and indicates how we intend to create value centered on the long-term vision and medium-term management plan announced in 2023. This report expresses our intentions and determination to envision our ideal positioning in 10 years' time and how we will transform ourselves to achieve this goal.



History of Tsuzuki Denki

Founding Period

- 1932** ■ Established in Nagoya as Tsuzuki Shoten, a distributor of Fuji Electric, engaged in the installation, and maintenance of telephone equipment
- 1941** ■ Changed company name to Tsuzuki Denwa Kogyo Co., Ltd.
- 1945** ■ Head office destroyed in air raid, temporary office opened in Tokyo
- 1958** ■ Entered into exclusive distributor agreement with Fuji Telecommunications Equipment Manufacturing (currently Fujitsu), launched sales of computers and related components

Business Establishment

- 1961** ■ Changed company name to Tsuzuki Denki Kogyo Co., Ltd.
- 1963** ■ Registered stock with the Japan Securities Dealers Association for over-the-counter trading (Industry: Commercial)
- 1967** ■ Established Toshin Electric (later Tsuzuki Densan Co., Ltd.) as a sales company for semiconductors and electronic components
- 1969** ■ Established Tsuzuki CE Center Co., Ltd. (currently Tsuzuki Techno Service Co., Ltd.), to strengthen total service structure within computer sales

Start as ICT company (fusing information and communication)

- 1970** ■ Established Tsuzuki Software Co., Ltd., in response to the growing importance of software in the face of technological innovation and increasing popularity of computers

Dramatic Growth in line with Computerization

- 1982** ■ Established Tsuzuki Kucho Co., Ltd. (currently TSUZUKI CROSS SUPPORT CO.,LTD.)
- 1986** ■ Listed shares on the Second Section of the Tokyo Stock Exchange

Business Scale Expansion (Net Sales Top 100.0 billion yen for the First Time)

- 1991** ■ Changed company name to Tsuzuki Denki Co., Ltd.
- 1994** ■ Strengthened overseas developments in the Electronic Devices segment
 - Established a local subsidiary in Singapore
- 1996** ■ Concluded a distributor agreement with Lucent Technologies (currently Avaya LLC)
- 1997** ■ Established a local subsidiary in Hong Kong

Entering a New Stage Alongside Technological Advancements

- 2006** ■ Established a local subsidiary in Shanghai
- 2011** ■ Acquired Next Vision Co., Ltd., which specializes in travel industry systems, as a subsidiary
- 2012** ■ Merged with Tsuzuki Densan Co., Ltd
- 2016** ■ Announced new TSUZUKI Principles and Company logo.
- 2018** ■ Changed Tokyo Stock Exchange industry category from "retail" to "information and communication"
- 2020** ■ Listed on the First Section of the Tokyo Stock Exchange
 - Acquired ComDesign Inc., a company with unique cloud-based contact center solutions, as a subsidiary
- 2021** ■ Spun off Electronic Devices segment
 - Established TSUZUKI EMBEDDED SOLUTIONS CO., LTD.
- 2022** ■ Became a DX Certified Business by the Ministry of Economy, Trade and Industry
 - Listed in the Prime Market of the Tokyo Stock Exchange
 - Established Purpose and updated the TSUZUKI Principles

Currently:

- Taking on the challenge of creating new value with a focus on our 100th anniversary in 2032

1930

1960

1970

1980

1990

2000

ICT History in Japan and Abroad

■ Japan ■ Global

- 1926** ■ Step-by-step switching system launched
Usage commences in Japan

Advances in telephone switching technologies

- 1933** ■ Practical use of No. 3 automated desktop telephones commences
- 1935** ■ First automated immediate long-distance calls (between Ebara and Tokyo)
Telephone subscriptions exceed one million lines
- 1946** ■ Birth of ENIAC (forerunner of modern computers)
- 1950** ■ Birth of UNIVAC-1, the world's first commercial computer
- 1952** ■ Launch of Nippon Telegraph and Telephone Public Corporation
- 1953** ■ Public Telecommunications Law goes into effect
- 1955** ■ Crossbar switching systems Usage begins in Japan

Digital Advances

- 1961** ■ Advent of Japan-made transistor-type general-purpose computers
- 1964** ■ Birth of the general-purpose computer, System/360 (IBM)
■ Launch of Midori-no-Madoguchi, Japan's first data communications system
- 1968** ■ Telephone subscriptions exceed 10,000,000 lines

Rapid spread of telephone lines

- 1972** ■ Telephone subscriptions exceed 20,000,000 lines
- 1975** ■ Telephone subscriptions exceed 30,000,000 lines
- 1978** ■ Birth of word processing
- 1979** ■ Completion of nationwide automated switching system (phone calls connected immediately)

Spread of personal computers and advance of office automation (OA)

- 1981** ■ Development of MS-DOS
- 1985** ■ Reorganization of Nippon Telegraph and Telephone Public Corporation into NTT, liberalization of telecommunications
■ Microsoft announces Windows 1.0
- 1987** ■ NTT commences mobile phone services
- 1988** ■ ISDN service starts

Arrival of the Internet Age

- 1991** ■ Launch of the world's first website
- 1992** ■ Downsizing advances, PCs become widespread
- 1993** ■ Ministry of Posts and Telecommunications permits commercial use of the Internet
- 1995** ■ Windows 95 is released by Microsoft, and the Internet spreads rapidly, opening up networks and systems
- 1999** ■ NTT DoCoMo launches iMode service

IT Revolution

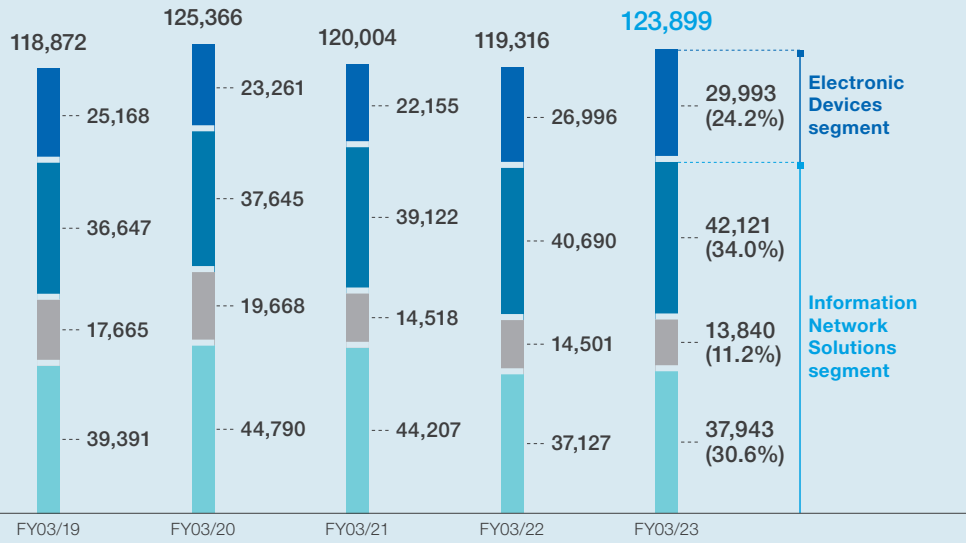
- 2000s** ■ In addition to personal computers and the Internet, mobile phones rapidly spread to offices and homes, revolutionizing the economy, society, and daily life
 - IP telephony, which transmits and receives voice over the Internet, makes significant advances in corporate telephone systems
- 2010s** ■ Smartphones and tablets replace cell phones, advancing mobility
 - Unified communications integrating diverse telephone, e-mail, videoconferencing, and other communication methods begins to spread
 - With the spread of cloud computing, IT systems are shifting from "ownership" to "usage"
 - Artificial intelligence (AI) enters its third major expansion with the practical application of machine learning and the emergence of deep learning

Currently:

- Entering the era of digital transformation (DX) under the keywords AI, IoT, 5G, and smart cities

Net Sales (millions of yen), Sales Composition (%) (FY03/23)

■ Equipment ■ Development & Construction ■ Service ■ Electronic Devices

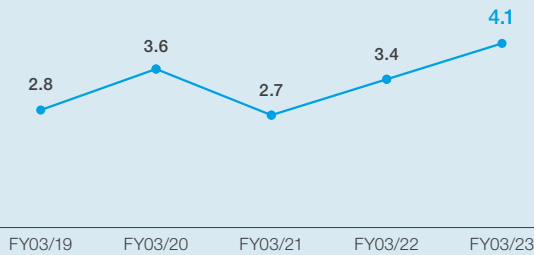


Market cap
42.9
 Billion yen
 (As of end-July 2023)

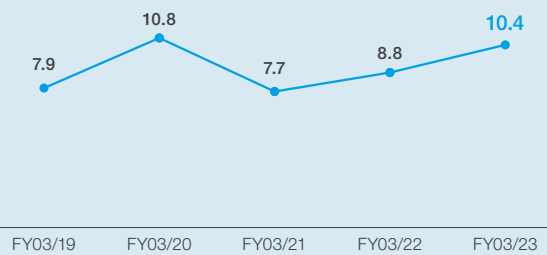
Customers
 Approximately
20,000
 companies

TSUZUKI At a glance

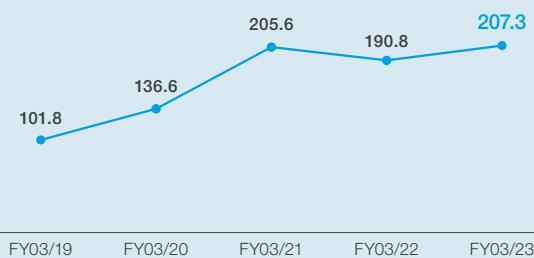
Operating Margin (%)



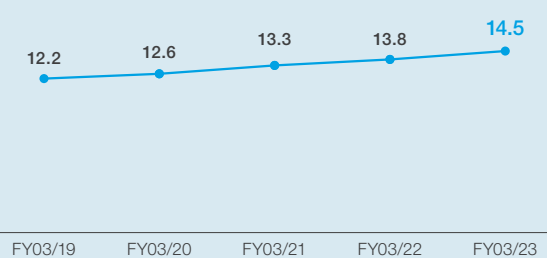
ROE (%)



Total shareholder return (TSR) (%)



Ratio of women among all full-time employees (%)



Value Creation Model

Purpose

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

Business Activities

Input

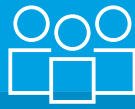


Long-term vision
Growth Navigator

Medium-term management plan
Transformation 2026

Financial		
FY03/33 Targets		
Net sales	Operating income	ROE
150.0 billion yen	10.0 billion yen	15%
FY03/26 Targets		
Net sales	Operating income	ROE
130.0 billion yen	6.5 billion yen	10% or higher

Outcome



Customers

Resolving issues and taking on the challenge of creating new value

- High-quality, timely, and optimal service
- Business continuity, improvement, and transformation methodologies
- Latest ICT solutions reflecting the times
- Stakeholder satisfaction improvement



Employees

Providing opportunities for self-actualization and continuously growing together

- Space and opportunity for diverse human resources to actively participate
- Corporate culture encourages freely taking on challenges
- Diverse array of workplace and workstyle options
- Safe and secure workplace environment



Society

Fulfilling our social responsibility with the aim of realizing a prosperous world

- Social issue resolution measures
- Safe, secure, and convenient lifestyles
- New experiences
- Reduced environmental impacts



Shareholders and investors

Pursuing social and economic value through repeated dialogues

- Shareholder returns through sustainable growth and enhanced corporate value
- Expanding constructive dialogues and flexible management
- Appropriate information disclosure and transparency

Non-financial

Enhance non-financial value

CO₂ emissions
591 t-CO₂

Tsuzuki Denki Strengths

The driving force behind our business activities is the strength of our people, insights, and technology, which we have accumulated over the course of our history.

This is the source of our uniqueness, and we maintain its importance in our Purpose, carried on from our previous management philosophy.

We will continue creating new value for stakeholders by fusing timeless elements of our business that have been passed down over the years with newer elements that have been updated in line with modern times.

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 the taking on of 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

Having begun as a telephone switching equipment company, voice platform technology is at the core of our business. The telephone is an indispensable lifeline that requires a high level of technical expertise. As 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.

Business Model

Business flow



Electronic Devices

Semiconductors
(custom LSI, microcomputers, memory)

Electronic components
(relays, connectors)

LCD panels

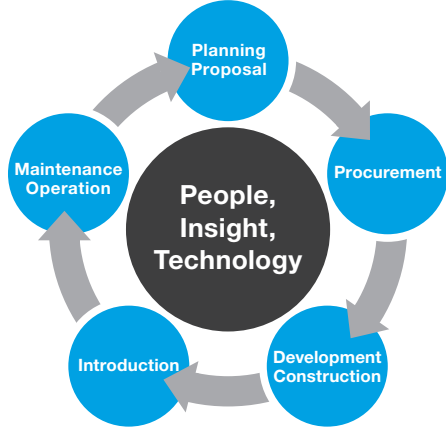
ASIC

HDD/SSD

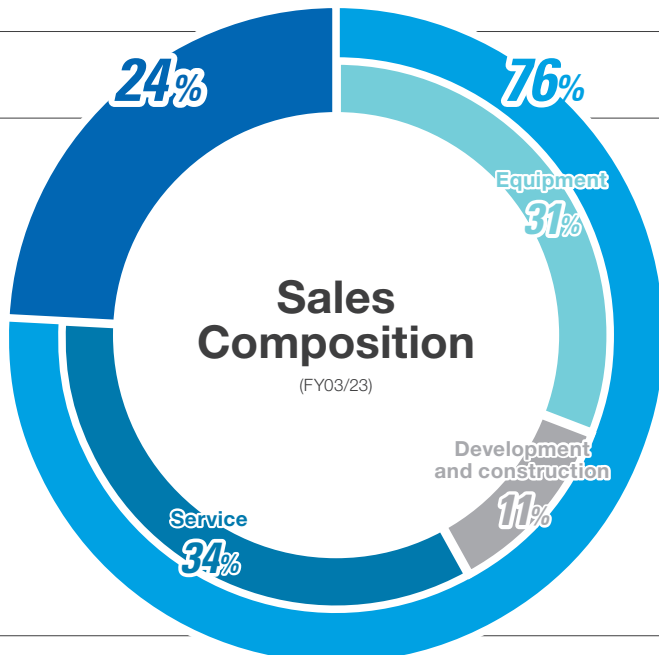
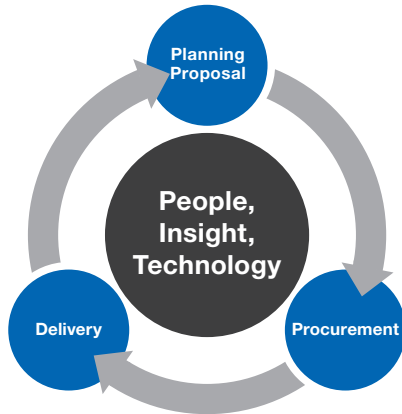
Embedded servers, etc.

One-stop provision of all flows

Information Network Solutions Segment



Electronic Devices Segment



Planning and Proposals

- Features** DX professionals accurately grasp customer needs and wants, and coordinate accordingly.
- Enhancements** Established the DX Associate in-house certification system, working to develop all employees, including managers, into DX human resources. (At end-FY03/23, 147 people had been certified)

Procurement

- Features** Facilitates selection of the most suitable hardware, software, and services from Japan and overseas without being bound to manufacturers. (Multivendor)

Design, Development, Construction, Introduction

- Features** Half our employees are engineers with the skills to handle products from all ICT domains and manufacturers.
- Enhancements** Engineers are provided with Tsuzuki Style, a compilation comprising 19 volumes of proprietary Tsuzuki Denki work standardization guidelines, to promote standardization and uniformity, improve efficiency, and enhance skills.

Maintenance and Operations

- Features**
 - We operate 89 service bases across Japan.
 - The identification of customer issues and areas in need of improvement during the maintenance and operation leads to subsequent planning and proposals. This is how we realize long business relationships.
- Enhancements** We designated TManaged, our own brand of operation services, as one of the growth areas targeted in our medium-term management plan and are working to strengthen our service lineup. / P.28 /

Information Network Solutions

- Equipment**
 - PC
 - Servers
 - Storage
 - Network devices
 - PBX, etc.
- Development and construction**
 - Infrastructure construction (information and network systems)
 - Network design and construction
 - System and application development
 - Voice platform system (PBX) design, construction, etc.
- Service**
 - Various cloud services (CT-e1, TCloud series, etc.)
 - Cloud infrastructure (Microsoft Azure, etc.)
 - Device maintenance
 - Monthly line fees
 - Maintenance and operation services, etc.

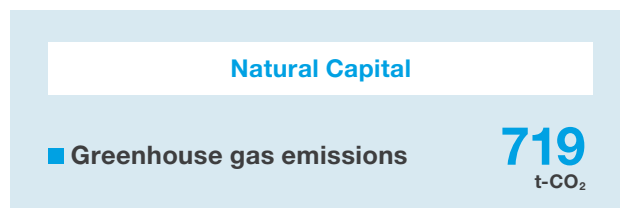
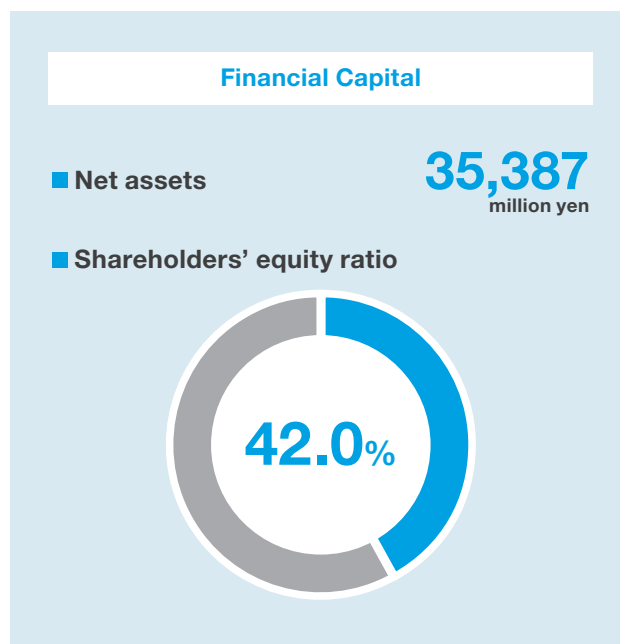
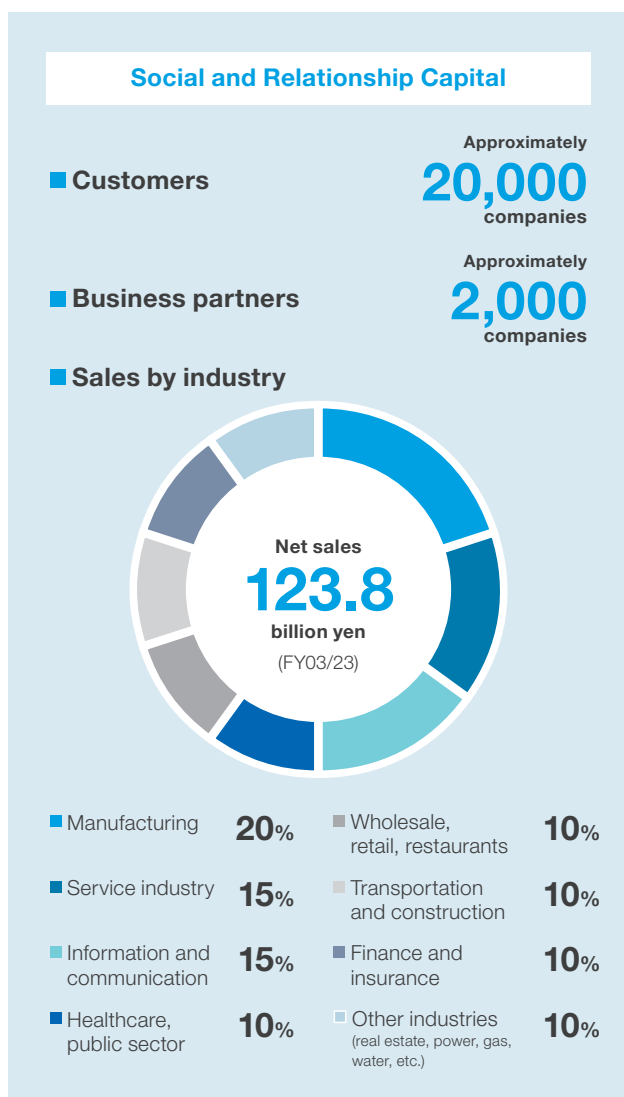
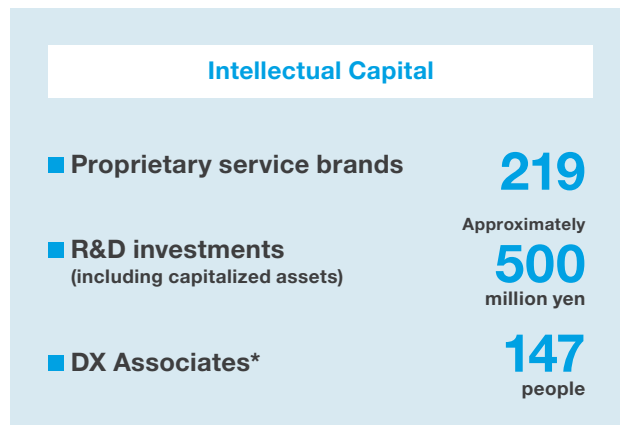
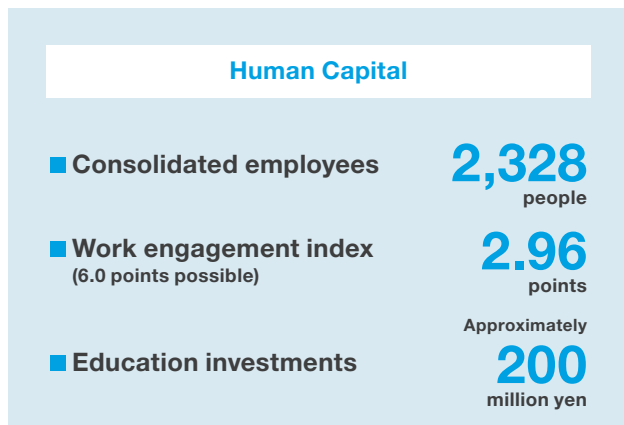
The Six Types of Capital

Tsuzuki Denki has accumulated a wealth of capital in its 90 years of business.

To achieve further growth, we must enhance ICT service offerings no other company can match leveraging our technologies, know-how, co-creation partners and other forms of capital.

We will maximize the value we provide to our customers and wider society by allocating financial capital and enhancing human capital, which is the source of all we do.

As of end-FY03/23



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

Feedback from Customers and Partners

Customer

Manager, Keisan Center, Yamazaki Baking Company, Ltd.

Kazuya Ueda



My relationship with Tsuzuki Denki began before I joined Yamazaki Baking as a new employee, and has continued for more than half a century. There are two aspects of this long business relationship for which I am grateful.

First, is the ability of Tsuzuki Denki to respond to problems. Yamazaki Baking prepares and delivers food products daily and our plants operate 24 hours a day, 365 days a year, so system outages due to equipment failures or network problems can have a very significant impact on our business. Given our system environment, I appreciate their rapid response, both during normal operations and anytime day or night when problems arise.

The second aspect I am grateful for is Tsuzuki Denki's excellent maintenance system. Their employees maintain several of our systems and networks, and many of them have been with us for a long time and are thoroughly familiar with our environment. Maintenance personnel are also rotated on a scheduled basis. These personnel are familiar with our company's environment, and are able to make recommendations for improvements, which is very reassuring.

In my long relationship with Tsuzuki Denki, their response during the Great East Japan Earthquake was particularly impressive. Our Sendai facility was impacted by the disaster

and we were unsure of the condition of the servers, but I was impressed by the fact that their engineers rushed to the plant as quickly as possible and returned them to working order. During the subsequent rolling blackouts, these engineers worked with us on the planning and execution of work on each system infrastructure platform. After the earthquake, when we relocated the data in our Osaka branch to a highly reliable and robust data center in line with business continuity planning (BCP), they took care of the entire process, from data center selection, to the relocation itself.

We have been doing business with Tsuzuki Denki for more than half a century because they are always by our side facing challenges and considering our point of view as a true partner.

At present, we are conducting DX and AI co-creation projects led by young members from both companies, and Tsuzuki Denki has introduced us various case studies from different industries. When Yamazaki began looking at ChatGPT, they were quick to provide us with information, and created a verification environment based on experience in their own company.

Although the focus up to now has been building infrastructure and maintaining systems and networks, going forward, we hope to engage in co-creation with Tsuzuki Denki in new areas as well.



Partner

Managing Executive Officer, Microsoft Japan Co., Ltd.
General Manager, Industry Sales Division; General Manager,
Modern Work & Security Sales Division

Yoshiaki Okada

We have had a long-standing relationship with Tsuzuki Denki as a partner since Microsoft was mainly selling licenses for Windows, Office, and other PC products. With the release of Office 365 and the shift from a licensing sales business model to cloud services, Tsuzuki Denki began provision of TCloud for Office 365, which further deepened our relationship and facilitates the comprehensive provision of Microsoft solutions to their customers. This is made possible thanks to Tsuzuki Denki's advanced technological capabilities and accumulated experience in both information systems and voice networks including PBX.

Further accelerating this collaboration, at present, Tsuzuki Denki uses Microsoft Azure as the infrastructure for its main services, including D-VUE® Cloud Data Lake Platform, DagreeX for electronic contracts, and the IntrameriT groupware and workflow tool.

One of Tsuzuki Denki's strengths is its internal use of the

latest Microsoft technologies, including Microsoft 365, Microsoft Azure, and Azure OpenAI Service, which are also incorporated into their proposals to customers.

They utilize knowledge accumulated through the internal use of these technologies in proposals to customers, which is a significant advantage.

Microsoft's mission is to empower every person and every organization on the planet to achieve more.

Japan lags behind other countries in DX initiatives, and this is particularly the case among small and medium-sized enterprises (SMEs).

In combining Tsuzuki Denki's knowledge of various industries with Microsoft AI, cloud computing, and other digital capabilities, we want to work together to help as many Japanese customers as possible to achieve more, and to make Japan as a whole more vibrant.

Customers and Main Solutions

Offices (common across all industries)

Tsuzuki Denki constructs and sets 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.

Examples

Installation of office communication equipment (telephones, networks, web conferencing, telework environments, etc.), development of infrastructure for PCs, printers, etc., introduction of groupware and other systems, cyber security.

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.

Contact Centers

We develop and implement call center operation systems for customer with e-commerce contact centers or customer service phone lines. We also contribute to improved customer and operator satisfaction by combining advanced contact center operations with telework support for operators.



TCloud for Voice (TCV)

TCV is a service facilitating cloud-based PBX. PBX is a device (or system) that facilitates the sending and receiving of calls from within and outside the company, which up to now was mainly located on-premises.* Cloud-based systems do not require customers to own any equipment, so there is no need for maintenance, and they make it easy to change extension numbers or system scale. This high-quality, low-cost cloud PBX service is made possible because Tsuzuki Denki is a pioneer in voice technology. / P.27 /

*Arrangement where the customer company owns and operates their own hardware and software.

AI Discharge Date Prediction

We have introduced electronic health records and other systems used by healthcare professionals in a number of hospitals. Most recently, we have been working with Aso Iizuka Hospital and Aso Information System to research and develop an AI-based discharge date prediction service. AI is used to analyze patient admissions data and predicts discharge dates with a high degree of accuracy, enabling more efficient management of hospital beds. As of the end-July 2023, we were conducting free trials and plan to release this service based on the results of these trials.

CT-e1

CT-e1 is a service providing cloud-based systems for contact center operations. In addition to basic functions, this system has advanced functions not available with other services, including AI-based voice recognition and emotion analysis. It can be used in any location with as many operators as necessary, offering superior customizability. The CT-e1 enables both upgrading contact center operations and supporting operator telework. / P.27 /



► Social Issues Resolved by Tsuzuki Denki

Declining workforce due to aging population

Wasteful use of resources and environmental impacts due to operational inefficiencies

Lagging behind in digitalization

Issues resolved through ICT provided by Tsuzuki Denki

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

Markets

We develop and implement systems (sales management) 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, build, and install onboard automotive systems in trucks that transport products from 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.



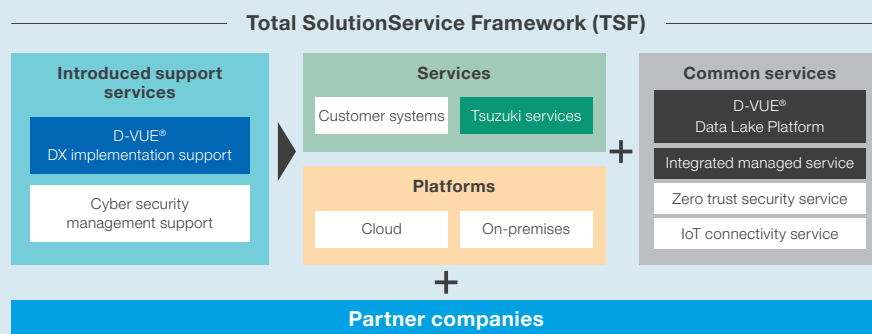
TCloud Series

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 capitalizes on the recent trend toward cloud computing, with specifications that accurately grasp the needs of customers despite being in specialized domains. / P.28 /



Total SolutionService Framework (TSF)

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



Long-term Vision and Medium-term Management Plan

Transformations Focused on the 100th Anniversary of the Company's Founding

Since our founding in 1932, we have supported our customers and society with ICT.

Recently, the speed of social change and technological innovation has accelerated, and the business environment surrounding Tsuzuki is changing at a dizzying pace.

In this context, how should we transform ourselves to remain the company of choice for our stakeholders for the next 100 years?

We have established a long-term vision of where we want to be in 10 years, and are implementing the first stage of our medium-term management plan, "Transformation 2026."





Long-term Vision

Growth Navigator

An organization that navigates growth and creates value together with stakeholders

From Standing by Customers' Side, to Becoming a Partner that Leads Growth

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.

Purpose

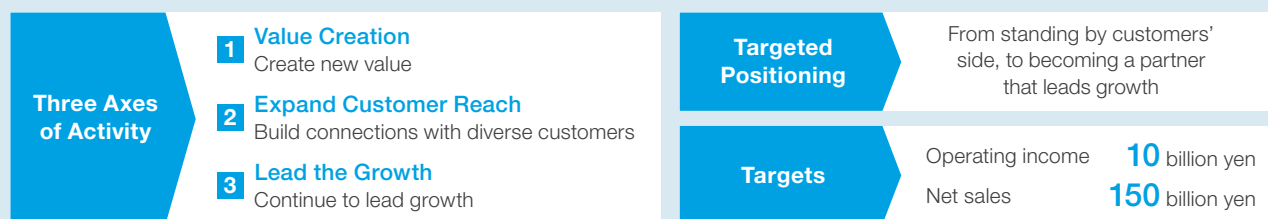
Bring to society “yohaku” filled with possibilities, through people, insight, and technology, together.

Long-term Vision Where we want to be in 10 years

Growth Navigator

An organization that navigates growth and creates value together with stakeholders

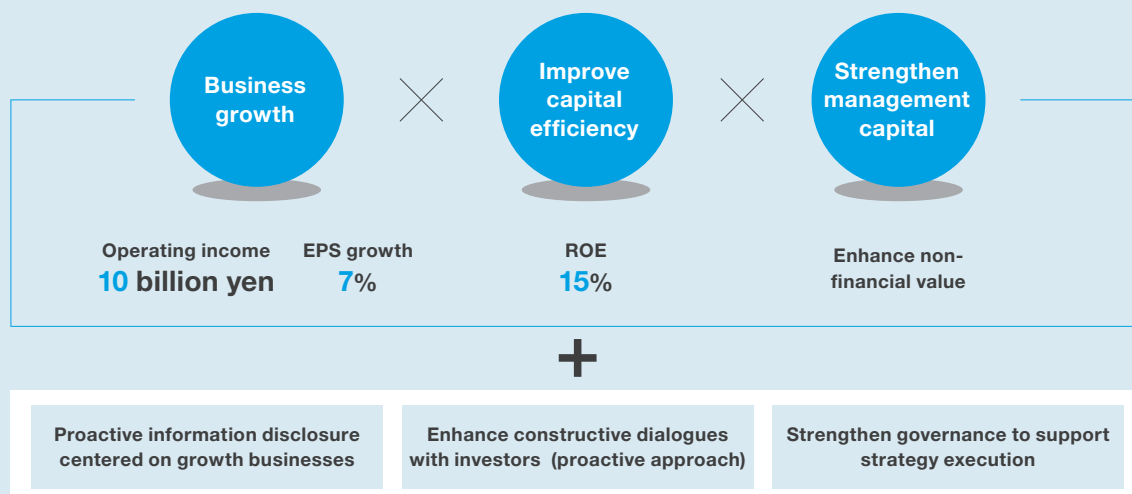
Medium-term management plan



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 dialogues with capital markets, we aim to achieve sales of 150 billion yen, operating income of 10 billion yen, and ROE of 15% by the end of the next 10 years.

We will also further enhance corporate value by strengthening management capital constituting the origin of this commitment.



Approach to Business Growth

Creating a Business Portfolio Emphasizing Growth and Profitability

We will organize the areas that we will develop into the pillars of our business over the next 10 years into growth areas and new business areas, and transform our portfolio to place more emphasis on these areas.

Growth Areas

These are areas where needs are already apparent, but many customers yet to start implementation, which is expected to increase in the future in light of social trends. (Examples: Cloud-based services, security products, DX products)

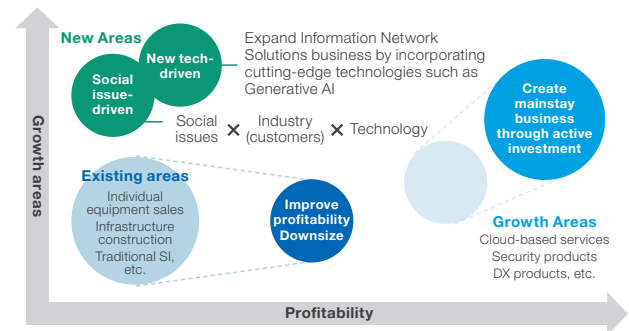
However, we expect targets to change with the acceleration of technological innovation, and it is important to firmly ascertain these changes in portfolio management.

New Business Areas

1 Refers 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.

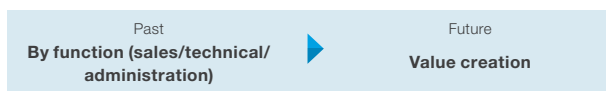
2 We will identify and absorb cutting-edge technologies that will take root in society and become mainstream in the future.



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.

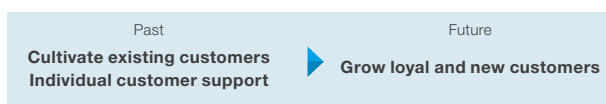
Organization and Human Resources



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. To this end, we will enhance our ability to discern potential issues based on facts and construct hypotheses, devise solutions on our own or co-create with customers and partners, and improve skills related to verification, creation, and improvements. Regarding organization, we will make various changes including integrating manufacturing and sales and decentralizing organizational functions.

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.

Investments



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

Business Stance



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

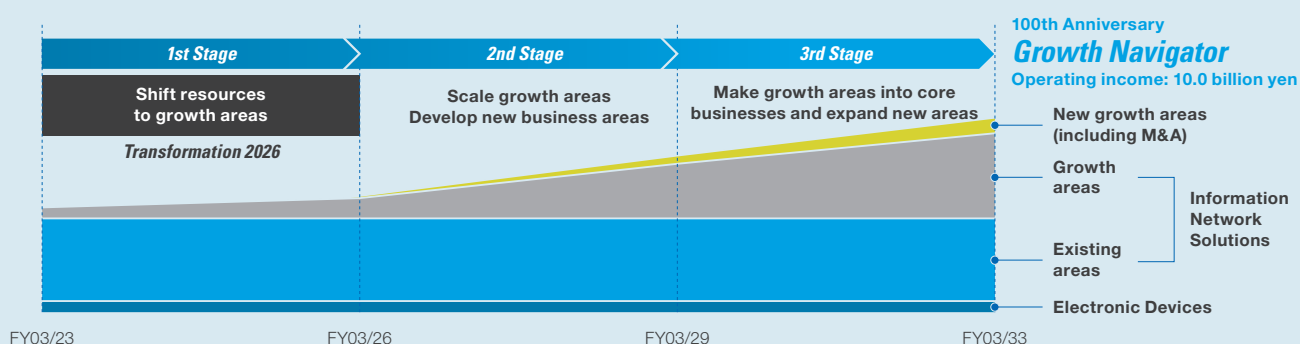
First Stage for Realizing Our Long-term Vision

As the first stage toward realizing our long-term vision, we formulated the three-year medium-term management plan, Transformation 2026.

By shifting resources to growth areas, we will change the drivers of our earnings and increase our earning power.

To this end, proactive investments in business, including M&A, are essential.

We will focus on acquiring capabilities for growth and new areas, aim to increase the ratio of these capabilities to the same level as existing areas in 10 years.



Medium-term Management Plan Overview

Under the current medium-term management plan, Transformation 2026, we aim to enhance corporate value through integrated efforts based on three pillars: Business strategies, financial strategies, and management base reinforcement.

We place particular emphasis on profitability, targeting operating income of 6.5 billion yen (+27.5% YoY), far exceeding the record income posted in FY03/23.

Medium-term Management Plan Three Pillars

FY03/23 results	Business strategies	Financial strategies	Management base reinforcement	FY03/26 Targets (vs. FY03/23)
Net sales 123.8 billion yen Operating income 5.1 billion yen ROE 10.4%	Expand growth areas Increase profitability of existing businesses Restructure business portfolio and Group companies	Manage finances while being mindful of the cost of capital Create growth funds through balance sheet optimization Optimize capital allocation	Proactively invest in human capital (organizational and human resource development) Further enhance governance Strengthen sustainability efforts	Net sales 130.0 billion yen (+5.0%) Operating income 6.5 billion yen (+27.5%) ROE Over 10.0%
CO₂ emissions Scope1+2 719 t-CO ₂				CO₂ emissions Scope1+2 591 t-CO ₂ (-17.8%)

Basic Policies by Segment

	Policies	Key priorities	FY03/26 Targets	
			Net sales (vs. FY03/23)	Operating income (vs. FY03/23) Operating margin
Information Network Solutions	Strengthen six growth areas	<ol style="list-style-type: none"> Promote collaborations with other companies by leveraging core technologies Strengthen technical, marketing, and product development capabilities through human resource development Expand service lineup 	102.2 billion yen (109%)	5.5 billion yen (131%) 5.4%
	Improve profitability in existing areas	<ol style="list-style-type: none"> Strengthen product portfolio management based on TSF concept Ensure thorough pricing management Reorganize business formation 		
Electronic Devices	Improve gross profit margin in existing devices and systems business	<ol style="list-style-type: none"> Expand sales of overseas products, power supply modules, and other products with growth and profit potential Enhance outreach to existing small and medium-sized customers Thoroughly implement low-cost operations 	27.8 billion yen (93%)	1.0 billion yen (105%) 3.6%
	Expand business by creating new solutions	<ol style="list-style-type: none"> Expand solutions by co-creating with partners Take on the challenge of entering new areas Strengthen digital marketing and inside sales 		

Organizational Transformations Aimed at Enhancing Medium-term Management Plan Efficacy and Feasibility

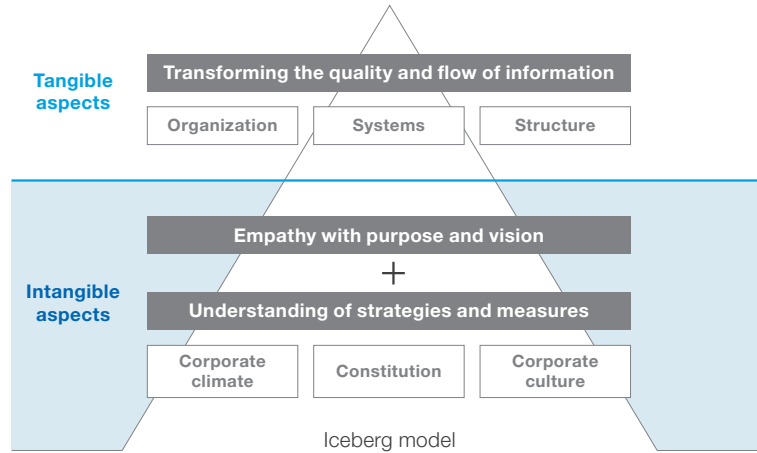
Establishment of the Business Strategy Planning Office

The Business Strategy Planning Office, established in April 2023, is an organization created to plan various measures based on Information Network Solutions segment strategies under our long-term vision and medium-term management plan, and to incorporate and manage these measures in frontline divisions.

To spread our vision and plan, developing intangible aspects (corporate climate, constitution, and Corporate culture) is more critical than tangible aspects (organization, systems, and structure). Therefore, we make it our mission to foster a culture and climate for transformation change and create the framework facilitating these changes.

We recognize business investment as one of the most important themes, as it will significantly impact growth over the next 10 years. Accordingly, we will take an offensive stance toward business investment.

Business Strategy Planning Office Mission Scope



MESSAGE

Intended Role of the Business Strategy Planning Office

Office Manager	General Manager	Deputy General Manager
Takeyoshi Hagihara	Shusaku Ueshin	Shunsuke Hino



Investment Strategy

Investment strategies are key to achieving our long-term vision and medium-term management plan. This office is responsible for various missions related to the execution of business strategies, among which, we will devote time and effort to the strategic planning and promotion of M&A.

Up to now, we focused on utilizing and enhancing internal resources, but in recent years, with the environment changing rapidly, we recognize that it will be difficult to continue growing without increasing our current competitiveness and taking on new challenges. We will pursue M&A under a policy of acquiring capabilities incrementally over a medium- to long-term timespan.

In the medium term, we will examine and absorb companies with services and technologies that can create synergies in the growth areas and those with capabilities we lack. This also includes companies that have channels that we do not. In the long term, we aim to expand our business domain through M&A to enter new areas and markets and expand our service lineup.

Currently, we are proactively creating deals in line with this strategy through partnerships with several M&A advisory firms. We are also working to strengthen contact with startup

companies. We believe that exposure to startup companies will lead to the discovery of new technologies and ideas, enabling us to develop a discerning eye for finding the right projects for our growth strategy. Through these efforts, we will realize M&A that truly generate business synergies.

Thoughts on Achieving the Long-term Vision

We have the will and determination to make the transformation and we are determined to realize our long-term vision.

First, we must communicate closely with employees to ensure that the vision and strategy permeate the entire Company and that each employee understands the importance of the transformation. Further, the accumulation of short-term results will keep the entire Company motivated, leading to great achievements.

10 years will pass fairly quickly. We strongly hope to become a company where employees have a smile on their faces and to grow even further. There may be challenges in the next 10 years, but everyone in our office and all Tsuzuki employees will do their best to fulfill our mission and expectations while constantly evolving.



Information Network Solutions Segment Strategy

In our mainstay Information Network Solutions segment, we sell, develop, and build ICT-related equipment and services, and provide post-implementation maintenance and operation services, mainly for corporate clients. In the previous medium-term management plan, we aimed to increase the service ratio, and as a result of efforts centered on co-creation with partners, sales in the service business grew by approximately 8% over the three-year period. We will work to further strengthen profitability by shifting resources to growth areas under the new medium-term management plan.

Today, ICT technologies are expected to resolve social issues. For example, issues including an aging population and a shrinking workforce resulting from population decline are areas where ICT can be useful in providing solutions. For Tsuzuki Denki to achieve further growth, we believe it important to change our relationship with customers while resolving social issues using the technologies we possess. In the past, the relationship between Tsuzuki Denki and our customers involved selling, buying, and the creation and use of systems. Going forward, we will change this relationship to one where we resolve social issues together. To resolve issues in the B2B2B and B2B2C businesses requires collaborative partners, and above all, we must create new initiatives and mechanisms together with our customers as co-creation partners. Our goal is to resolve social issues in each of our customers' industries through the building of these relationships, and to bring these solutions to the world in the form of services and products.

Under the theme of transformation, the current medium-term management plan is focused on strengthening the six growth areas and improving the profitability of existing businesses. We will transform our business structure by focusing on new things and revising existing businesses. The changes brought about by the pandemic will never be reversed. In order to see these changes as opportunities, we must change what we have done in the past, rather than maintaining the status quo. This is the key to achieving our medium-term management plan, as well as essential to realizing our longer-term goals. I see my role as initiating the transformation and ensuring that the organization is able to transform.



**Transformation is
necessary for achieving growth**

Senior Managing Executive Officer
General Manager of Solution Business Unit

Katsuyuki Yoshida

1 Basic Policy

Strengthen six growth areas

- Promote collaboration with other companies by leveraging core technologies
- Strengthen technical, marketing, and product development capabilities through human resource development
- Expand service lineup

2 Basic Policy

Improve profitability in existing areas

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

FY03/26 Targets

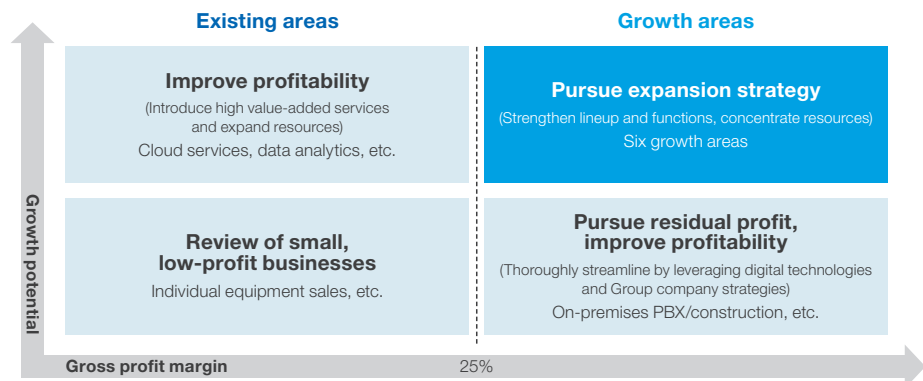
Net sales (vs. FY03/23)
102.2 billion yen (109%)

Operating income (vs. FY03/23)
5.5 billion yen (131%)

Operating margin
5.4%

Eliminate Waste, Enhance Strengths, and Increase Earning Power

We have identified six growth areas in the Information Network Solutions segment and will enhance earning power by expanding and strengthening these areas. We will also increase efficiency in existing areas to shift management resources to growth areas.

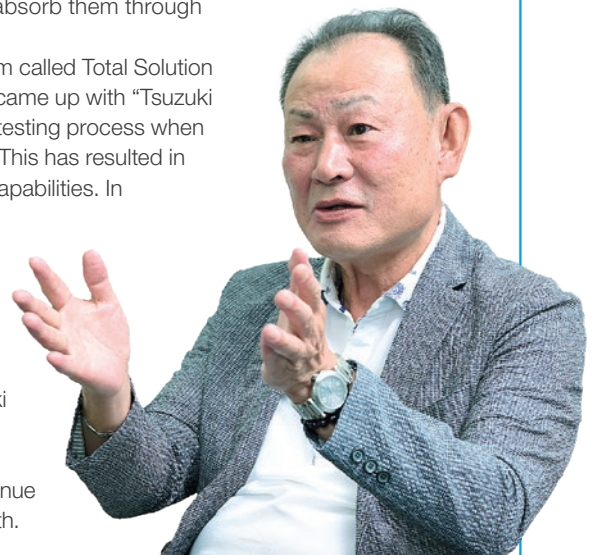


Our business consists of (1) consulting, (2) sales, (3) implementation (development and construction), and (4) maintenance (maintenance and operation). Among these, our challenge is to strengthen consulting services. With DX in particular, consulting capabilities are the key to success. In this area, we are strengthening problem-solving consulting services, including the D-VUE® DX implementation support and cybersecurity management support.

Turning to technology, in my view, technology consists of three elements: Structure (methods and approach), architecture (the latest technologies), and the power of people (communication and negotiation skills). In terms of architecture, we remain informed of the latest technologies and absorb them through relationships with partners.

Regarding structure (methods and approach), we created a service system called Total Solution Service Framework (TSF) / P.18 /, and in considering how to promote it, we came up with “Tsuzuki Style.” It is written in an orderly manner, from design and development to the testing process when creating a program, so that the reader can understand how best to proceed. This has resulted in technological standardization, and is also linked to enhancing technological capabilities. In addition, customers will be able to see what Tsuzuki Denki is doing and what we offer, and our partners will be able to determine how they can cooperate with us and receive various kinds of support. We believe that we can compete through a mutually beneficial three-way system comprising employees, customers, and partners.

I feel we are also making improvements with regard to the power of people (communication and negotiation skills). Over the past six or seven years, Tsuzuki employees have been energized through increased investments in research and development, while the organization has transformed into a more open environment where they can share ideas freely. I hope all our stakeholders continue to have high expectations as we steadily promote preparations for further growth.

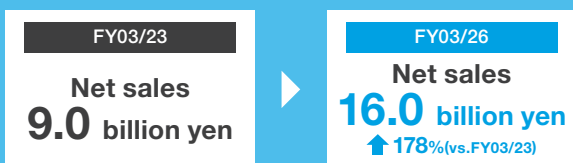


Senior Managing Executive Officer
General Manager of Service & Support Unit

Yuji Nishimura

Strengthening three technological elements

Strengthen Six Growth Areas



Strengthening these six areas will lead to a more robust Tsuzuki Denki value chain overall. Each of these can be categorized as upstream (DX Consulting), midstream (Contact Centers, Cloud Communications, Security, and Market-specific DX Services), and downstream (Managed Services). We will enhance the upstream, which is the entryway to business, the midstream, comprising the group of services meeting those needs, and the downstream, which is the customer contact point, to enlarge and strengthen the entire value chain while increasing overall business profitability.

Aiming to Become the Market Leader by Leveraging Voice Platform Technologies to Expand Our Two Communication Businesses

1 Contact Center Systems

2 Cloud Communications

In communications businesses utilizing voice platform technologies* upon which our business was founded, we have established customer trust and a proven track record over many years. These businesses are one of the growth drivers that create a variety of services. We aim to provide new value based on voice platform technologies, not merely as a means of communication, but to improve business efficiency and utilize analytical information for marketing purposes.

Within communications businesses, we must focus efforts on contact center systems and cloud communications in particular.

In contact center systems, we can provide functions that meet customer requirements with the highly customizable CT-e1 / P.17 / as the mainstay product.

In cloud communications, we can provide fast, high-quality telephone line switching functions in the cloud centered on TCloud for Voice / P.17 /. Each of these cloud services is imbued with customer needs and know-how accumulated through many years of our PBX experience, and is unmatched by any other company in terms of functionality and price. As voice platform technology professionals, our strength lies in the ability to provide products and services, including on-premise services, that are best suited to the required scale and system constraints.

In these two areas, we have significantly outperformed the market growth rate over the past three years. We will continue to coordinate with peripheral areas to capture market share.

We have conducted major restructuring in FY03/23. In addition to integrating sales and engineering departments, planning departments that formulated and promoted business models, marketing strategies, and service development in this area, will be integrated into a single organization to facilitate information sharing and respond quickly and flexibly to changes in market trends and customer needs.

“Voice” offers various possibilities as the ultimate interface that does not involve special operations. Combining these with AI and other advanced technologies is expected to further expand this market. Tsuzuki Denki aims to become a leading company in this market, pursue synergies with new technologies to create unique value and services.

*Voice platform technologies refer to the basic technologies used in the voice and communications market, including the transmission, compression, processing, recognition, and synthesis of speech.

Expanding Sales in Our Four Areas of Competitive Advantage by Extended Service Lineup and Enhanced Technological Capabilities

3

Managed Services

For many customers, IT personnel shortages and elimination of operational tasks are pressing issues. The reality is that they are deprived of resources that can be devoted to DX and lack agility. The trend toward outsourcing existing operational tasks is expected to expand in the future, and demand is expected to increase as cloud services become more prevalent, making operational tasks easier to perform from an external environment.

Under our TManaged brand, we develop services focused on ICT-related operations outsourcing. We have a track record of over 300 companies, and a large number of engineers who support them. Our strength is that we do not limit ourselves to specific areas, but maintain an extensive lineup of help desk, infrastructure, application, and monitoring services that take advantage of our business characteristics. Further, we are also focused on the development of various technologies including AI, and by combining them together, we can identify issues from completely new perspectives and apply them in future business. As points of contact for operations and maintenance and operation-driven thinking are essential for building medium- to long-term relationships with customers, we will strengthen TManaged to provide high-value-added services.

5

Market-specific DX Services

As corporate investment in DX expands, we anticipate that industries and small- and medium-sized business customers that have been in wait-and-see mode will also begin to make full-scale changes, and we will exploit niche areas with our specialty, cloud-native, industry-specific software. For many years, we have been conducting industry-specific software development in-house, accumulating know-how while responding to the unique characteristics and challenges of each industry. For example, TCloud for SCM for the logistics industry shortens delivery times, reduces transportation costs, and optimizes inventory management by improving vehicle routes and inventory management with the aim of resolving social issues, including labor shortages affecting the entire logistics industry, and the reduction of CO₂ emissions. If we can standardize the proprietary systems of individual companies and establish industry standards, we can differentiate ourselves from our competitors and maintain our competitive edge. With accelerating shift to cloud computing as a tailwind, we will focus on enhancing functions and expanding sales to capture market share with the TCloud series. Going forward, we plan to expand the TCloud series to include the real estate and amusement industries. / P.18 /

4

Security

Cyber security is another major issue in corporate DX initiatives. Security measures are becoming more complex as working environments diversify, with security that is not necessarily optimal in terms of redundant measures and cost-effectiveness currently being provided. Tsuzuki Denki has been addressing this industry issue since the previous medium-term management plan and established a specialized security presales organization led by engineers possessing a wealth of practical experience. As part of product evaluations and engineer training centered on Zero Trust Security, Tsuzuki itself has migrated to a Zero Trust environment and we are accumulating practical know-how on environment construction and operations. We are also promoting co-creation with partner companies. To provide customers with security achieving overall optimization, we released a security consulting service that provides objective evaluations in line with industry and company size. We use proprietary methods to score customer conditions and provide medium- to long-term support through the repeated proposal of countermeasures and reevaluations. Further, we believe we can add value to business overall by demonstrating our strength in coordinating, both in the area of security, as well as networks and infrastructure, based on which security is considered.

6

DX Consulting

Although awareness of DX is increasing, the reality is that many customers still lack DX promotion know-how. The formulation of DX strategies, cultivation of digital culture, development of human resources, and the introduction of technologies are precisely the areas in which Tsuzuki Denki should take the lead, and we are strengthening DX consulting areas in an effort to resolve this issue. In the mainstay D-VUE® service*, based on a policy of lineup selection and concentration, we support offensive DX strategies in three areas: Digital human resource development support utilizing in-house practices, support for customer new service developments through ICT, which we can provide because we understand customer business characteristics, and a data utilization advisory for planning and improving business and services. In the future, we will incorporate other major themes, such as the use of generative AI, into our services to strengthen our lineup. Human resource development is essential to enhance the value of our services. We will continue to develop consulting staff, CX/UX personnel, and data scientists in parallel.

*D-VUE® service is an AI system construction and data analysis service provided by Tsuzuki Denki.

Improving Profitability in Existing Areas

Pursuing Fair Profit with a Multifaceted Approach

In line with the prevalence of cloud computing, the acceleration of DX, the rise of open-source software, the spread of agile software development, and other changes in the ICT industry environment in recent years, IT vendors are working hard to revise their traditional business models and explore new directions. For Tsuzuki Denki to survive intensifying competition and achieve further growth, we must expand in both growth areas and new business areas. To secure the human and financial resources that will be allocated in these areas, we will improve efficiency and profitability in existing areas.

Specifically, this involves **1** strengthening product portfolio management, **2** implementing thorough pricing management, **3** transforming our sales approach, and **4** increasing customer loyalty.

1 Strengthening Product Portfolio Management

We will conduct data-driven management based on TSF / P.18 /, focusing on resource allocation, human resource development, and customer proposals more proactively than ever before. Specifically, by analyzing and visualizing sales management and other data, we devised measures in three categories, comprising ① high market growth and low profitability, ② low market growth and high profitability, and ③ low market growth and low profitability. Regarding ①, we will search for products with potential for profit and growth by ascertaining changes in demand and market trends, gathering customer insights, and combining these products to improve profitability. For ②, while aiming to acquire new customers through efficient sales activities utilizing digital technologies and other tactics, we will maintain and cultivate existing customers and pursue residual profit by enhancing the quality of our services and products. In terms of ③, we will set stricter minimum profit margins, limit the number of small-lot projects, and implement other stringent management measures with downsizing as one option. As dependence on specific businesses can lead to uneven revenue sources and a concentration of risk, we aim to build a well-balanced product portfolio through appropriate management.

2 Thorough Pricing Management

To enhance price competitiveness, we will engage in cost reduction and efficiency initiatives, optimize supply chains, and execute effective procurement strategies. Another crucial point is to strategically set sales prices commensurate with value provided. As existing areas are subject to price competition, we will differentiate and add value by combining consulting, data science, and other services. We will monitor all actual responses to pricing and economic outcomes, revising pricing strategies in line with changes in demand and the competitive landscape. While implementing the PDCA cycle in this way, we will link product development and marketing strategies, which we believe will enable us to achieve overall pricing optimization.

3 Transforming our sales approach

It is important to use different approaches depending on the service or product. Traditionally, we have specialized in the Account Based Marketing (ABM) approach, and going forward, we will augment approach with digital marketing, online tools and other efforts. In addition to developing sales teams and improving sales processes, we will transform our sales approach with the return on costs associated with these activities (ROI) set as an onsite KPI.

4 Increasing Customer Loyalty

We will strengthen management to build a portfolio comprising an ideal customer base. As increasing the number of future loyal customers is particularly important, we will thoroughly provide value focused on the medium- to long-term improvement of customer satisfaction, offering attractive services, improving our support systems, and promptly resolving problems. The steady implementation of these efforts will, in turn, lead to cross-selling and up-selling opportunities, which we believe will further improve profitability.

Promoting Business Formation Reorganization for Overall Group Optimization

We will focus on strengthening synergies among the five Group companies involved in the Information Network Solutions segment. In combining the unique technologies and know-how of Tsuzuki Denki Group companies, we improve the quality of products and services and comprehensively optimize business processes, from upstream to downstream. This will improve customer

satisfaction, reduce costs, and improve profitability.

On October 1, 2023, two consolidated subsidiaries separated into East Japan and West Japan branches will be merged to launch TSUZUKI XROSS SUPPORT CO.,LTD. As a regional network and facilities engineering company, TSUZUKI XROSS SUPPORT CO.,LTD. will provide uniform on-site services nationwide.



Electronic Devices Segment Strategy

The Electronic Devices segment sells and provides support for semiconductors and electronic components, mainly to customers in the manufacturing industry. In FY03/23, net sales and operating income increased YoY, driven by strong sales of semiconductors and electronic components for the factory automation equipment and industrial markets, as well as power semiconductors for products related to decarbonization and energy conservation. In the new medium-term management plan, we aim to increase earnings by taking on the challenge of improving gross profit margins in existing businesses and creating new solutions.

The Tsuzuki Denki Electronic Devices Division was spun off in October 2021 to create TSUZUKI EMBEDDED SOLUTIONS CO., LTD. Profitability has improved substantially over the two years since the spin-off. While decision-making speed and a semiconductor market tailwind contributed to this improvement, growth of the solutions business was a major factor.

The Electronic Devices segment has never been highly profitable, as it consists mainly of purchasing semiconductors from major manufacturers and selling them to major customer. As the semiconductor market is doing well, we must maintain a solid presence there while expanding into other areas to improve profitability and further achieve corporate growth. So we took on the solution business. Tsuzuki Denki has approximately 1,000 SME customers to which we have sold office supplies for many years. We ascertain issues of these customers, then seek the solutions best able to resolve their problems from among the solutions we and our partners offer. This is our mission in the solution business. We are able to generate a virtuous cycle whereby the number of partners increases with repeated matching of solutions to problems, which, in turn, leads to new solutions. This story will accelerate our growth and transform Tsuzuki.

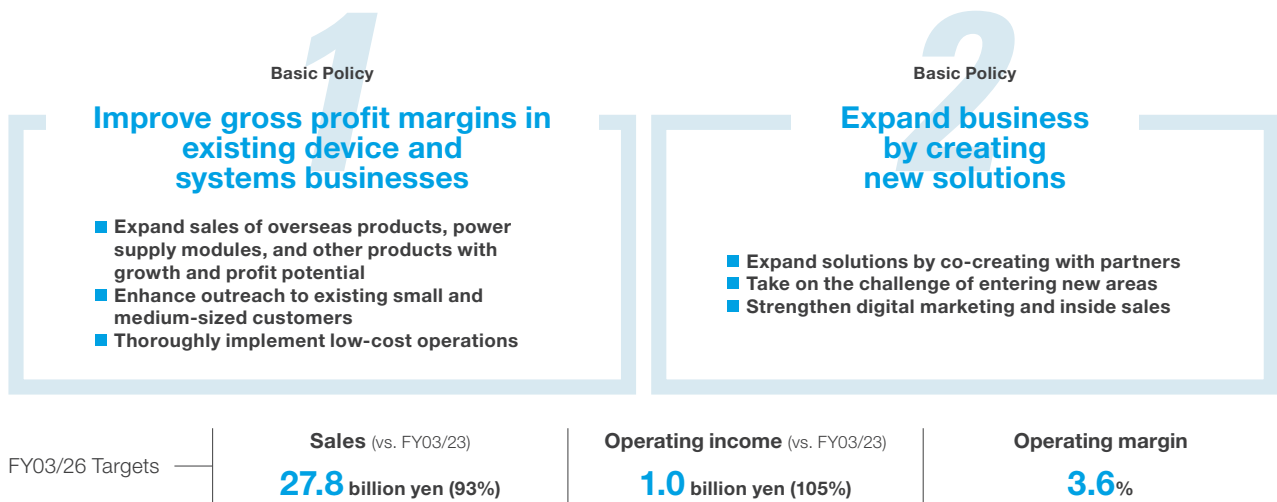
When formulating the Tsuzuki Group purpose statement in 2022, we defined five values (guidelines for behavior): Modesty, Dialog, Mutual Respect, Joy of Work, and Future Is in Our Hands. I think Mutual Respect is particularly important. Our aim to be a respectful company, both toward our customers and internally, to become a business integrator that joins together the values of our business partners.



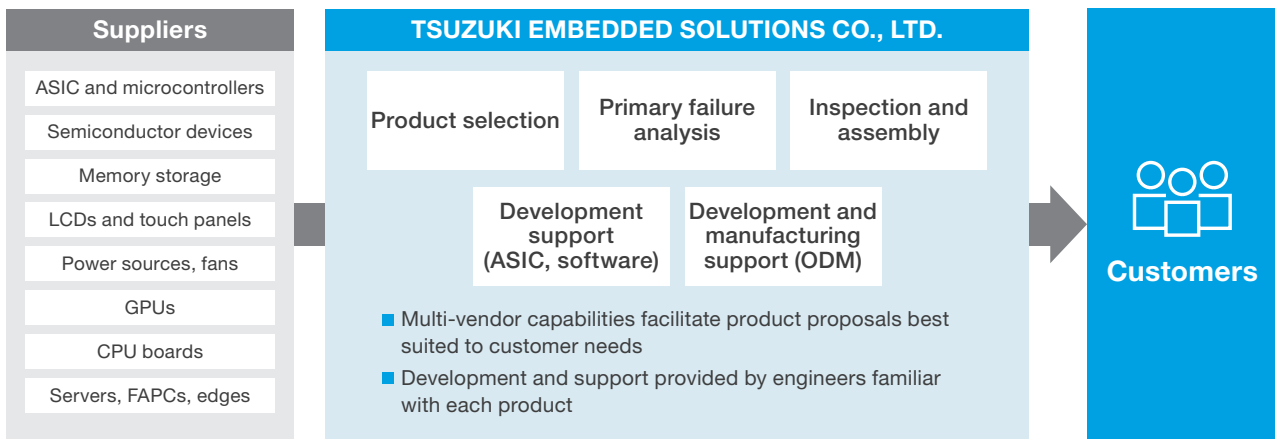
TSUZUKI EMBEDDED SOLUTIONS CO., LTD.
President and Representative Director

Masato Tozawa

**Focusing efforts on the solution
business to improve profitability**



Role of TSUZUKI EMBEDDED SOLUTIONS CO., LTD.



Improving Gross Profit Margins in Existing Device and Systems Businesses

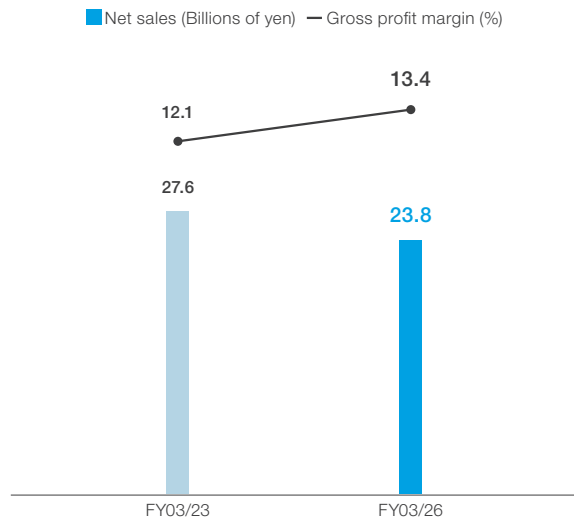
In TSUZUKI EMBEDDED SOLUTIONS CO., LTD. (TES) mainstay device and systems businesses, we will focus on products with growth and profit potential and cross-selling to customers with the aim of enhancing profitability.

Specifically, to propose products that anticipate customer needs, we will seek advanced and competitively priced products into which we will incorporate TES knowledge to develop them into strong commercial products. In addition to existing major customers, we will expand the sale of these products to SME customers with fewer competitors and cross-selling opportunities.

We will accelerate these efforts through measures that include increasing the number of personnel to enhance technical proposals to customers, and implementation of the +One Skilling system, which increases the proportion of time spent on learning and self-development during work hours.

Further, we will streamline and decentralize operations in an attempt to realize thoroughly low-cost operations and higher earnings.

Net sales/gross profit margin targets



Expanding Business by Creating New Solutions

TES aims to expand business by shifting from its traditional focus on purchasing and selling semiconductors and electronic components, to seeking and matching the optimal partners and solutions to customer issues.

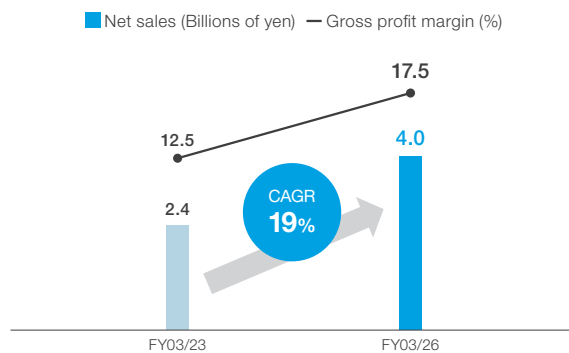
Targeting approximately 1,000 SME customers to whom we have sold office supplies, we will leverage the advantage of already having business relationships to understand their issues and incorporate them into sales discussions.

We are particularly focused on an “activity transformation service” that utilizes ABM*. This service utilizes business process outsourcing (BPO), systemization, and other tools to reduce non-profit generating activities (cost drivers) and increases activities that generate profit (profit drivers) within customer operations. Through interviews with customers, man-hour surveys, and workshops, we visualize business issues with qualitative and quantitative data and provide optimal solutions. To increase their appeal, TES makes an effort to propose solutions that are first thoroughly verified through practical application in-house.

Further, in terms of sales activities, we will also strengthen non-face-to-face activities, including digital marketing and inside sales, with the aim of efficiently acquiring additional customers.

*Activity Based Management

Net sales/gross profit margin targets

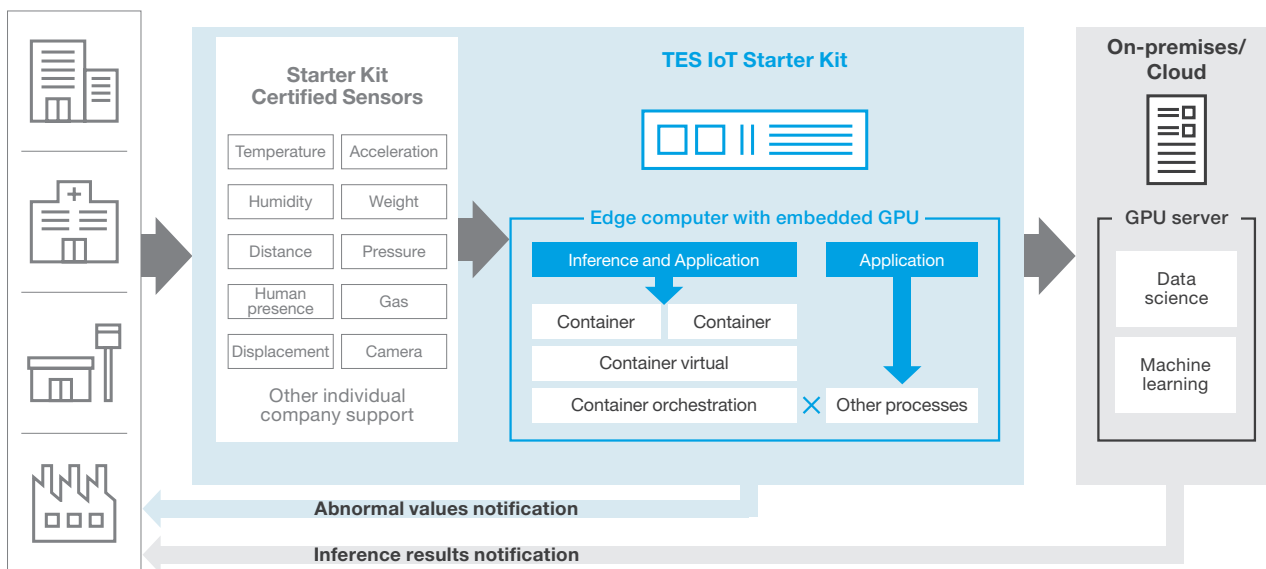


COLUMN TES IoT Starter Kit Development

We developed the TES IoT Starter Kit for customers struggling with the selection of hardware and software as they aim for DX using IoT.

This service is noteworthy in that the edge computer

(hardware) is pre-installed with elements required by the customer. This makes it easy for customers to get started with IoT and achieve DX as soon as possible.



- Special Features**
- Packaged by TES engineers familiar with the manufacturer’s products and technologies to make it easy to get started with PoC
 - Devices can be selected from products we handle
 - Production can be migrated to the same configuration as the PoC

Financial and Human Resource Strategies



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

Kazuhisa Oyama

MESSAGE

Strengthening Financial and Human Resource Strategies to Realize Enhanced Corporate Value

Enhancing Corporate Value by Spreading Awareness of Capital Costs

As General Manager of the Corporate Administration Unit, I am responsible for finance, corporate administration, human resources, and legal affairs. My mission is to manage while balancing three factors that are important for the Company: Money, people, and compliance. At present, we are particularly focused on two areas: Enhancing corporate value (market capitalization) and increasing employee happiness. The relationship between the two is generally proportional, but in some aspects, there can be conflicts, so it is important to achieve both.

In FY03/23, operating income amounted to 5.1 billion yen, exceeding the previous medium-term plan target of 4.6 billion yen and reaching a record high. Although results were favorable in terms of performance, investors were not satisfied with our low P/B ratio. Ultimately, performance will not be appreciated unless it delivers the level of return expected by the market. Naturally, there are costs involved in managing a business, and we must be aware of those costs and remain mindful of generating returns that exceed them. In our current medium-term management plan, we explicitly state the cost of shareholders' equity at 9% to share this awareness within and outside the Company. Further, we have declared our shift to a business model that is conscious of equity spreads and achieves ROE in excess of the cost of capital, in other words, ROE that is higher than the 9% cost of shareholders' equity.

To instill an awareness of the cost of capital within the Company, we raised the hurdle rate for investment decisions used by business divisions to 7%. We are raising profitability to the next level and instilling an awareness of costs and returns among employees working in the field. Additionally, we established the Budget Committee to ensure investment decisions are made appropriately. As a third party within the Company, the Budget Committee checks the profitability of investments during the planning stages, monitors progress after investments are made, and provides suggestions to frontline employees. In this way, on-site activities are linked to enhancing corporate value.

We also provide clarification with regard to capital allocation. Up to now, there has been a high level of

awareness with respect to “earning,” especially on-site, but not enough awareness of what the cash we earn is used for. When thinking about enhancing corporate value, it is important to consider how to use the profits we earn, invest in growth, and return profits to shareholders, and we have made this clear within and outside the Company.

Our medium-term management plan, which strongly focuses on enhancing corporate value in this way, has been received positively by investors to a certain extent. After we announced it, our P/B ratio improved to nearly one time. We must ensure this is a permanent rather than temporary development. To this end, we have resolved to steadily implement our medium-term management plan.

Strengthening Our Organization and People to Increase Happiness

Human resource strategies have two stories: Making the organization stronger, and making people stronger. Rather than a passive gesture, making the organization stronger means cultivating a corporate culture of autonomously taking on challenges. Making people stronger means developing employees to become leaders and professionals. Even if individuals are strong, they must function as a team, and if the team is taking on challenges, it will only succeed if individuals are strong. Rather than choosing one or the other, we strengthen both the organization and the individual as two wheels on the same axle. We will proactively invest in human resources development and focus on cultivating the capabilities necessary for our growth strategy.

I mentioned cultivating a corporate culture of taking on challenges, but challenges can be scary for people. It is difficult to create something new when thinking about not wanting to fail, the effort involved, and the lack of precedent. To change this, we are reforming our corporate culture and systems to cultivate a climate conducive to taking on

challenges. As a first step, we established the Business Strategy Planning Office. This organization will take on new challenges without existing business partners.

In the current business plan, we set work engagement as the KPI for employee happiness. Work engagement is the degree to which employees are satisfied with their work, and refers to being energized, and feeling proud, fulfilled, and enthusiastic about one’s work. To increase happiness, we must increase both positional wealth, which is valuable relative to the individual, and non-positional wealth, which is valuable in itself. Positional wealth is salary and status; non-positional wealth is health, freedom, and job satisfaction. Further, each individual has a different standard of happiness.

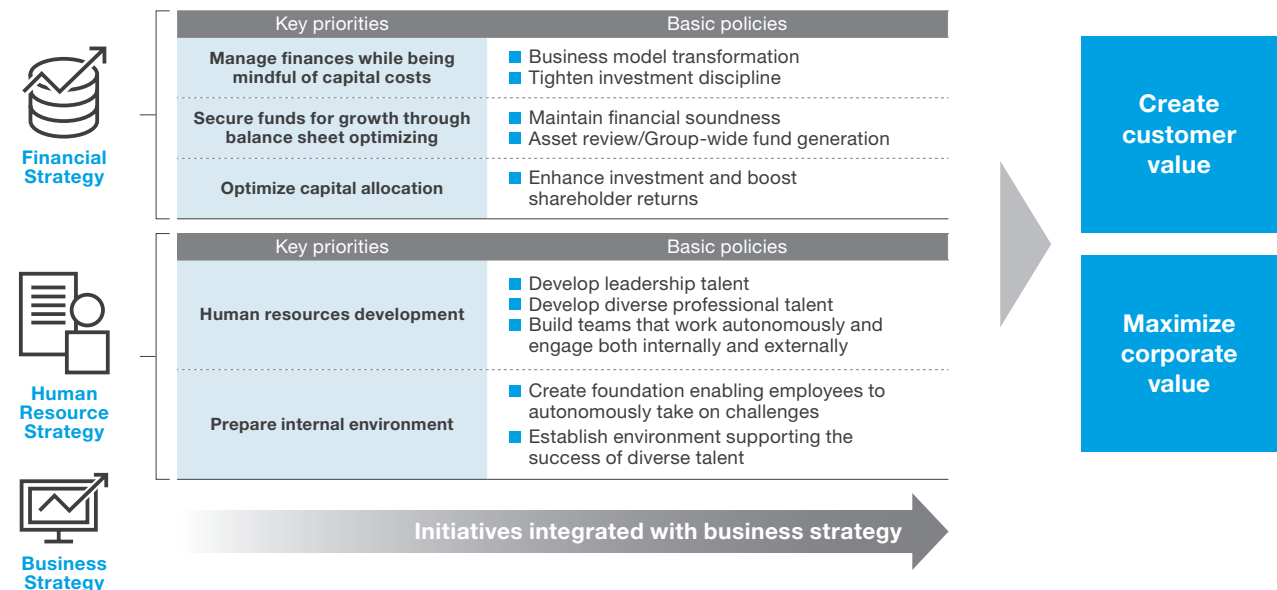
As an ICT company, we are in an industry where there is no need to adhere to tradition, and we are free to take on new challenges. Happy employees will provide customers with products and services that increase customer happiness. We will remain as an attractive company that “brings ‘yohaku’ filled with possibilities,” as stated in our purpose.

To Our Shareholders and Investors

Companies have a variety of stakeholders, and it is important for corporate management to maintain a balance between them. However, it is the shareholders who bear the greatest risk, making shareholder returns a critical management issue. We have introduced the concept of dividend on equity (DOE) and set a lower limit of 3.5%. This means that we will pay out 3.5% of shareholders’ equity as dividends. We also raised the dividend payout ratio to 40% to enhance shareholder returns.

My role is to enhance corporate value by strengthening the Corporate Administration Unit. Our challenge of enhancing corporate value has just begun. To start, we will steadfastly execute our medium-term management plan with the aim of meeting shareholder expectations.

Medium-term Management Plan Key Priorities and Basic Policies



Financial Strategy

Medium term Management Plan Basic Policies

We are conducting financial management aimed at maximizing corporate value, and have set ROE over 10% as a KPI.

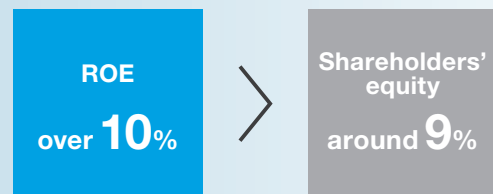
Specifically, we are focused on three key priorities: Implementing initiatives with an awareness of capital costs, maintaining financial soundness and thoroughly streamlining assets, and appropriately and strategically allocating the cash generated from these initiatives and business activities to investments 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 over 10%	Growth investments 18.0 billion yen	Dividend payout ratio 40%	DOE over 3.5%

1 Key Priority Manage finances while being mindful of capital costs

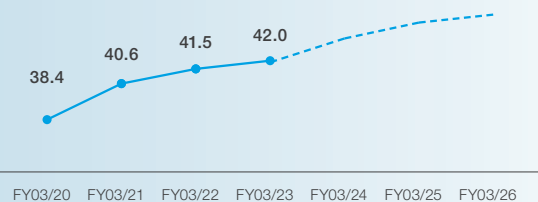
Our cost of equity is conservatively estimated to be around 9%. We have chosen ROE as an indicator of corporate value creation, and we manage operations with an awareness of how to sustainably increase equity spreads. From FY03/24, we have raised the investment hurdle rate to 7% and established a Budget Committee to conduct investments leading to value creation.



2 Key Priority Secure funds for growth through balance sheet optimizing

While placing the highest priority on ensuring financial soundness, we also pursue optimal capital and debt structures. As KPIs, we target a shareholders' equity ratio of 40-50%, and a debt-to-equity ratio of less than 0.4. At the same time, we will work to generate funds for growth through the continuous reduction of cross-shareholdings and the disposal of unnecessary assets, as well as through improved asset efficiency, which includes shortening the cash conversion cycle.

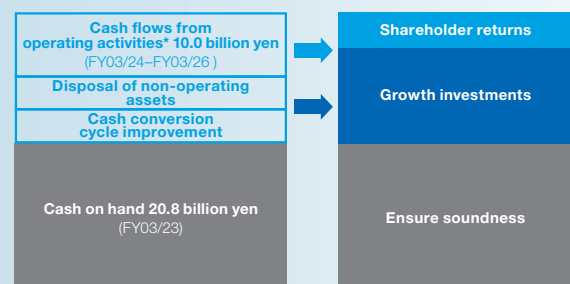
Shareholders' equity ratio (%)



3 Key Priority Optimize capital allocation

After ensuring funds necessary for business operations, cash generated through business activities and asset reviews will be allocated strategically and in a balanced manner to investments and shareholder returns, leading to further profit growth. We have introduced a system in which a fixed amount is allocated to shareholder returns, and we will also be more proactive in investing by achieving profit growth.

Capital allocation



* Cash flows from operating activities of 10.0 billion yen is calculated net of repayments of lease obligations of 3.0 billion yen (cash flows from financing activities)

Proactive Strategic Investments

We must proactively invest to achieve corporate growth. We plan to invest 8.0 billion yen over the next three years, focused in three areas: Investments in technology targeting R&D, the development of new service products, and the enhanced added value of existing services; investments in human resources, arguably our greatest asset, targeting human resource development, improved working

conditions, and the appointment of high-level personnel; and investments in internal DX targeting internal IT infrastructure upgrades and business process innovations. We also aim to achieve discontinuous business growth with a 10.0 billion yen investment in M&A and other activities to expand our business domain and acquire new business fields.

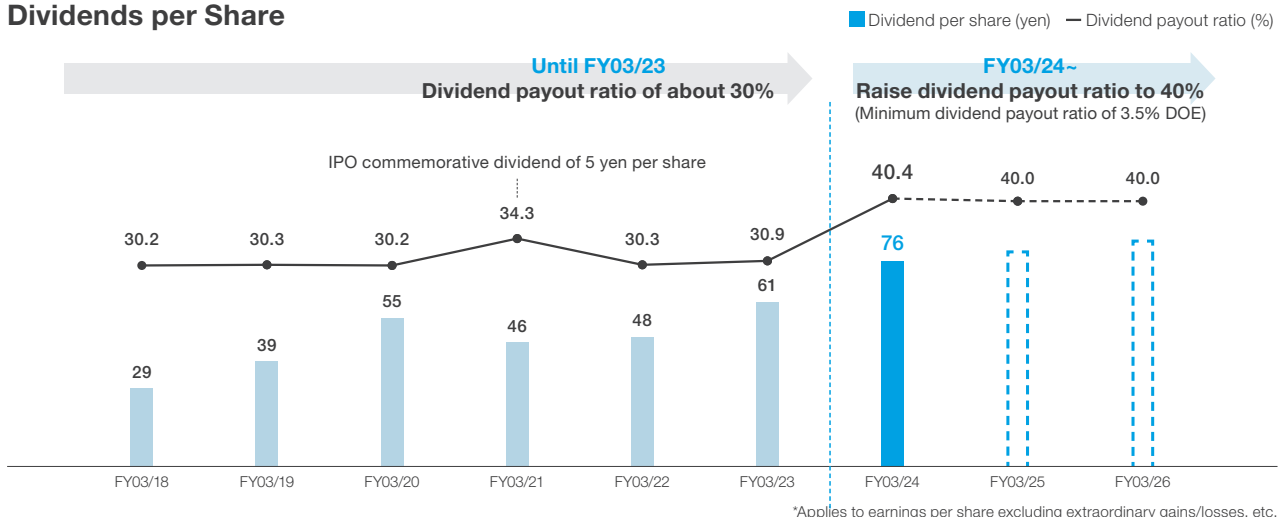
Category	Amount	Details
Technology	8.0 billion yen	<ul style="list-style-type: none"> R&D investment (implementation of advanced technology, advancement of development technology) Service product development Enhancing added value of existing services
Human Resources		<ul style="list-style-type: none"> Training investment to develop ideal talent portfolio Recruit external expert talent
Internal DX		<ul style="list-style-type: none"> ERP system update Business process transformation and advancement
Strategic investments	10.0 billion yen	<ul style="list-style-type: none"> M&A (Aimed at expanding business and technical areas, as well as quickly acquiring business capabilities to take on the challenge of entering new ICT areas, and establishing businesses that address social issues) Capital and business tie-ups

Shareholder Returns

We will continue to proactively return profits to our shareholders based on a sound balance sheet. From FY03/24, we raised the dividend payout ratio from 30% to 40% (based on business activity profits excluding extraordinary gains and losses), and introduced a dividend on equity (DOE) ratio with a lower limit of 3.5%. This creates a framework enabling us to first significantly raise the level of dividends, pay stable dividends even in the

event of a temporary decline in business performance, and appropriately distribute profits to shareholders as dividends when business performance increases. In FY03/24, we plan to pay a dividend of 76 yen per share, far exceeding the 61 yen per share provided in FY03/23. Going forward, we will also consider share buybacks to enable flexible return of profits, while comprehensively considering our capital policy.

Dividends per Share



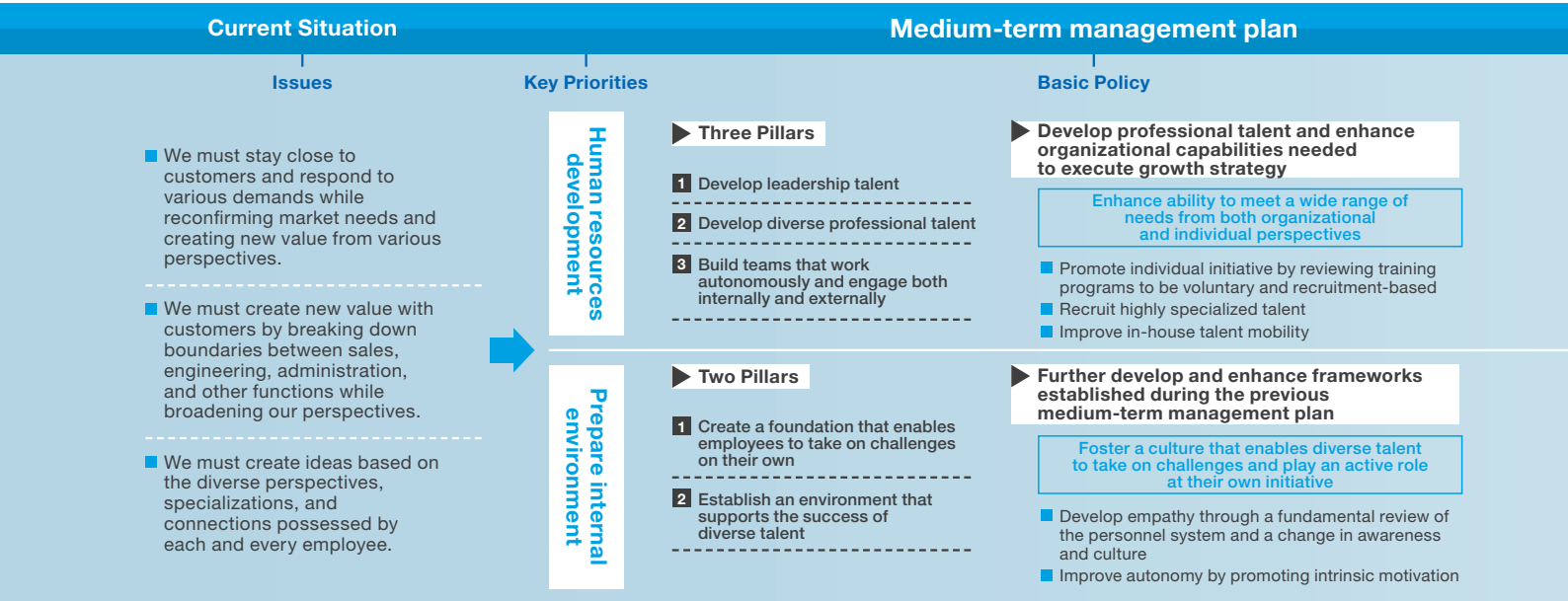
Human Resources Strategy

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 enabling employees to work as one team to focus on creating value for customers as value creators without being restricted to individual roles.



Initiatives Under the Medium-term Management Plan

Human Resources Development

Under the Transformation 2026 medium-term management plan, we will provide consulting services leading to higher profitability in existing businesses and orders for mid- and down-stream solutions, which is our strengths, with the aim of increasing profitability to achieve further business growth. To this end, we have set KPIs and will promote various measures targeting the development of leadership talent, professional talent, and diversity.

Leadership Talent

Leadership talent refers to human resources who, in addition to improving profitability, can contribute to corporate culture reforms, with middle managers in particular playing an important role in connecting management and the frontline. In developing middle managers, we emphasize the ability to lead the creation of teams that enhance organization-wide psychological safety and are able to work autonomously within and outside the Company, as well as engage in organization management based on a deep understanding of the profit structure of the businesses we handle to provide value to wider society. We also monitor employees who pass assessments and the number of selected training measures implemented, in an effort to promote the development of the next generation of management. Specifically, this entails creating opportunities for practical education on the perspective required for business growth and organizational management through our proprietary TLF*1 selection and training program.

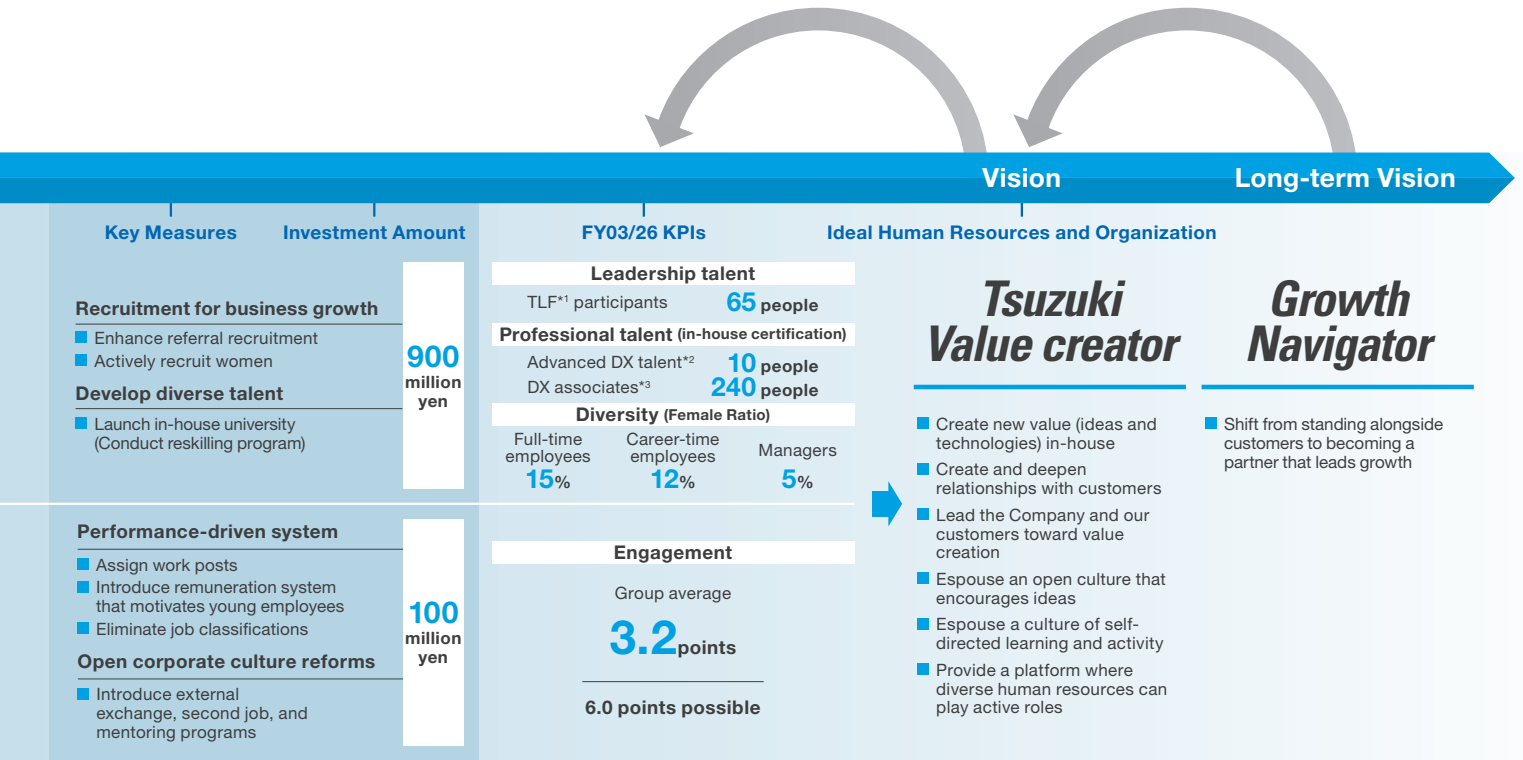
Professional Talent

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. For this reason, it is essential we have a diverse range of professional talent including business architects, designers, and CX/UX personnel who can create and concretize new services. Going forward, we will continue to recruit and develop professional talent while monitoring the sufficiency rates of each. In terms of DX, which is an important human resources requirement, we are currently focused on the talent development, utilizing an internal certification system of advanced DX talent and DX associates who will lead DX efforts on the frontlines. Through collaborations with both categories of DX talent, we will support both customer DX and the growth of Tsuzuki Denki.

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 within D&I promotion / P.44 / , and will improve our systems and environment to increase the ratio of women in management positions.

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.



Preparing Our Internal Environment

As value creators, all of our employees aim to create and deepen relationships with our customers. It is not easy to transform ourselves and create new value as a Growth Navigator (an organization that navigates growth and grows together with stakeholders) and build connections with diverse customers, as our strength has been to respond in detail to customer needs. With our Purpose as the starting point, it is important to create a foundation where diverse human resources can take on challenges, play an active role, and generate ideas, and to create an organization and culture that encourages them to do so. To do so, we will approach both positional and non-positional wealth to transform ourselves more attractively.

In terms of positional wealth, we will revise our remuneration system to emphasize performance, and in particular, to increase the sense of satisfaction among younger employees, making investments to realize higher levels of compensation and growth. Regarding non-positional wealth, we will engage in a variety of tangible (systems) and intangible (corporate culture) efforts. Tangible efforts include human resources system improvements and the creation of opportunities to take on challenges through the assignment of work posts, based on the view that roles nurture people. Intangible efforts will focus on improving autonomy and supporting growth through the approaches listed on the right.

- 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 “together” about our growth with various stakeholders an important value shared by all employees and aim to instill a sense of happiness and high engagement among our diverse range of employees.



Tsuzuki Denki Human Resources

People Are the Source of All Value

Since our founding, we have valued people and created an environment in which everyone is free to take on challenges.

This is deeply rooted in our corporate culture and has supported our sustained growth over the past 90 years.

To realize our long-term vision and achieve our medium-term management plan ahead of the 100th anniversary of our founding, we must ensure our corporate culture is even better and in step with the times.

Having reaffirmed that people are the source of value creation, we will continue to transform our work environments and systems so that our diverse human resources can work happily and energetically with physical and mental health.







MESSAGE

Tsuzuki Denki as a Place to Realize Individual Dreams

Vice President

Kazunori Yoshii

A Culture of Caring for People Since our Founding

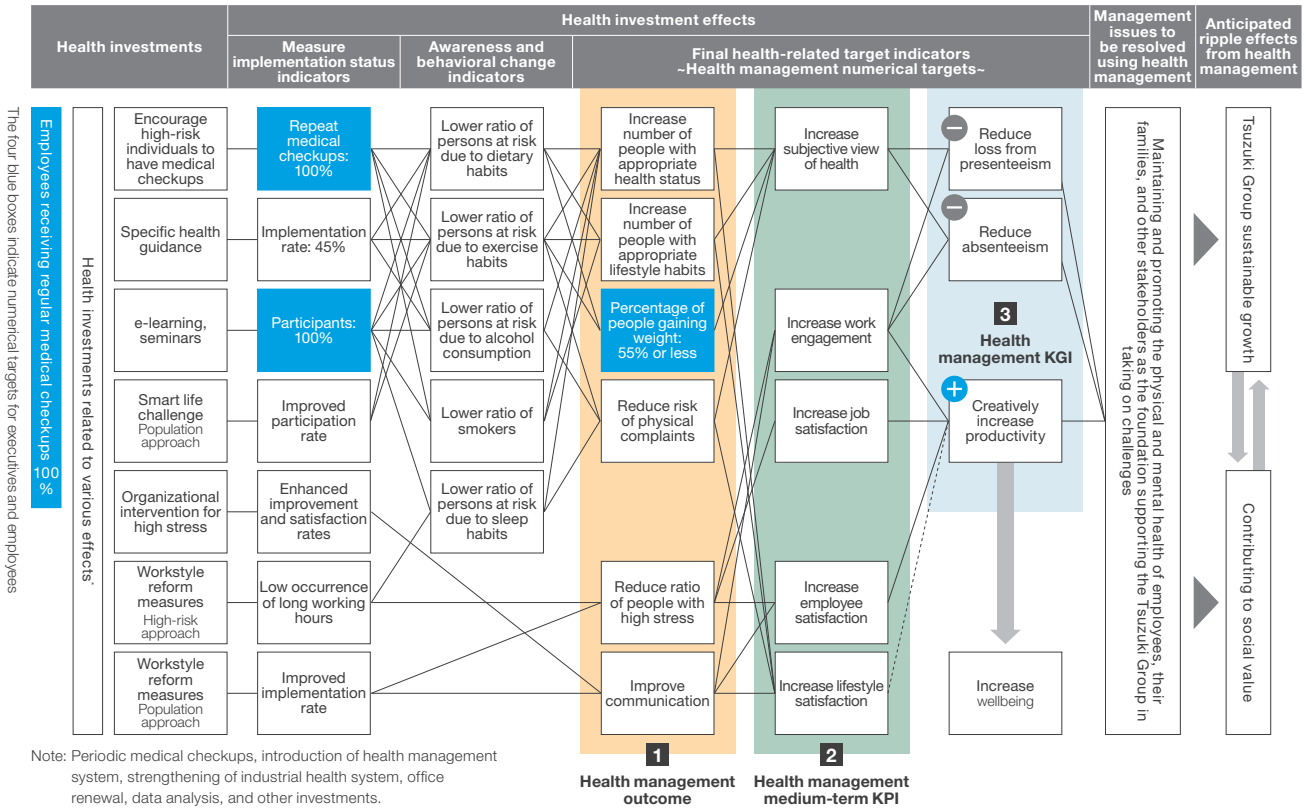
The Company began with our founding as Tsuzuki Shoten in 1932. In those early days, we had a factory, and there were athletic competitions, company trips, and many other events for employees and their families. I have heard that we were a family-oriented Company, and that employees were close to each other as well as management. Our founder's guiding precepts are that we should be pioneers who create our own future, cultivate patience as the foundation of discipline, and work together in harmony. I think our corporate culture of valuing people is an expression of working together in harmony, and our corporate culture of freely taking on challenges is an expression of being pioneers who create our own future.

Many of our employees love the Company, enjoy teaming with colleagues, and take their work very seriously, which I think indicates high degrees of loyalty and engagement. We are often praised as a warm and friendly Company by outsiders.

From Conversion to Health Management, to the Practice of Human Capital Management

Around 2015, all our divisions were strongly focused on improving business performance. Employees were also working hard to achieve their goals, and overtime work was

Health Management Strategy Map



The Health Management Strategy Map organizes health investments and their expected effects, and indicates how each element is connected. Decisions are made based on discussions by management and the map is used to implement the health management PDCA cycle.

becoming quite frequent. I knew that if these conditions continued, the vitality of our employees would gradually fade, a situation I felt we needed to avoid.

It was at this time that I came across the concept of health management, with the concept of workstyle reforms having the biggest impact on my thinking. By focusing on employee health, we can change the way employees work. In changing the way employees work, efficiency improves, which in turn reduces employee stress. When employees are stress-free, they are more energetic and willing to take on new challenges. From this perspective, similar to capital investments or investments in R&D, we decided to invest in health management to improve business performance, which we have been promoting since 2017.

Initially, these efforts were not always successful. In the beginning, there was a sense that people did not want to be repeatedly told to get medical checkups, but over time, we have been able to instill the idea that the objective is to transform work and improve the workplace environment so that people can work with health and vigor. Major office renovations are part of this effort. Employees are now proactively participating in and rapidly advancing various projects on their own.

Of course, as health management is an investment, we must be conscious of the investment effect. Up to now, we have been creating an environment where individuals can work in health and without stress by building organizations and systems that increase efficiency. Going forward, we will further

invest in people and practice human capital management to create our story of corporate and social value creation.

Toward Human Resources and an Organization that Create Value

For Tsuzuki Denki to create new value, we need to increase diversity. It is clear from experience that an organization with people espousing different values and ways of thinking is more vibrant than one solidly composed of like-minded people. While we recognize that there are still many issues to be addressed with regard to the active participation of women, it is important to establish systems enabling women and seniors to play active roles, creating an environment in which everyone can actively contribute.

In terms of making the most of diversity, it is also important to develop people who excel in a particular area or who are sharp and make the organization a place where people can flourish. Increasing the psychological safety of our organization will lead to a climate in which everyone can freely take on challenges.

Every year, I tell new employees, "Please make Tsuzuki Denki a place to pursue your dreams. We will do our utmost to support you, so please make every effort to realize your own dreams." The realization of individual dreams leads to the growth of the Company. We will continue to make a transformation to realize an environment in which each employee can thrive and play an active role.

Diversity & Inclusion



Becoming a Company Where Diverse Value Creators Can Play Active Roles

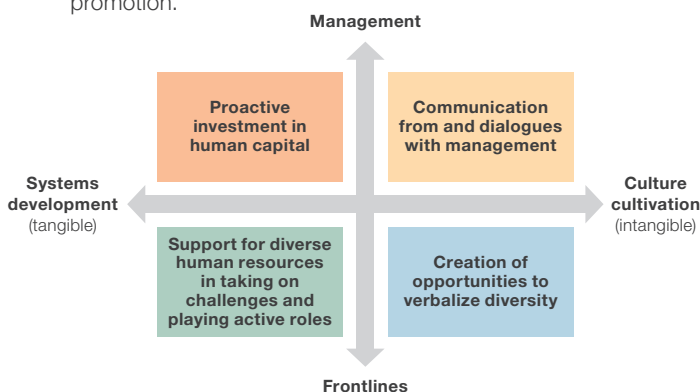
To realize our Purpose, we are working to develop human resources and create an environment that embodies our values, the 7 Actions. As a basic approach to achieving our long-term vision, we have indicated that our organization and human resources will become value creators and focus on creating value for our customers as a single team.

Accordingly, to promote D&I within the Company, we established a vision of our ideal state in 10 years: A Company where diverse value creators actively engage in work aligned with the three core activities set forth in our long-term vision.

We are promoting D&I to achieve the following two objectives.

- 1 Establish and develop an environment that creates diverse value creators
- 2 Cultivate a corporate culture in which diverse value creators can take on challenges and continue to thrive

To become a Company where diverse value creators can play active roles, it is important to link the development of systems and other tangible efforts with intangibles, such as the cultivation of corporate culture. To achieve these two objectives, we have established the following framework for promotion.



Shifting Focus to Value Creation through D&I Promotion

Although FY03/24 marks our 92nd year in business, we did not begin recruiting female career-track employees until 2010. In 2016, we formulated a general employer action plan and began efforts to retain and promote female employees. At the same time, we have also been promoting workstyle reforms and health management.

Efforts made up to now are now bearing fruit; we have created an environment in which employees can appropriately choose the workplace and style to work productively. At the same time, there is still room for growth in terms of creating an environment, developing human resources, and cultivating a culture that recognizes the diversity of human existence itself in terms of gender, generation, career, and the absence or presence of disabilities, while fostering diverse values, including ways of seeing and feeling. In promoting D&I, management is targeting diversity in terms of values, human existence, and workstyles.

Perspective	Summary	Example
Diversity of values	Deep diversity in individual perspectives, ways of thinking, value and standards, etc.	Generation, belief, interest, experience, expertise, position
Diversity of human existence	Respect diversity without regard to results or outcomes	Gender, age, nationality, sexual orientation, disabled or not
Diversity in workstyles	Diversity in working hours, employment status, and scope of work	Caregiving, seniors, childbirth and childcare, non-regular employment, etc.

Source: Diversity Management, a textbook used in "Making the Most of Diverse Human Resources—Introduction to Diversity Management," a remote learning course conducted by SANNO University.

Based on this thinking, we analyzed our situation and determined that the timing is right to shift the focus of activities from enhancing the diversity of work styles, to respecting each other's diversity of values and human existence, linking them to the source of value creation, and we are developing measures to this end.

Three Strategic Frameworks Approach

1

D&I Concept: Karabari (Colorful Value)

To increase the speed of penetration both internally and externally, from FY03/24, we are defining our concept of D&I promotion as “Colorful Value” (nicknamed “Karabari”). Starting with employee ideas generated during D&I training, we created a logo and concept that expresses the colorful blossoming of value by superimposing seven colors, representing the 7 Actions constituting our values, on our logo.

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.



7 Actions

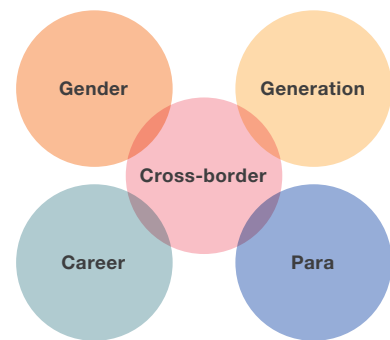


2

Setting D&I priorities in five categories

In promoting D&I, it is important to understand the diversity of values, human existence, and workstyles, and to take an approach that channels them into a source of value creation. In promoting D&I, we have narrowed our focus to five priority areas: Gender, generation, career, cross-border, and para (disabilities, etc.).

We will deepen the understanding of diversity in each of these areas and foster a culture that leads to value creation. Further, we will link business and human resources strategies and achieve the targeted ratio of employees with diverse attributes with the aim of realizing business growth.

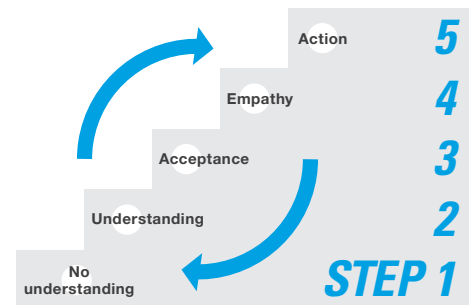


3

5 steps of D&I behavioral transformation

We organized D&I behavioral transformation into a five-step cycle and defined behaviors and conditions for employee behavioral changes aimed at fostering diverse value creators. In promoting D&I, we strategically implement measures according to these five steps.

Step 5: Action is specifically defined in accordance with the three core activities of our long-term vision (creating new value, building connections with diverse customers, and continuing to lead growth).



Initiative results (FY03/23)

1 Held training and workshops

Held six types of training and workshop event 12 times during the year, with a total of 242 employees (18.1% of all employees) in attendance.

2 Recommended D&I items in target management

Since 2H FY03/23, recommendations have been provided with specific examples for the setting of D&I items in the target management (performance evaluation) system. This has resulted in the setting of 260 D&I items in total (116 for general employees, and 94 for management).

3 Distributed a maternity and childcare leave guide

We distribute a guide outlining how Tsuzuki Denki can assist employees in returning to work with peace of mind after childbirth or childcare, and provide guidance as needed.



On July 12, 2023, we were certified by the Ministry of Health, Labor and Welfare as a 2-star Eruboshi company.



Workstyle and Workplace Reforms

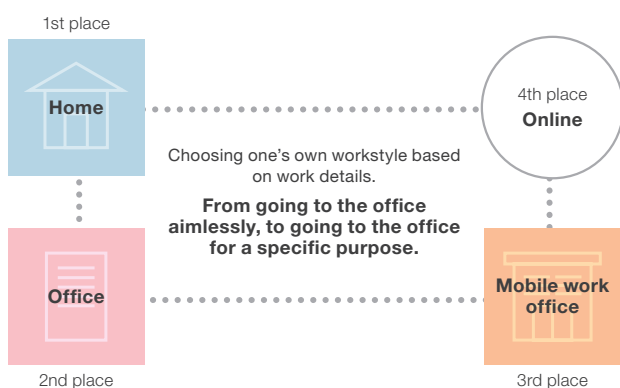


Workstyle and Workplace Changes (Shift to Online and Telework)

Since the introduction of a telework system in 2016, we have implemented various measures to promote its use. Further, as the external environment surrounding the Company and work values have changed at an accelerated pace since 2020 due to the pandemic, new workstyles have become widespread. In line with the digital shift, work can now be performed anywhere, anytime, as long as an internet connection is available.

An increasing number of people are choosing home as their preferred workplace, and increased frequency of working from home is bringing about significant changes in both work and life. To keep pace with the changing times, Tsuzuki Denki is establishing an environment that flexibly embraces diverse workstyles and the transition to DX, as well as the new ways of working brought about by these changes.

Specifically, through the development of online (4th place) and other work environments, employees can choose among home (1st place), office (2nd place), or mobile work office (3rd place) in a hybrid manner depending on the day's work. To this end, we are encouraging employees to shift to new workstyles through revisions to our telework system and the elimination of mobile work office (external service) time restrictions.



Defining Ideal Workstyles and Workplaces Realizing Decent Work (Work That Is Fulfilling and Humane)

For Tsuzuki Denki, our ideal workstyles and workplaces involve the realization of decent work, as stated in Sustainable Development Goals (SDGs) (4) Quality education, and (8) Decent work and economic growth.

We hope to improve employee satisfaction and performance by creating a freer, higher quality environment in which employees can work with a sense of well-being, both mentally and physically. We are rapidly implementing various initiatives to promote employee autonomy, creativity, and productivity.

1 Promoting employee autonomy

- Individual employees are at their own discretion, respected, and are able to work freely and express their individuality and abilities in their own way
- Individual employees are able to choose their own workstyle out of respect for diversity (gender, age, mind and body, nationality, lifestyle, etc.)
- Individual employees are encouraged to think and act on their own initiative to continue growing

2 Encouraging employee creativity

- We aim to energize the organization, ensure psychological safety, and promote open communication
- We foster flexible and innovative ideas and values, and enhance competitiveness
- We encourage the taking on of challenges to exploit opportunities

3 Encouraging employee productivity

- We engage in work efficiently and increase productivity (fewer manhours and inputs, more results and output)
- We ensure stress is at an appropriate level (stretch zone) (neither stress zone nor comfort zone)
- We are environmentally friendly, enabling employees to continue working comfortably and with peace of mind

Tokyo Office Renovation Taking on the Challenge of Co-creation and Innovation

Tsuzuki Denki's new Tokyo Office, completed in August 2021, is positioned as a place for supporting and realizing new employee workstyles with the aim of becoming an innovation service provider that supports DX and enhances the competitiveness of our customers.

Management expressed its intention to emphasize creativity and the ability to take on challenges, the ability to take action, teamwork, and people skills as areas in which it considers important to maintain awareness and take action, leaving the realization of these goals to younger employees who will play active roles over the next 10 years.

We asked mostly younger employees about the kind of office environment they prefer, with responses including "a space that enhances mutual awareness and inspiration," "an environment that fosters an open and flat mindset," and "a place that reaffirms relationships of trust while maintaining a sense of distance" becoming the pillar of renovation plans.

An Office Where People Can Work Autonomously and Create "Priceless Satisfaction" Constituting the Source of New Value Creation

The Tokyo Office, our central office has redefined the purpose of the central office. The pursuit of employee satisfaction is the wellspring of new value creation, and to realize this, we decided to increase employee satisfaction by investing in a balance between positional wealth and non-positional wealth, especially since the priceless satisfaction of non-positional wealth is highly sustainable. We cannot achieve innovation by continuing to work at a static location for a fixed amount of time as we have in the past. With the aim of empowering employees to autonomously consider and select the space that best facilitates the work they are engaged in, we organized workspaces into six categories: Thinking, creating, discussing, coordinating, proposing, and negotiating.



SODA! Workstyle Concept

The SODA! workstyle concept is the result of a series of workshops and discussions among younger employees. In the new office, actions required for the workstyle concept were incorporated into the slogan "SODA!" (Japanese for "I got it!") corresponding with the Tsuzuki Group 7 Actions for creating a space where ideas effervesce like bubbles.

Introducing Free-addressing, Paperless Offices, and Other New Workstyles Unbound by the Past

In the new office, we eliminated two floors and made three changes. First, the number of seats was reduced from 1,464 to 570, a reduction of 61%, as all employees switched from assigned seating to free-addressing. Second, we reduced the number of private offices and meeting rooms by about 57%, from 37 to 16, by introducing ABW* and establishing new co-creation spaces with inward-facing offices for internal operations. Third, we reduced the number of cabinet tiers approximately 76%, from 2,882 to 692, by introducing an electronic approval system and promoting zero paper use. The thorough implementation of initiatives unbound by the past has facilitated the creation of an office that facilitates autonomous workstyles.

*ABW: Activity-based working. A workstyle enabling employees to freely choose where and when they work in accordance with the task at hand and their mood.



Introducing a Live Office to Provide New Value and Insight through DX Experiences in the Co-creation Area

We opened a co-creation area as a place where visitors can actually see and touch our DX initiatives and gain new value and insight. We have two aims: To visualize our challenges and creativity within and outside the Company, and identify issues and further evolve based on reactions to the experience. In addition, at TSUZUKI Lab., we plan and concretize new products and services based on elemental technologies exhibited in the co-creation area. We engage with customers in a variety of ways, including workshops, group discussions, and market research.

In the face of an uncertain and opaque future, the big realizations made in the co-creation area, which create yohaku (space) to take on challenges, may be the first step to drastically changing the future.



Health Management



Health Management Promotion

The Group is united in the promotion of health management aimed at sustainability activity key issue 1, developing people and teams that are healthy and loved, both physically and mentally, part of efforts to build a foundation supporting our endeavors.

Health is the foundation of human capital. A healthy body and mind are the cornerstones of a steady approach to originality, ingenuity, challenges, and self-realization. The challenges and self-realization of each individual will foster an energetic organizational climate and lead to new systems and a better environment.

We promote activities aimed at ensuring that individuals, whether they are aware of it or not, choose actions that are beneficial for their health and workstyle, and are able to maintain them as a habit.

Resolving Health and Workstyle Issues to Improve Work Engagement throughout the Group

The medium-term management plan Transformation 2026 sets forth an internal environment development policy as a key priority in enhancing human capital. We aim to achieve a Group-wide average work engagement score of 3.2 points (6.0 points possible).

The management issue we want to resolve through health management is the maintenance and enhancement of the physical and mental health of our employee, their families, and all other stakeholders.

Based on our health management strategy, we have compiled and analyzed data annually since 2017 to provide a fixed point from which to observe changes in health and workstyles over time. We formulated a health management strategy map in 2020 and applied the PDCA cycle to these measures, from planning to improvements.

Specific measures take into consideration quantitative information derived from data analysis, as well as qualitative information collected during workshops held at each office. The Health Management Committee identifies health- and workstyle-related issues in each office throughout the Company, making efforts to resolve issues and improve creative productivity.

Health Management Declaration

We established a Health Management Committee to implement health management measures tailored to the issues and characteristics of each region and Group company. The Health Management Declaration is a series of slogans issued by the chairman of the Health Management Committee (President and CEO) to promote health management.

- We aim for the physical and mental health of all employees and their families so that we can continue to take on the challenge of creating new value
- We will enhance job satisfaction and fulfillment (work engagement) through a variety of workstyles
- We will revise our working environment and systems to enhance productivity and creativity

External Evaluations

Tsuzuki Denki has been selected as a Certified Health & Productivity Management Outstanding Organization (White 500) by the Ministry of Economy, Trade and Industry for the sixth straight year since 2017.

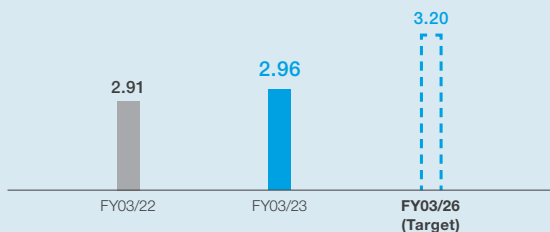


Tsuzuki Denki has been certified as a Sports Yell Company by the Japan Sports Agency, as well as a Tokyo Sports Promotion Company by the Tokyo Metropolitan Government, for the fourth straight year since 2019.

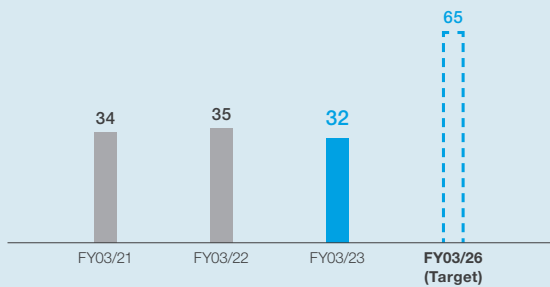


Human Capital Infographics

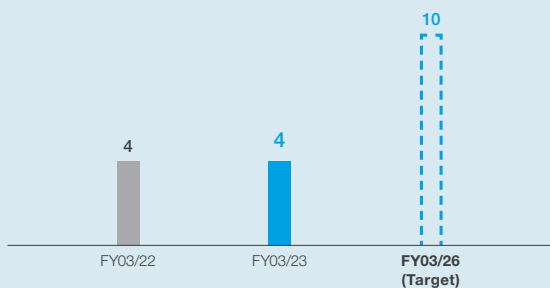
Engagement (consolidated) (points)
(6.0 points possible)



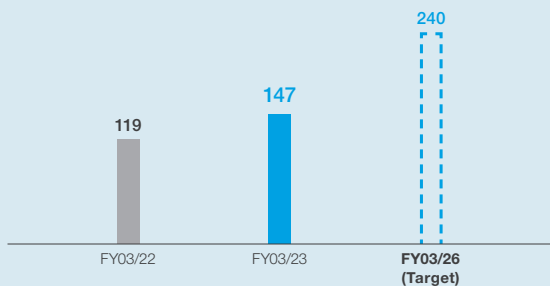
TLF next generation management talent development training program participants (people)



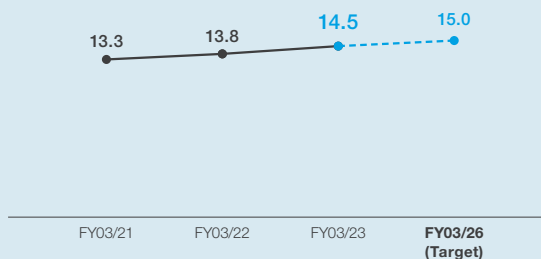
Advanced DX talent (people)



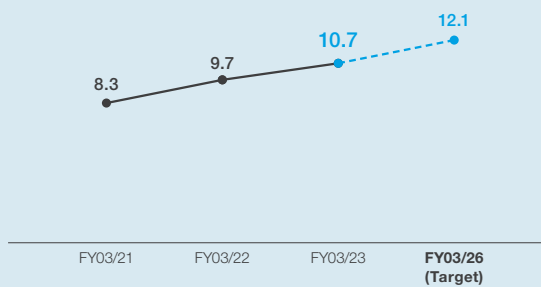
DX associate certifications (people)



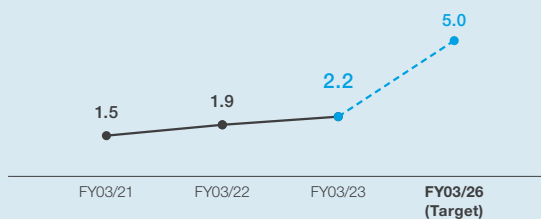
Ratio of women among full-time employees (%)



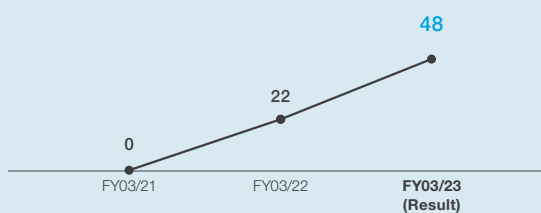
Ratio of women among career-time employees (%)



Ratio of women among managers (%)

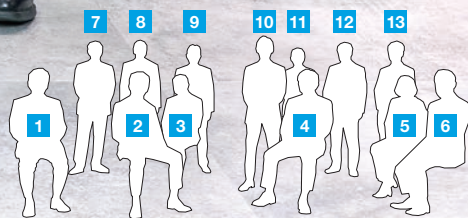


Male employees utilizing childcare leave (%)





Foundation Supporting Transformation



- 1 Kenji Kusaka 2 Hideki Wachi 3 Noriyuki Moriyama
- 4 Kunio Matsui 5 Tomoko Tsukahara 6 Kazuhisa Oyama
- 7 Kazunori Yoshii 8 Hidetoshi Takinaka 9 Kazuhiro Shimura
- 10 Isao Emori 11 Naoshi Ogasawara 12 Toshihiro Murashima
- 13 Kiyotake Yokohari

Efforts to Increase Long-term Vision and Medium-term Management Plan Effectiveness

We will increase governance sophistication and strengthen sustainability efforts as the foundation supporting transformations aimed at enhancing corporate value. Under the medium-term management plan Transformation 2026, we will focus specifically on Board of Director reforms based on effectiveness evaluations, introduce an executive compensation system that contributes to enhancing corporate value, deepen dialogues with investors, and improve sustainability through business activities. We will also promote efficient and transparent business operations by steadily implementing initiatives aimed at raising compliance awareness and strengthening risk management, thereby earning the trust of stakeholders.

Directors

As of June 27, 2023

In appointing and selecting senior management, Tsuzuki Denki's policy is to nominate and appoint suitable candidates capable of fulfilling their duties and responsibilities, regardless of gender or nationality, and with due consideration of individual personalities and insight.

The following section highlights the thoughts of all 13 directors and Board of Corporate Auditor members with regard to the concept of transformation.



Isao Emori

Representative Director, President and CEO

Years in position
14

Shares held
41,088

For me, "transformation" is not new, it is a theme that has always been important to me. The passion to go beyond our current form and transform into something better is what drives me. I will continue to make Tsuzuki Denki a free and open organization where people can enjoy taking on an increasing number of challenges and playing active roles. By freely and enjoyably taking on challenges, we will transform into a new Tsuzuki Denki that surpasses our current levels of achievement.



Kazunori Yoshii

Representative Director, Vice President

Years in position
18

Shares held
48,413

We will transform ourselves into a Company that supports the taking on of challenges. Up to now, we have approached challenges cautiously out of a fear of failure, but rather than focusing on failure, we will create a corporate culture that shines a light on success stories and the people who so work hard to celebrate challenges. To this end, we will create an environment that encourages the taking on of challenges, as well as systems and an organization that stimulates communications within and outside the Company. We believe this will lead to the development of the next generation of leaders and the creation of opportunities for diverse human resources to play active roles.



Kazuhisa Oyama

Director
Senior Managing Executive Officer
General Manager of Corporate Administration Unit

Years in position
7

Shares held
11,061

We will transform ourselves into a company with stable earnings. The essence of this transformation lies in our ability to provide products that are truly valuable to our customers in a recurring revenue format. To create products that are appealing to customers, we will conduct thorough marketing and develop products with an awareness of costs and returns. Despite Japan's shrinking population and declining workforce, the volume of work remains unchanged. We will become a Company that creates yohaku for customers, society and people in the future through efforts to make work more efficient using ICT.



Hidetoshi Takinaka

Director

President and CEO, Aso Information System Co., Ltd.
Senior Managing Director, ASO CORPORATION

Outside

Years in
position
3

Shares
held
0

After the pandemic, the future is no longer an extension of the past. Over its nearly 100-year history Tsuzuki Denki has established trust, credibility, and numerous technological capabilities.

With this foundation, we are now at a stage where we are launching unique transformations more closely aligned with the new era. There is a positive attitude and an eagerness to take on new challenges within the Company. As director, I will continue to inspire with a bright, energetic, and forward-looking attitude.



Tomoko Tsukahara

Director

Executive Officer, EVP CQO, FUJITSU LIMITED

Outside

Years in
position
1

Shares
held
0

When revising the business portfolio, we must be mindful of promoting further transformations toward data-driven management that segments businesses into growth and mature areas, strengths and challenges, tangibles and intangibles, to make decisions based on data. That being said, the portfolio contains growth and non-growth businesses. Considering how employee motivation and engagement can be enhanced is also an important role of management.



Toshihiro Murashima

Director

Representative Director, President and CEO
Attorney-at-law

Outside

Years in
position
6

Shares
held
5,600

The IT industry to which we belong is undergoing a wave of unprecedented major changes referred to as DX. These changes are such that past common sense and experience do not apply. Amid such changes, there is a possibility management will not understand and reject the new opinions of younger employees, thereby missing the opportunity for transformation. I believe one of my roles is to communicate this situation to management and to convey the importance of continuing to learn and experience new things.



Kunio Matsui

Director

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

Outside

Years in
position
4

Shares
held
1,079

In my research area, there is a method referred to as "inclusive design" that involves actual users in the design process. Incorporating inclusive design into software development and creating products that are truly user-friendly is what differentiates us from our competitors. Our strength lies in a corporate culture of carefully handling each individual project. I look forward to leveraging this strength and transforming ourselves into a Company that leads the industry with inclusive designs.



Noriyuki Moriyama

Director
Chairman, Shinkokai medical corporation
Director, Medical Corporation Midtown
Medicine Co., Ltd.
Director, HIMEDIC, Inc.

Outside	Years in position 3	Shares held 3,100
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We are a Company in the IT industry, where technological progress is rapid. However, pursuing technology alone can lead to products and services that are not user-friendly. There are many products in the world that are unnecessary, complicated, and inconvenient for users, or are simply the result of complacency on the part of the engineers. I believe transformation does not mean change, but change for the better in accordance with the trends and values of the times. Tsuzuki Denki must never forget this.



Hideki Wachi

Director
Nihon Sogo Service Co., Ltd. Outside
Corporate Auditor

Outside	Years in position 1	Shares held 0
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The IT industry is one of rapid change, and it exists to realize transformations, both large and small, from yesterday to today. In an industry where major changes occur that can change the times, it is necessary to remain attuned to changes in society and what society demands. It is important that Tsuzuki Denki increases the number of fields in which it has absolute strength, as this will be the driving force to achieve major transformations. All employees must think about how we can achieve absolute strength.



Naoshi Ogasawara

Director
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.

Outside	Years in position 1	Shares held 0
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We have created a 90-year tradition by adapting to changing environments. Tradition is the result of transformation. I believe our challenge is to create dominant products and services with a commanding market share in niche areas—products and services only Tsuzuki Denki can provide. Our voice-related technologies are highly regarded outside the Company. I think transformation means pursuing further advances in our traditional areas of strength, creating dominant products and services, and maintaining traditions.



Kazuhiro Shimura

Standing Corporate Auditor

Years in position 4	Shares held 27,882
------------------------	-----------------------

I believe it will be difficult for us to differentiate ourselves from competitors unless we take on the challenge of transforming from traditional problem-solving to problem-extraction type solution proposals. At the same time, I hear some say that they are overly conscious of compliance and rules, making it difficult to take on challenges. The original purpose of rules is to protect employees who take on challenges. As a corporate auditor, I will work to establish compliance in the true sense of the word and build an environment in which it is easy to take on challenges.



Kiyotake Yokohari

Auditor

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

Outside	Years in position 4	Shares held 0
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Companies that cling to old successes and fail to transform will eventually decline. Tsuzuki Denki must also create new businesses without being held back by past successes. My sense is that only about 10% of new businesses succeed. For this reason, we need processes that allow for failure. We must also change internal processes so that ideas generated can be implemented quickly. I will continue to make recommendations on the creation of mechanisms and systems aimed at transformation.



Kenji Kusaka

Auditor

Outside	Years in position 1	Shares held 0
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The thinking and actions of individuals in organizations can become constrained by the logic of the organization. Further, as an organization grows, organizational goals become the top priority, and individuals may be sacrificed. Tsuzuki Denki is in a period of transformation, with new ideas and technologies arising from the free thinking of individuals. Individuals must have their own ideas, express their honest opinions, and take action. The organization must respect the opinions of individuals. I hope Tsuzuki Denki transforms into this type of organization.

Director and Corporate Auditor Skills Matrix

	Corporate management	ICT industry knowledge	Innovation and transformation	Finance and accounting	Legal affairs Risk management	Human resources management	ESG and academic knowledge
Isao Emori	■	■	■				
Kazunori Yoshii	■		■	■			
Kazuhisa Oyama	■			■		■	
Hidetoshi Takinaka	■	■				■	
Tomoko Tsukahara		■			■		
Toshihiro Murashima		■	■		■		■
Kunio Matsui		■	■			■	■
Noriyuki Moriyama			■				■
Hideki Wachi	■	■	■		■		
Naoshi Ogasawara				■		■	■
Kazuhiro Shimura		■			■		
Kiyotake Yokohari				■	■		
Kenji Kusaka				■	■		

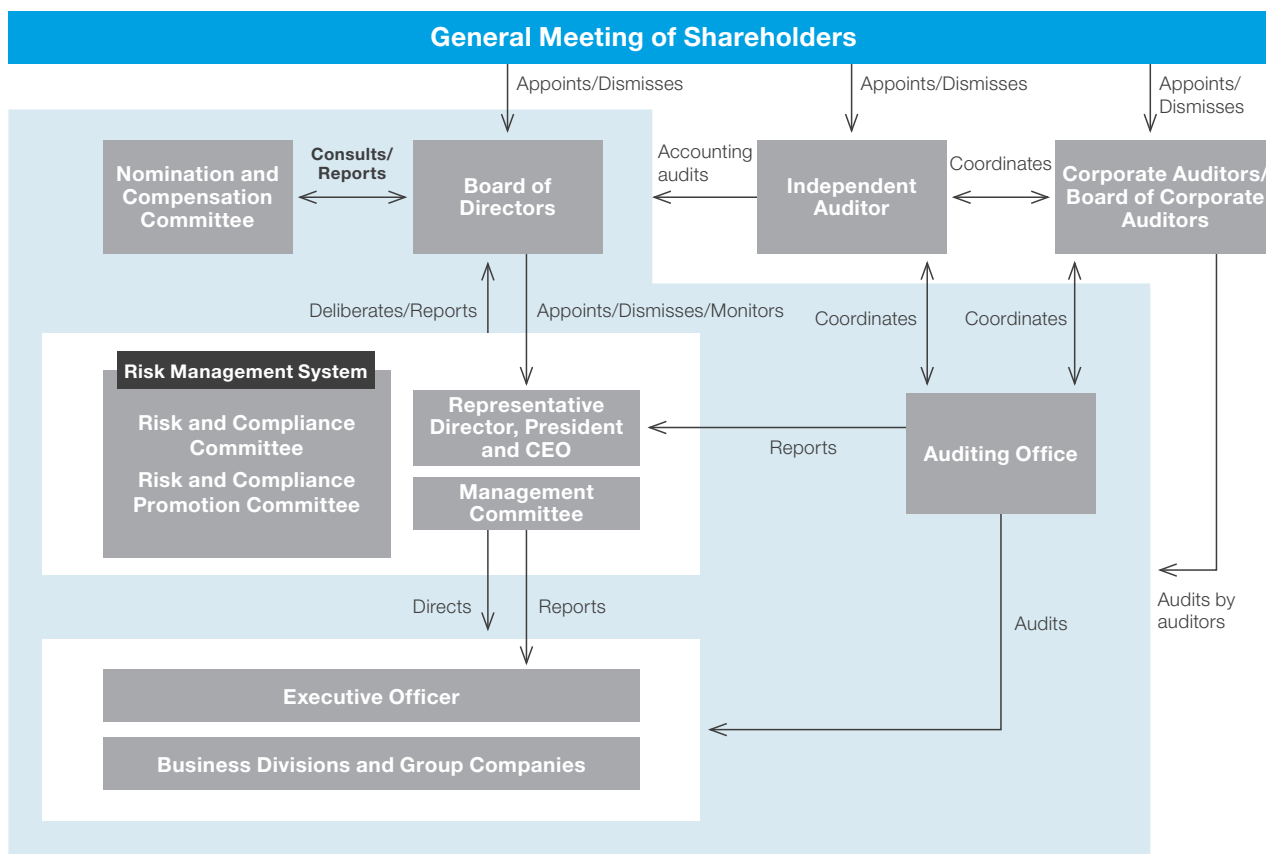
Corporate Governance

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



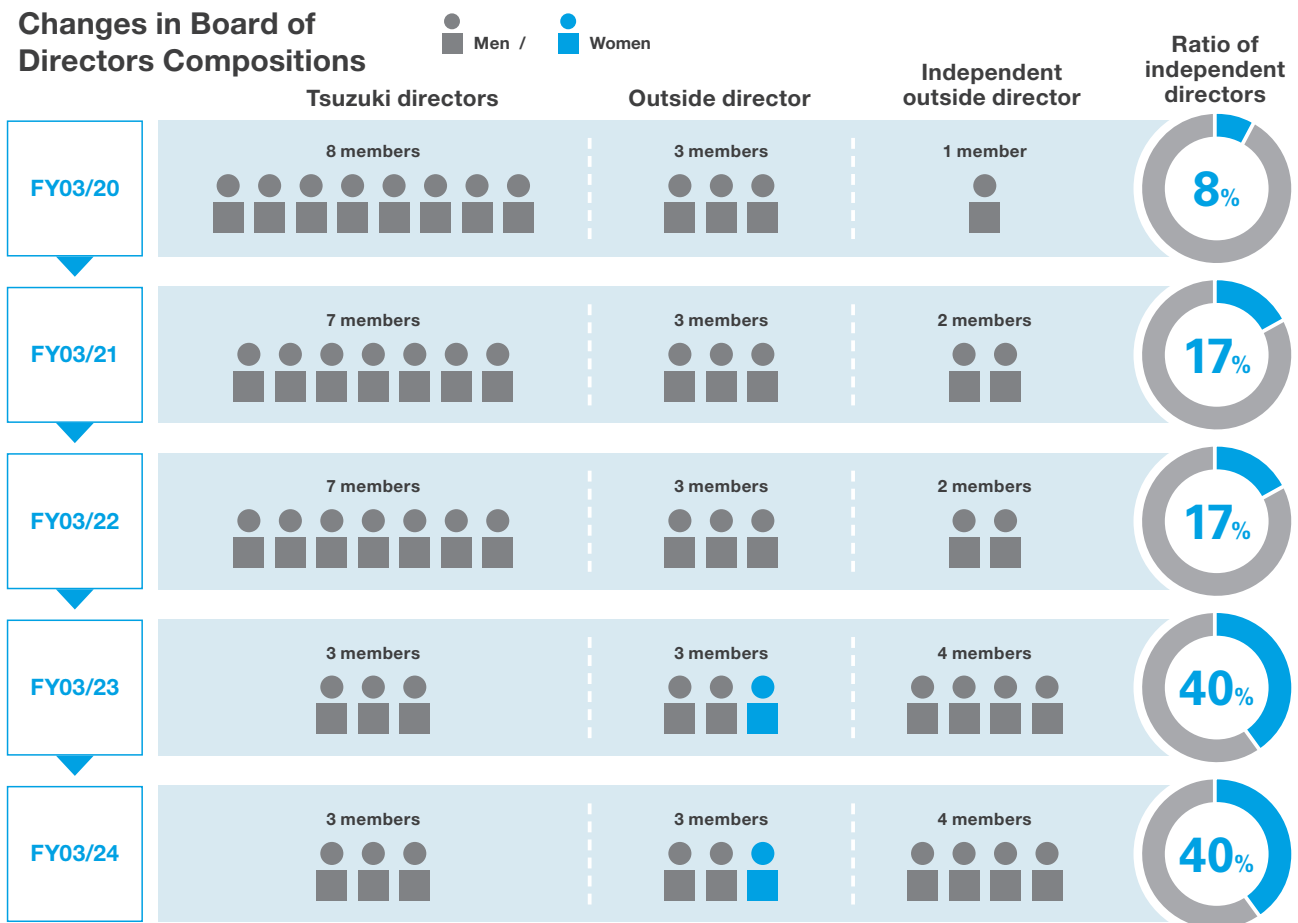
Main Meeting Bodies

Meeting	Composition	Meetings in FY03/23	Activities
Board of Directors	<ul style="list-style-type: none"> 10 directors (of whom seven are outside directors) Three corporate auditors (of whom two are outside corporate auditors) 	13 times	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Three corporate auditors (of whom two are outside corporate auditors) 	13 times	<ul style="list-style-type: none"> Determined audit policies and examined state of business and Company assets
Nomination and Compensation Committee	<ul style="list-style-type: none"> Four Nomination and Compensation Committee members (of whom three are outside directors) 	5 times	<ul style="list-style-type: none"> Discussed and considered matters relating to the selection of director candidates and director compensation policies and systems, etc.
Management Committee	<ul style="list-style-type: none"> Six members, including Representative Directors, Senior Managing Executive Officers and Managing Executive Officers One Standing Corporate Auditor 	27 times	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Seven outside directors Two outside corporate auditors One Representative Director and Vice President (Secretariat) 	3 times	<ul style="list-style-type: none"> Exchanged opinions with outside directors and outside corporate auditors <p>Themes</p> <ul style="list-style-type: none"> Business strategies Long-term vision, medium-term management plans, etc.

Efforts to Strengthen Corporate Governance

FY03/16	■ Reorganized the Compensation Committee into the Nomination and Compensation Committee
FY03/18	■ Introduced a performance-linked stock compensation plan
FY03/21	■ Commenced evaluations of Board of Directors effectiveness
FY03/22	■ Substantially revised our basic policy on corporate governance in accordance with Corporate Governance Code revisions
FY03/23	■ Changed to a Board of Directors comprising more than one-third independent outside directors, appointed an independent director as chairman of the Nomination and Compensation Committee
FY03/24	■ Partially revised stock compensation plan, changing to a system more clearly linking director compensation to the value of Company shares)

Changes in Board of Directors Compositions



Board of Directors Activities

Meetings	13 times
Main items discussed	<ul style="list-style-type: none"> ■ Medium-term management plan ■ Executive appointment ■ Director compensation system ■ Tsuzuki Denki's approach to the Corporate Governance Code
Main items reported	<ul style="list-style-type: none"> ■ Board of Directors effectiveness evaluations ■ Human resources strategy ■ Project management initiatives ■ IR activity reports ■ Business risk countermeasures

Nomination and Compensation Committee Activities

Meetings	5 times												
Members	<table border="1"> <tr> <td>Chairman</td> <td>Naoshi Ogasawara</td> <td>Independent outside director</td> </tr> <tr> <td>Member</td> <td>Toshihiro Murashima</td> <td>Outside director</td> </tr> <tr> <td>Member</td> <td>Kunio Matsui</td> <td>Independent outside director</td> </tr> <tr> <td>Member</td> <td>Isao Emori</td> <td>Representative Director, President and CEO</td> </tr> </table>	Chairman	Naoshi Ogasawara	Independent outside director	Member	Toshihiro Murashima	Outside director	Member	Kunio Matsui	Independent outside director	Member	Isao Emori	Representative Director, President and CEO
Chairman	Naoshi Ogasawara	Independent outside director											
Member	Toshihiro Murashima	Outside director											
Member	Kunio Matsui	Independent outside director											
Member	Isao Emori	Representative Director, President and CEO											
Naoshi Ogasawara	<ul style="list-style-type: none"> ■ Tsuzuki Denki and affiliate company executive appointment ■ Revisions to director and executive officer systems 												

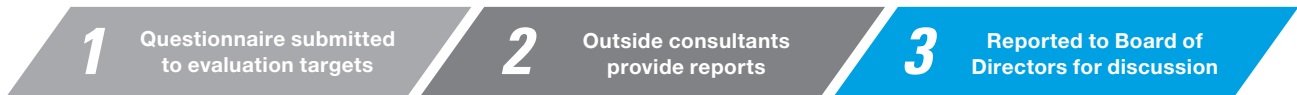
Effectiveness Evaluations

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 FY03/23

■ **Scope of evaluation** All directors and corporate auditors

■ **Process**



- 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



- Compares and analyzes reasons for differences between Tsuzuki director and outside director, director and corporate auditor, and previous and latest responses
- Identifies issues aimed at increasing effectiveness



- Analysis results and issues are reported by the Board of Directors Secretariat
- Responses to issues are discussed

■ **Main evaluation items**

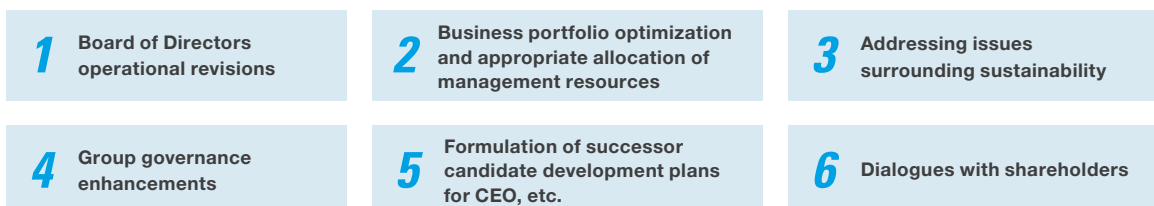


■ **Evaluation results summary**

Tsuzuki Denki has confirmed that its Board of Directors operates effectively in an atmosphere that encourages frank, free, and vigorous discussions and ensures effectiveness.

■ **Future initiatives**

We are making efforts to resolve the following issues identified in evaluation results with the aim of increasing Board of Directors efficacy.



Executive Remunerations

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 chairman) 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

Officer classification	Applicable officers (People)	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)		
			Basic remuneration	Performance-linked remuneration	Stock-based remuneration
Tsuzuki directors	7	278	142	98	37
Outside directors	7	49	49	—	—
Tsuzuki corporate auditors	1	22	22	—	—
Outside corporate auditors	3	11	11	—	—

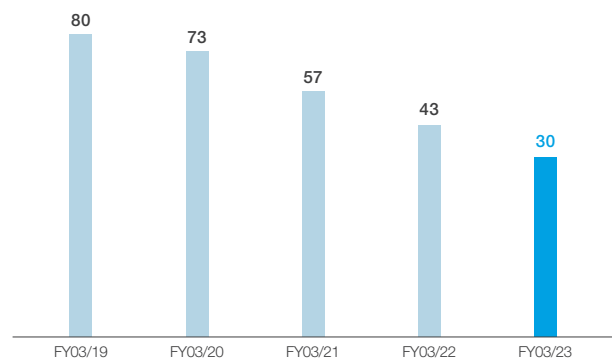
Cross-shareholdings

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 14 holdings were reduced in FY03/23, some of which were sold for 741 million yen.

Shareholdings



Total Amount on Balance Sheet (Millions of yen)

FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
3,358	2,852	3,738	3,333	2,726

(Totals include listed and unlisted companies)

Protecting Minority Shareholders

Tsuzuki Denki is an affiliate of ASO CORPORATION, which holds 24.14% of voting rights (as of end-FY03/23). Fujitsu Limited is a major shareholder, with 12.88% of voting rights (as of end-FY03/23). 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.

Compliance

Basic Approach

The TSUZUKI Group Code of Conduct was established as a foundation for realizing the “contribution and value provision to society” expressed in our management principle, as well as to instill an awareness of compliance through the pledge to observe the 3 Conduct (Respect, Comply, Will not do).

System

We established the Risk and Compliance Committee and its advisory body, the Risk and Compliance Promotion Committee, to ensure the Company's social credibility and to contribute to its further development.

The Risk and Compliance Committee is chaired by the Representative Director and President, with the Risk and Compliance Promotion Committee nominated by the Risk and Compliance Committee chairman from among directors and executive officers.

Efforts to Spread and Enhance Awareness of Compliance

Compliance education and training	We provide compliance training through e-learning for all of directors, employees, and others working for Tsuzuki Denki. Additionally, we support the implementation of compliance training at Group companies by providing e-learning environments and compliance training content.
Compliance awareness surveys	Tsuzuki Denki conducts compliance awareness surveys targeting all Group employees. Survey results are provided as feedback internally and to all Group companies, and in light of results and free opinions received, compliance and other issues are identified, and specific measures are formulated and implemented to address and resolve them.
Compliance voluntary inspections	The Group conducts voluntary compliance inspections through e-learning for all officers, employees, and others working for Tsuzuki Denki.
Compliance newsletters	We issue internal compliance newsletters to raise awareness and educate employees about compliance, providing details on the implementation status of compliance activities and explanations of compliance issues that were not well understood in compliance training sessions.

Information Security

In addition to people, goods, and money, information has become an important component of modern-day corporate activities. While the use of information helps maintain and improve corporate competitiveness, information leaks, unauthorized access, and various other threats are on the rise, posing an ever-increasing risk of significant impacts on corporate activities. Accordingly, Tsuzuki Denki maintains and manages an information risk management system and has established information security standards to ensure information is properly managed and used proactively and safely.

Personal Information Protection and Information Security Measures

To comply with laws, national guidelines, and other regulations regarding the protection of individual and employee personal information handled in all business activities, we established and appropriately implement a personal information protection management system in accordance with JISQ15001.

To ensure information security, we formulated the Tsuzuki

Information Security Policy and established and appropriately operate the Tsuzuki Information Security System (TISS).

Our Tokyo Office has also acquired ISO/IEC27001 (JISQ27001) certification for the development, construction, operation, and maintenance of electronic contract services and groupware systems.

Employee Education

Personal information protection and information security education is provided at least once a year for all employees, including directors, with additional training conducted twice a year for new employees, once when they join the Company, and once when they are assigned to a specific department. We also conduct targeted e-mail attack drills twice a year to strengthen our cyber security measures in light of recent circumstances. Further, we designate the first of every month as Information Security (IS) Day, with all employees conducting monthly departmental inspections of compliance items. Internal audits are conducted once a year for all departments to determine and confirm whether appropriate operations are being carried out.

Responding to System Development Risks and Enhancing Project Quality, Status of Dialogues with Shareholders

In the event the Tsuzuki Group is unable to execute a project within the expected scope, budget, delivery date, or quality due to various unexpected events, such as inadequate determination of specifications, problems with the project structure, or insufficient technical verification, Group business results may be affected by increased costs associated with additional measures.

To address these risks and improve overall project quality, we have established a project support system centered on the Assurance Office, which conducts monitoring and inspections.

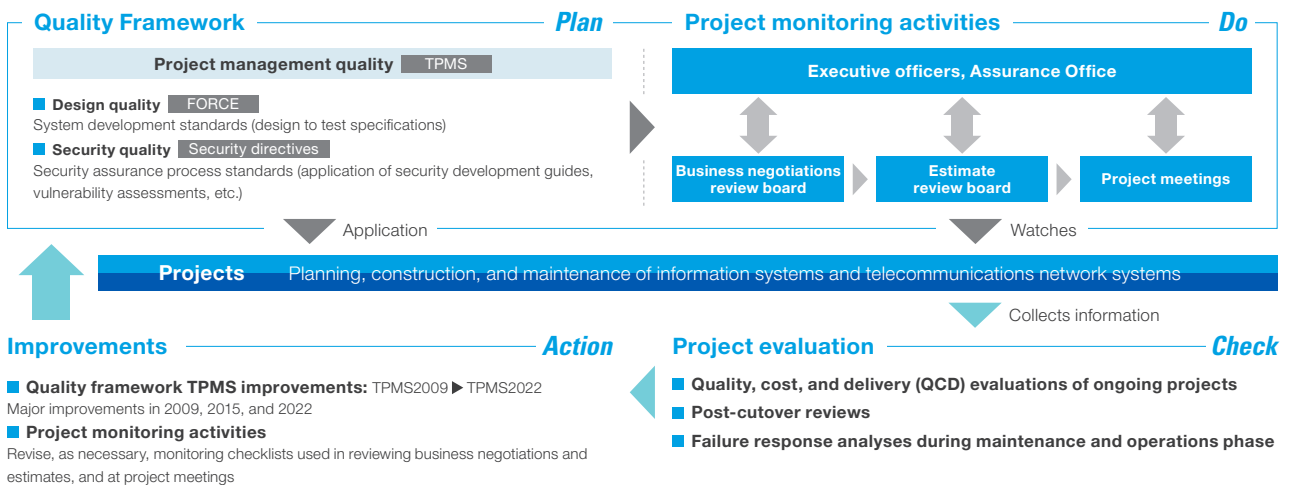
These activities result in the PDCA cycle shown below.

First, the entire project management process is managed using our proprietary quality framework Tsuzuki Project

Management System (TPMS), a standard process structure for system construction. For design and security quality, which are particularly important, standard processes and management items have been established for each.

In project monitoring activities, based on these quality frameworks, review meetings are held at each stage of business negotiations, estimates, and ongoing processes to clarify risks, consider countermeasures, and ensure thorough quality control in both development process management and deliverables.

We also strive to further improve quality by consolidating, sharing, and evaluating performance information collected during projects, then make improvements to our quality framework and project monitoring activities, as needed.



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 FY03/23

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.

Main respondents	President, Managing Executive Officer of Management Planning (IR), and IR Manager		
Shareholder overview	<ul style="list-style-type: none"> ■ Investment style Domestic active, overseas active ■ Interviewers Fund managers, analysts 		
Main topics and shareholder concerns	<ul style="list-style-type: none"> ■ Main topics <ul style="list-style-type: none"> ■ Business model (discussions aimed at facilitating an understanding of our business) and growth drivers ■ Market trends, current performance trends, and full-year forecasts ■ Medium-term outlook and initiatives ■ Concerns <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 IR activity reports are submitted to the Board of Directors annually, 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	<ul style="list-style-type: none"> ■ Implementation and disclosure of management practices focused on cost of capital and return on capital

Sustainability

Basic Approach

Since our founding, we have engaged in social contributions through our business, but in light of recent and substantial changes in society and the environment, we are focusing efforts on sustainability based on the idea that it is more important than ever to strike a balance between contributing to a sustainable and prosperous society and achieving sustainable growth.

Through these activities, we will contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations.

Basic Policy

In embodying our Purpose, we will contribute to the realization of a sustainable society.

1 We will develop an environment that fosters people, insights, and technologies in an effort to provide value to society

2 We will create “yohaku” filled with possibilities through the resolution of social issues

3 We will contribute to society alongside stakeholders through responsible corporate behavior

Activity Themes Under the Medium-term Management Plan

1 Develop an environment that nurtures people / P.37 /

2 Development of an environment that fosters insights/technology / P.25-32 /

3 Promote responsible corporate behavior / P.55-60 /

Promotion Structure

Activities are conducted under the leadership of two committees: the Sustainability Management Committee, led by senior management, who engage in management that considers sustainability, and the Sustainability Promotion Committee, which seeks collaborative solutions to issues through cooperation on various initiatives.

The Board of Directors receives reports on discussions and resolutions made by the Management Committee and the Sustainability Management Committee, and discusses and supervises response policies and action plans. In FY03/23, discussed the importance of strengthening human capital and reducing adverse environmental impacts.

Three Key Sustainability Issues and Efforts Targeting Corporate Growth

We have identified three key issues (materiality) by integrating issues facing society and Tsuzuki Denki. We aim to be a company that contributes to the realization of

a sustainable and prosperous society, while continuously increasing corporate value through initiatives aimed at internal growth and the resolution of important issues.



Response to Climate Change

One of our key issues (materiality) is to contribute to harmonious coexistence by capturing changes in people, society, and the global environment, and to this end, we are

working to reduce our environmental impact. In May 2022, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Greenhouse Gas Emissions and Targets (Unit: t-CO₂)

Scope 1+2 emissions

Note: Figures are the combined values of Tsuzuki Denki and TSUZUKI EMBEDDED SOLUTIONS CO., LTD.

Scope category	FY03/14	FY03/23
Scope1	183.84	68.23
Scope2	929.55	650.81
Scope1+2	1113.39	719.04
vs. FY03/14	—	35.3% reduction

Scope1+2 emissions targets

Scope category	FY03/26	FY03/31	FY03/51
Scope1+2	591 46.9% reduction vs. FY03/14	50.0% reduction vs. FY03/14	Net zero

Target Achievement Efforts

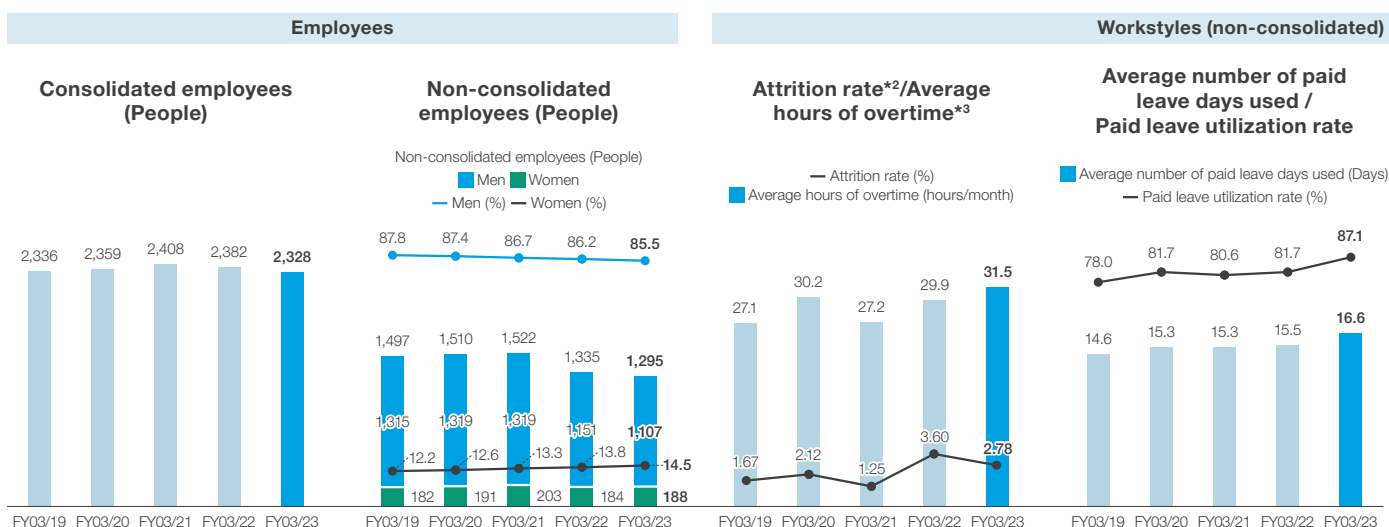
Ongoing measures	<ul style="list-style-type: none"> • Reduce company-owned vehicles 	Planned measures	<ul style="list-style-type: none"> • Replacement of air conditioning equipment at some sites • Office renovations and efficiency enhancements
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Financial and Non-financial Data

	FY03/13	FY03/14	FY03/15	FY03/16
Financial Data (Millions of yen)				
Profit and Loss				
Net sales	100,651	110,670	105,339	105,619
Gross profit	16,202	17,854	17,168	17,483
SG&A expenses	15,256	15,789	15,729	15,709
Operating income	945	2,065	1,439	1,773
EBITDA*1	1,884	3,244	2,589	3,125
Profit (loss) attributable to owners of parent	446	982	466	717
Cash Flows				
Cash flows from operating activities	7,511	△ 4,321	1,833	1,903
Cash flows from investing activities	3,820	211	468	△ 586
Free cash flows	11,331	△ 4,109	2,301	1,317
Cash flows from financing activities	△ 6,597	288	△ 787	△ 896
Financial Position				
Total assets	64,036	70,048	69,649	68,785
Cash and cash equivalents	16,784	13,016	14,661	15,034
Loan balance	13,819	14,934	15,138	15,120
Shareholders' equity	17,586	18,585	18,868	19,506
Per Share Information				
Profit (loss) attributable to owners of parent (EPS) (JPY)	34.37	81.79	38.40	58.40
Cash dividends (JPY)	8	12	10	15
Payout ratio	23.3%	14.7%	26.0%	25.7%
Other Financial Data				
Gross profit margin	16.1%	16.1%	16.3%	16.6%
Operating margin	0.9%	1.9%	1.4%	1.7%
ROE	2.0%	5.3%	2.3%	3.4%
Shareholders' equity ratio	28.2%	27.1%	30.5%	30.7%
Total return ratio	2334.6%	15.1%	28.3%	27.5%
Capital investment	1,829	869	735	330
Depreciation and amortization	837	1,085	1,056	1,276

Non-financial Data



*1. EBITDA is calculated as operating income + depreciation + amortization of goodwill.

*2. Number of employees who retired during the period (excluding those who reached retirement age) ÷ Number of employees at the end of the period

*3. Prescribed working hours: 7.0

*4. Cumulative number of employees enrolled in the Tsuzuki Leaders Forum (next generation management talent development training), excluding employees appointed as executive officers and retirees.

*5. Number of employees certified under the Tsuzuki Certification Program (in-house ICT engineer certification system).

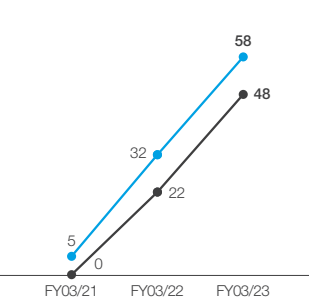
(Millions of yen)

	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23
	105,149	111,973	118,872	125,366	120,004	119,316	123,899
	18,442	19,459	21,496	23,075	21,465	22,511	24,178
	16,299	16,920	18,177	18,618	18,263	18,498	19,060
	2,142	2,538	3,318	4,457	3,202	4,012	5,118
	3,435	3,838	5,237	6,704	5,656	6,634	7,333
	1,321	1,515	2,212	3,155	2,346	2,798	3,521
	4,148	1,768	852	8,025	749	5,560	4,263
	△ 554	△ 2,470	140	△ 8	△ 1,271	△ 4	39
	3,594	△ 701	992	8,016	△ 521	5,555	4,302
	△ 1,056	△ 880	△ 1,551	△ 4,950	△ 2,029	△ 2,413	△ 2,612
	71,068	76,169	78,944	77,448	76,200	79,226	83,207
	17,562	15,968	15,409	18,456	15,927	19,130	20,845
	13,833	11,935	12,151	8,992	9,500	9,581	9,106
	21,949	25,326	27,070	29,629	31,072	33,155	36,022
	101.65	96.10	128.89	182.10	134.06	158.47	197.48
	18	29	39	55	46	48	61
	17.7%	30.2%	30.3%	30.2%	34.3%	30.3%	30.9%
	17.5%	17.4%	18.1%	18.4%	17.9%	18.9%	19.5%
	2.0%	2.3%	2.8%	3.6%	2.7%	3.4%	4.1%
	5.9%	5.9%	7.9%	10.8%	7.7%	8.8%	10.4%
	33.9%	36.2%	36.4%	38.4%	40.6%	41.5%	42.0%
	19.5%	32.9%	32.1%	31.7%	36.4%	32.0%	32.3%
	565	1,410	1,307	722	1,064	2,023	383
	1,293	1,299	1,919	2,247	2,408	2,531	2,124

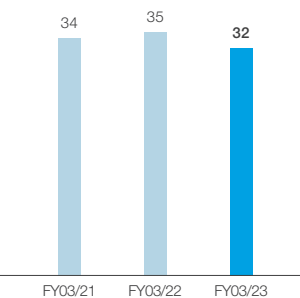
Human resource development (non-consolidated)

Childcare leave utilization rate / Male employee childcare utilization rate

— Childcare leave utilization rate (%)
— Male employee childcare utilization rate (%)

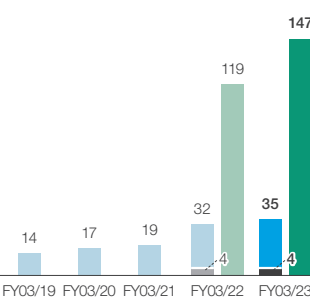


Cumulative TLF participants (People)*4



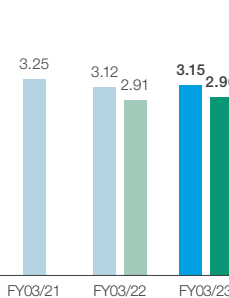
TCP-certified employees*5 / of which, advanced DX talent / certified DX associates*6

■ TCP-certified employees (People)
■ advanced DX talent (People)
■ Certified DX associates (People)



Engagement*7 (6.0 points possible)

■ Non-consolidated (Points)
■ Consolidated (Points)



*6. Number of employees who have obtained internal certifications that assess and determine whether employees have the basic mindset, knowledge, and experience to promote DX.

*7. Questions based on the Utrecht Work Engagement Scale (17-item version)

Corporate Information

As of March 31, 2023



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

Isao Emori, Representative Director, President and CEO

Founded

May 1, 1932, as Tsuzuki Shoten

Established

March 26, 1941 as Tsuzuki Telephone Business, Co., Ltd.

Capital

JPY 9,812,930,540

Stock Listing

Tokyo Stock Exchange Prime Market
(Securities Code: 8157)

Net sales

 (As of March 2023)

Consolidated	123,899 million yen
Non-consolidated	82,590 million yen

Employees

 (As of March 2023)

Consolidated	2,328 people
Non-consolidated	1,295 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, 2023

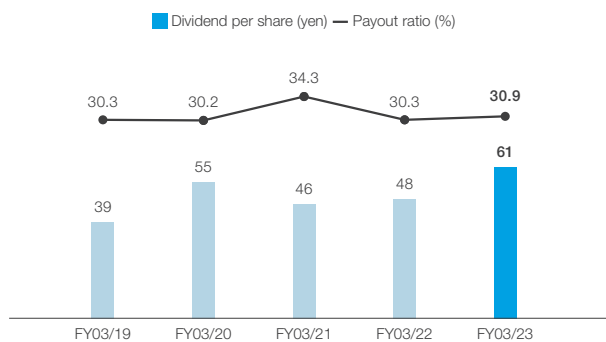
Stock Price and Trading Volume



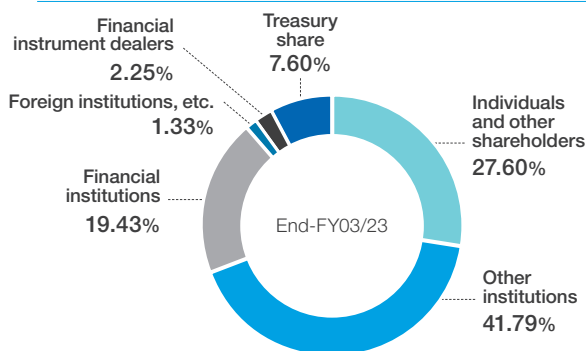
Total Shareholders Return

	Three-year	Five-year	10-year
Tsuzuki Denki	156.2%	207.3%	456.9%
TOPIX	153.4%	131.8%	242.1%

Dividends and Payout Ratio



Shareholder composition



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

6,237 shareholders

Major shareholders (10 largest shareholders)

Rank	Name	Number of shares (1,000 shares)	Shareholding ratio (%)
1	ASO CORPORATION	4,500	24.14
2	Fujitsu Limited	2,402	12.88
3	The Master Trust Bank of Japan, Ltd. (trust account)	1,200	6.44
4	TSUZUKI DENKI employee stock ownership	863	4.63
5	FUSO DENTSU CO., LTD.	766	4.11
6	Custody Bank of Japan, Ltd. (trust account)	435	2.33
7	MUFG Bank, Ltd.	296	1.59
8	Mizuho Bank, Ltd.	296	1.59
9	Sumitomo Mitsui Banking Corporation	296	1.59
10	HT Holdings K.K.	200	1.07

- The 1,532,000 treasury shares held by the Company, the 420,000 shares held in the Tsuzuki Denki Stock-grant ESOP trust account, the 290,000 shares held in the Tsuzuki Denki Board Incentive Plan, and the 13,000 shares held in the Tsuzuki Denki Employee Stock Ownership Plan (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 ESOP trust account, the TSUZUKI DENKI Board Incentive Plan, and the TSUZUKI DENKI Stock-grant ESOP trust account.



Tsuzuki Denki Co., Ltd.

6-19-15 Shinbashi, Minato-ku, Tokyo 105-8665, Japan
(Tokyo Art Club Building)

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

