

 **TSUGAMI CORPORATION**

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PRECISION
TSUGAMI
Integrated Report **2025**

Tsugami provides precision machine tools that always aim at enhancing productivity through automation and labor-saving.

We are committed to providing high-precision, high-speed, and high-rigidity precision machine tools, always aiming for high productivity and utilizing cutting-edge technologies.

Outline of the Tsugami Group Code of Conduct

- Directors and employees at all Tsugami Group companies will comply with all applicable legislation and international trade regulations in areas where we operate, and will carry out their business activities ethically and in good faith, in line with company policy and regulations.
- We will never discriminate against prospective or current employees on the grounds of race, religion, nationality, age, gender, sexuality, disability, or any other factor that has no relevance to the Company's legitimate interests.
- We will strive to reduce environmental impact, including saving energy, conserving resources, and minimizing waste, and will make every effort to contribute to a sustainable society.
- We will always engage in fair trade in relation to the procurement of goods and services, advertising, and promotion and sales activities.
- We will disclose information fairly and on a timely basis, ensuring that all information is accurate and easy to understand.

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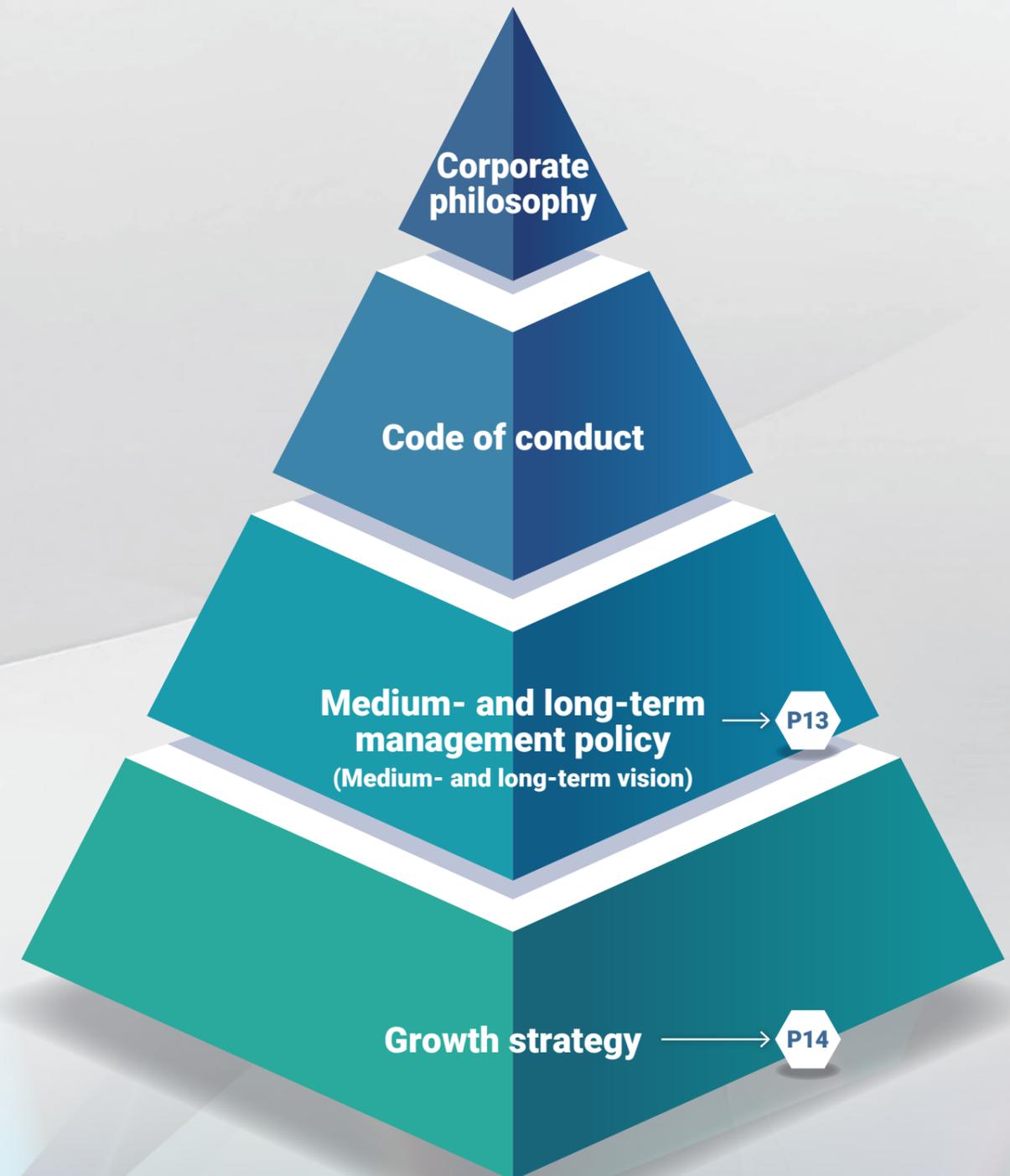
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History of Value Generation

We contribute to society by constantly anticipating market needs and generating new value, underpinned by the precision technologies we have been developing since the Company was first established.

1937 > Tsugami in its early days

Tsugami's story began with it taking on the societal challenge of starting up domestic production of precision measuring instruments. At the time, Japan was in the midst of its industrialization process and needed to independently establish high-precision measurement technologies instead of continuing to rely on imports. In 1937, our founder, Taisuke Tsugami, established Tsugami Mfg., Co., Ltd. in Nagaoka, Japan, to address this challenge. By starting up the domestic production of machine tools, Tsugami contributed to the development of infrastructure for the machinery industry.

- ▶ **1937**
Tsugami Mfg., Co., Ltd. was established in Nagaoka, Niigata
Production of gauge block was started
- ▶ **1939**
Production of L-type thread milling machine Model T-TML500 was started
Production of hydraulic universal cylindrical grinding machine Model T-UG300 was started
- ▶ **1946**
Production of grinding machines, thread and form rolling machines, and sewing machines was started
- ▶ **1949**
Listed on Tokyo Stock Exchange, Osaka Securities Exchange, and Niigata Stock Exchange

1950s-1970s > Period of postwar rebuilding and industrial modernization

In postwar Japan, reconstruction of industries and expansion of exports were the most important national priorities. Tsugami continuously developed high-precision machinery such as automatic lathes and grinding machines, supporting increases in efficiency and shifts toward high-value-added products in domestic manufacturing industries. Form rolling technology and the sliding headstock type automatic lathe contributed to increased labor productivity and stability in quality. During the period of Japan's rapid economic growth, Tsugami evolved into a company underpinning the foundation of manufacturing activities while responding to the expanding demand for precision parts.

- ▶ **1957**
Production and sale of sliding head stock type automatic lathe T-7 was started
- ▶ **1970**
Corporate name was changed to TSUGAMI CORPORATION
- ▶ **1973**
Gang-tool type automatic lathe Model VCL installed with lead-turner function was completed
- ▶ **1978**
CNC composite automatic lathe Mercury series was developed and its sale was started

1980s-2000s > Period of establishing the international division of labor

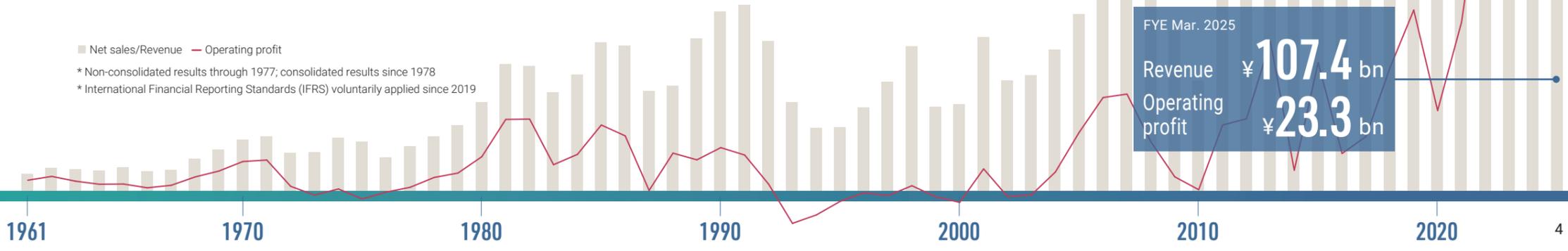
From the 1980s, Tsugami faced changes in the business environment such as a strong yen, global competition, and a greater focus on environmental issues. It changed its corporate name to TSUGAMI CORPORATION and gradually established offshore facilities in Thailand, China, Europe, and other regions, thereby establishing a system of international division of labor. At the same time, it systematized its quality and environmental management by obtaining ISO 9001 and 14001 certifications. These were practical responses to the industry-wide societal challenges of optimizing global production capabilities and reducing environmental impacts.

- ▶ **1989**
TSUGAMI (THAI) CO., LTD. was established
- ▶ **1992**
CNC precision automatic lathe S20 series were awarded the 22nd Machine Design Award
- ▶ **1999**
Quality Control Management System ISO 9001 was awarded to Nagaoka Factory
- ▶ **2000**
New plant to assemble automatic lathes in Nagaoka Factory was completed
Environment Management System ISO 14001 was awarded to Nagaoka Factory
- ▶ **2003**
Precision Tsugami (China) Corporation was established
- ▶ **2005**
New plant in Nagaoka Factory was completed
- ▶ **2007**
TSUGAMI GmbH was established (currently TSUGAMI EUROPE GmbH)

2010s & 2020s > Taking on the challenges of digitalization, labor shortages, and sustainability

Since the 2010s, new societal demands have emerged, encompassing digitalization, the electrification of automobiles, precision medical equipment, and more. We support the digital transformation (DX) of industries by evolving our CNC precision automatic lathes and multi-tasking turning centers, enabling micro-machining and high-efficiency production. Furthermore, automation and labor-saving measures address challenges such as labor shortages and the passing down of skills.

- ▶ **2010**
TSUGAMI KOREA Co., Ltd. was established
Shinagawa Precision Machinery (Zhejiang) Co., Ltd. was established
- ▶ **2011**
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED was established
- ▶ **2012**
TSUGAMI Universal Pte. Ltd. was established
- ▶ **2013**
Precision Tsugami (China) Corporation Limited was established
Precision Tsugami (Hong Kong) Limited was established
- ▶ **2017**
Precision Tsugami (China) Corporation Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited
- ▶ **2018**
Precision Tsugami (Anhui) Corporation was established
- ▶ **2021**
Precision Nakatsu (China) Corporation was established
- ▶ **2022**
Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange following a review of the market classification of the Tokyo Stock Exchange
- ▶ **2023**
TSUGAMI UNIVERSAL SDN.BHD. was established
TSUGAMI VIETNAM COMPANY LIMITED was established
- ▶ **2024**
Precision Tsugami (China) Corporation merged with and absorbed Precision Nakatsu (China) Corporation
Foundry began operating at our new factory in India
- ▶ **2025**
Machining and assembly plant began operating at our new factory in India



Tsugami: Stalwart of Industry

Tsugami's strengths

We are a general machine tool manufacturer that supplies the world with CNC precision automatic lathes, CNC lathes, turning centers, machining centers, precision grinding machines, precision thread and form rolling machines, and more. Our automatic lathes machine parts for smartphones and watches, and feature technology for mass producing micro parts only 0.05 mm from 1 mm diameter bar stock. Our stockpile of technology for achieving this level of versatility and precision helps us expand our market share of a wide range of products.

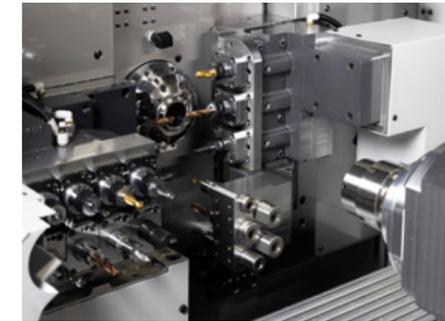
Product name	Features and value propositions	Main usage
 CNC Precision Automatic Lathe	<ul style="list-style-type: none"> • Tool configuration that minimizes thermal displacement and a high-rigidity structure achieve long-term stable machining precision. • Tsugami's guide-bushless spindle enables accurate machining with economical materials. 	 Mass production of small components such as parts for office automation (OA) equipment, medical equipment, digital cameras, cellular phones, optical communications, and automobiles
 CNC Lathe	<ul style="list-style-type: none"> • Powerful machining enabled by turret tool post and rigid machine structure. • A wide variety of machines are available, from basic machine to turning center with back spindle and Y-axis. It allows users to select the most suitable machine for machining complex workpieces, regardless of bar or chucker. • A wide range of automation options. 	 Parts for automobiles and construction equipment
 Turning Center	<ul style="list-style-type: none"> • Integrates turning and machining operations. • Efficient machining of complex-shaped components without the need for setup changes. 	 Automobile, aircraft, medical, and jewelry industries
 Machining Center	<ul style="list-style-type: none"> • Contributes to improved productivity with high-speed and accurate machining. • Supports drilling, tapping, and milling. 	 IT-related aluminum parts, iron-based automotive parts, and industrial machinery parts
 Precision Grinding Machine	<ul style="list-style-type: none"> • Stable accuracy and durability achieved thanks to the wheelhead spindle with hydrodynamic bearings and V-flat guide. • Supports everything from small- to high-volume production. 	 Mold pins, components for engines, transmissions, hydraulic equipment, IT-related equipment, and medical equipment
 Precision Thread and Form Rolling Machine	<ul style="list-style-type: none"> • Environmentally friendly plastic forming with zero chips. • With CNC control, it can perform form rolling at multiple positions. 	 Threads, knurling, high-accuracy lead screws, worms, and form-rolling

Introducing our new models 1

New-generation CNC precision automatic lathe, which enables high-speed, high-precision machining

The CNC precision automatic lathe, one of our mainstay products, handles a wide range of machining tasks, covering everything from micro parts to complex shapes, and has contributed to enhancing productivity.

The new model "BW389ZJ" was developed in response to various customer requests, further advancing its core high-precision machining capabilities and achieving overwhelming productivity through a high-speed, high-rigidity design and unique structure. Its most significant feature is that the front and rear tool posts are independent, allowing multiple processes such as balance turning, simultaneous milling, and drilling to be performed simultaneously. This dramatically improves machining efficiency. Furthermore, a high-rigidity design is adopted that can handle materials up to 38 mm in diameter, suppressing vibrations even during heavy-duty cutting. Its optimal design based on structural analysis enables stable, high-precision machining even with materials that are difficult to machine or with complex shapes. In addition, its newly developed program creation support function makes it easy to generate complex simultaneous machining programs, enabling efficient operation not only for experienced users but also for beginners. It solves the problems that lathe machining has so far faced and contributes to the creation of new value.



Five outstanding features

- 1. Independent front and rear tool posts**
Multiple processes including balance turning, simultaneous milling, simultaneous drilling, and superimposed control can be executed simultaneously.
- 2. High-rigidity design that can handle materials up to 38 mm in diameter**
Its optimal design based on structural analysis suppresses vibrations during heavy-duty cutting. It achieves stable, high-precision machining even with materials that are difficult to cut or with complex shapes.
- 3. Program creation support function**
Equipped with dedicated G-code and patterning functions that make it easy to generate complex simultaneous machining programs. The volume of programs has been reduced to about one-third, enabling efficient operation even for beginners.
- 4. Overwhelming machining efficiency**
Minimized tool positioning time and simultaneous machining maximize uptime. Reduce setup time by performing multiple machining operations in a single process.
- 5. All products come with the energy-saving package**
Equipped with such features as shut-off valve for air purge, energy-saving mode, ECO operation mode, and power consumption monitor, reducing environmental impacts and operating costs.

Introducing our new models 2

Dramatically enhance productivity through process integration

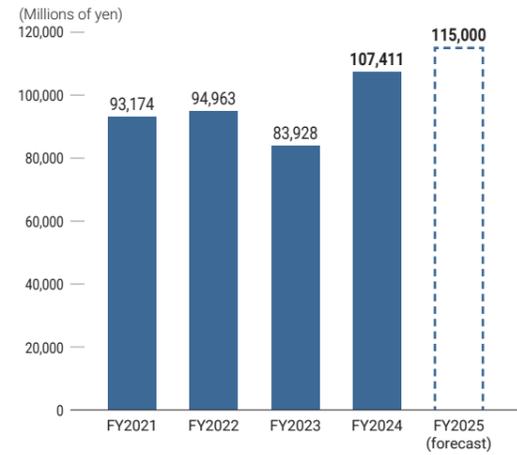
The CNC lathe M08SY-II achieves stable machining accuracy and overwhelming productivity through its high-precision, high-rigidity design and built-in motor spindle.

Its key feature is that it enables a single machine to complete machining processes that previously required multiple steps. This achieves process integration and cycle time reduction, dramatically increasing manufacturing efficiency. It also adopts a structure with flexible tool configuration, capable of accommodating diverse machining requirements. Furthermore, by linking with the optional automation system, unmanned operation in mass production machining is now possible, greatly increasing efficiency.

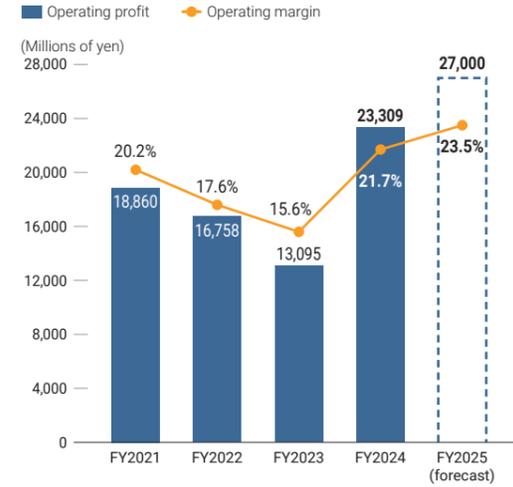


Financial Highlights

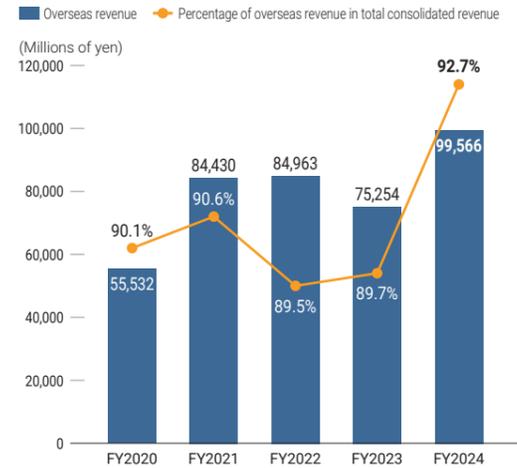
Revenue



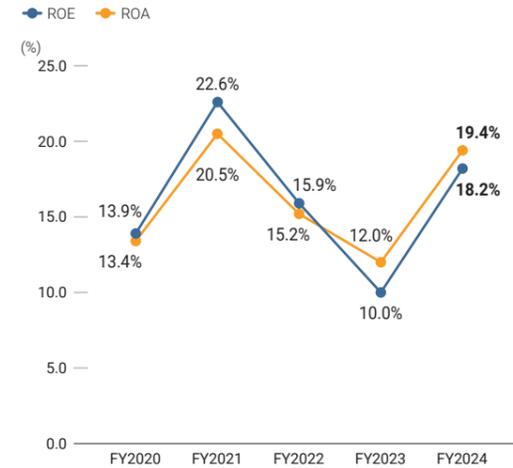
Operating profit / Operating margin



Overseas revenue / Percentage of overseas revenue

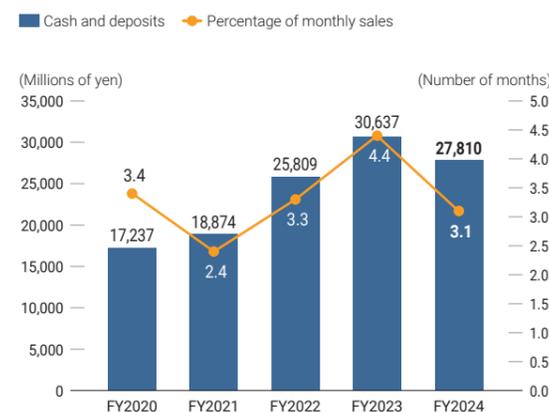


ROE / ROA

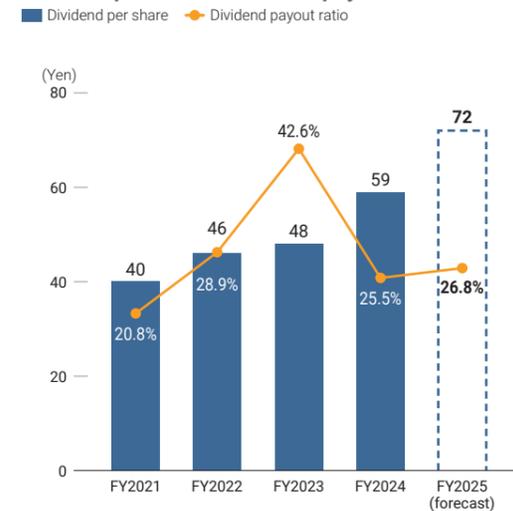


Level of cash and deposits

- An appropriate level of cash and deposits held should be approximately three months' worth of monthly sales.
- Any amount in excess of this level will be used to fund growth investments for further enhancing our corporate value.

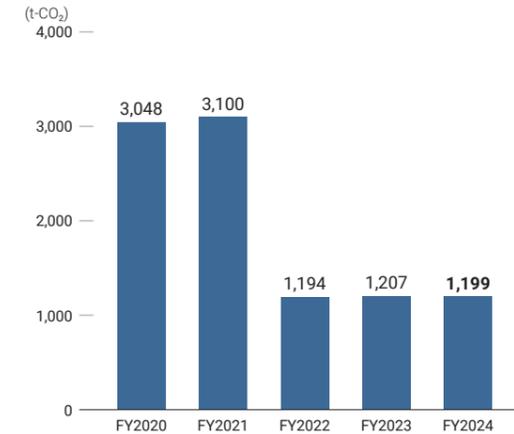


Dividend per share / Dividend payout ratio



Non-Financial Highlights

GHG emissions (Scope 1, Scope 2) (non-consolidated basis)

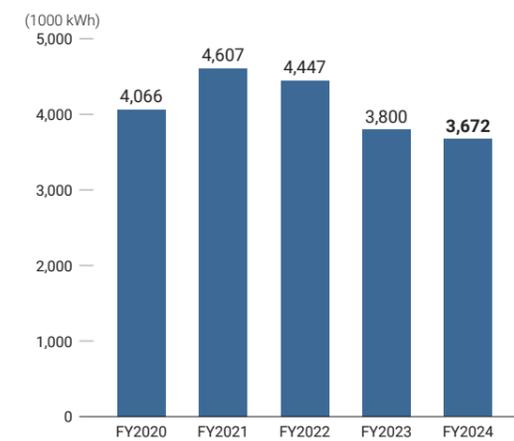


* Total emissions of Nagaoka Factory, Takami Warehouse, Parts Center Warehouse, Head Office, and Sendai, Kanto, Suwa, Shinshu, Nagoya, Osaka, and Fukuoka Sales Offices

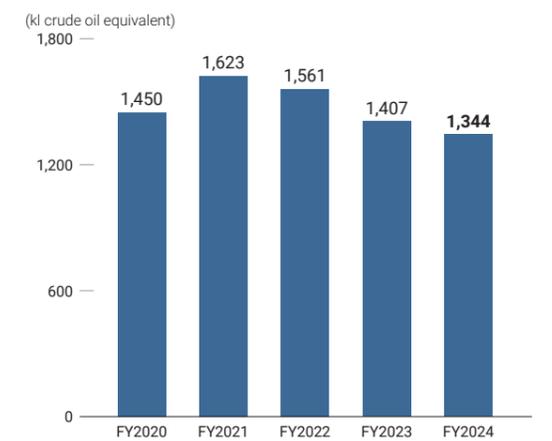
GHG emissions (Scope 3) (non-consolidated basis)

	FY2021	FY2022	FY2023	FY2024
Purchased products and services (t-CO ₂)	101,146	119,864	70,450	67,425
Transportation and distribution (upstream) (t-CO ₂)	2,574	2,564	1,390	1,563
Transportation and distribution (downstream) (t-CO ₂)	1,550	1,914	1,676	1,181
Use of sold products (t-CO ₂)	95,544	97,229	82,315	67,724
End-of-life treatment of sold products (t-CO ₂)	806	817	670	488
Categories other than the above (t-CO ₂)	1,279	1,176	1,127	1,041
Total (t-CO₂)	202,899	223,564	157,628	139,422

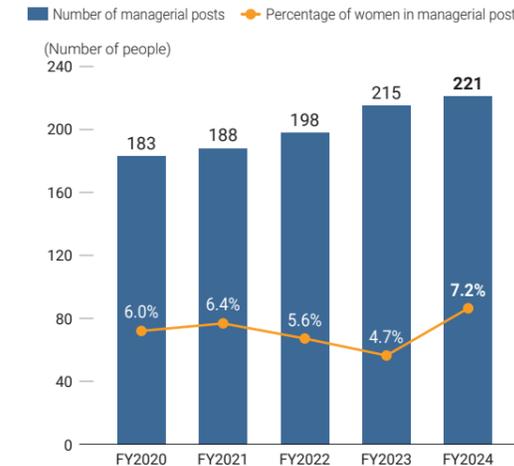
Electricity used (non-consolidated basis)



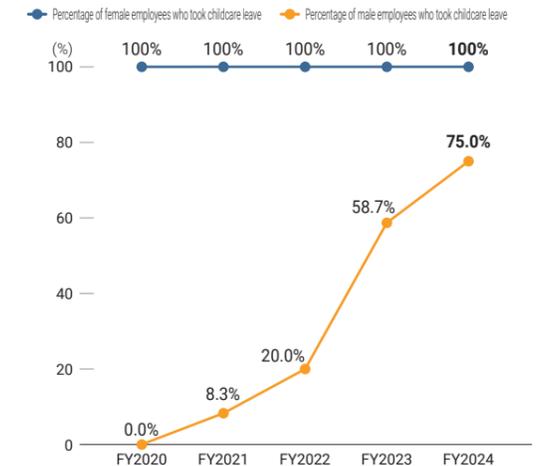
Energy consumption (non-consolidated basis)



Percentage of women in managerial posts (non-consolidated basis)



Percentage of male and female employees who took childcare leave



Value Generation Process

The Tsugami Group has grown because we contribute to society by constantly anticipating market needs and generating new value, underpinned by the precision technologies we have been developing since the Company was first established. As a Group, we aim to realize a sustainable world by applying our technological capability and values to strike a balance between sustainable growth and societal advancement.

Precision parts originating from our products

Although users rarely have the opportunity to see our products, they fulfill their roles day in and day out in smartphones, watches, computers, automobiles, implants, and other familiar places.



Awareness of societal issues

Input

Business Model

Output

Outcome

Diversified workforce and skill transfer based more on explicit knowledge

Advancement of smart manufacturing

Responding to industrial transformation (regarding EVs, medical care, semiconductors, etc.)

Intention for green transformation (GX) and circular production

Increasing risks in geopolitics and cyberspace

Increased sophistication of resilience

Financial capital

- Total assets: ¥127.3 bn
- Free cash flow: ¥6.8 bn

Production capital

- Capital investment: ¥2.24 bn
- Number of factories worldwide: 5

Intellectual capital

- Stockpiling expertise
- Research and development cost: ¥3.13 bn

Human capital

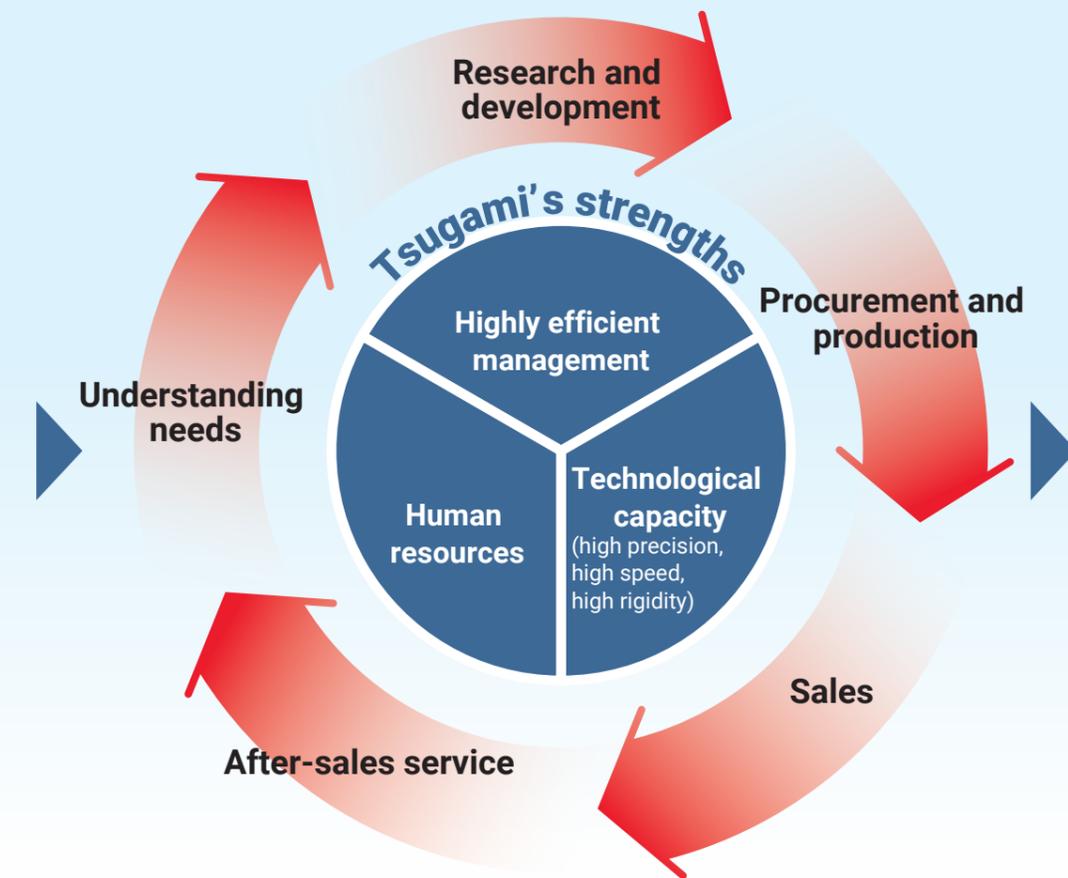
- Number of employees (consolidated): 3,433
- Number of engineers: 319 out of 500 (non-consolidated)
- Diverse employees

Social capital

- Solid customer base (Tsugami brand)
- Global sales channels

Natural capital (non-consolidated basis)

- Electricity used: 3,672 thousand kWh
- Water use: 12,264 m³
- Saving energy with production processes that take up less space



- Revenue ¥107.4 bn
- Operating profit ¥23.3 bn
- ROE At least 10%

Our main product lineup



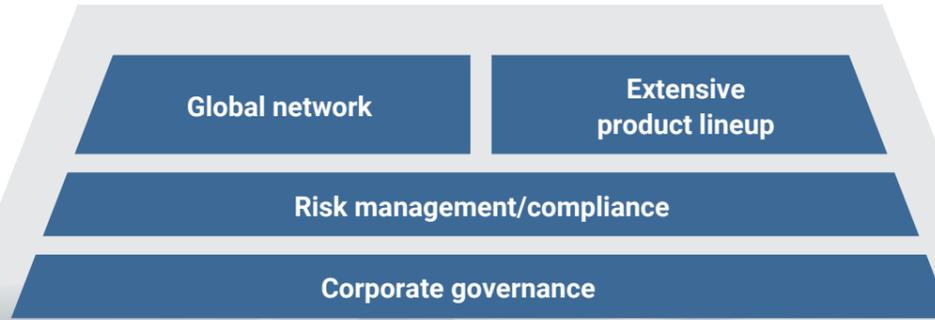
Contributing to improved production efficiency and quality through automation and labor-saving measures on the front lines

Providing the foundation for production technologies that support the transition to a decarbonized and resource-recycling society

Supporting the development of growing industries such as EVs, medical care, and semiconductors to achieve both enriched lives and industrial competitiveness



Contributing to the sustainable development of industry, the reduction of environmental impacts, and the establishment of safe and stable production infrastructure through high-precision, high-efficiency manufacturing technologies



Initiatives for deepening value generation and achieving sustainable growth

Aiming to become a company that adapts to changes in the business environment and forges the future

We started issuing integrated reports in 2023. Our integrated reports are intended to serve as a starting point for communicating the full picture of our value generation to our stakeholders and facilitating constructive dialogue. They are an important communication tool that will help our stakeholders gain a deeper understanding of our strengths, competitive advantages, and how we contribute to society. By conveying our purpose as a company and our vision for the future, we hope they will serve as a foundation for dialogue and shared understanding with our stakeholders.

1. Perception of the business environment and review of our performance for the fiscal year ended March 31, 2025

Recently, changes in industrial structure have been accelerating, and demand for precision machining and automated machinery, which are our main areas of expertise, has increased even further. The trend of technological innovation, such as the automotive shift to EVs, the miniaturization of semiconductors and electronic components, and the increasing precision of medical devices, is strongly driving demand for compact, high-precision, and diverse products. Furthermore, shop floors are required to address such challenges as labor-saving measures, automation, and space efficiency. We appropriately respond to these shifts by providing added value such as energy efficiency, labor-saving measures, and automation, in addition to high precision, high speed, and high rigidity.

As uncertainty in the business environment persists, trends in key markets, including China, significantly impact our performance. While concerns about the future prospects of the economy, foreign currency risks, and rising energy costs are factors that have dampened the demand-side capital investment appetite, we have steadily carried out our business activities at each location. In the fiscal year ended March 2025, we achieved record-high performance with revenue of ¥107.4 billion (up 28.0% year on year) and operating profit of ¥23.3 billion (up 78.0% year on year). Against the backdrop of the outstanding growth

in our business performance, regarding shareholder returns, we paid an annual dividend of ¥59 per share, representing an increase of ¥11 compared to the previous fiscal year. While maintaining sound financial conditions, we consistently pay dividends, steadily enhance our corporate value, and fulfill our responsibilities to our shareholders.

2. Tsugami's strengths and growth strategy

The strengths we have developed to date can be summarized into three main areas. The first is our technological capabilities and competitive products, which represent our core competence. Leveraging our technological capabilities focused on the area of compact, high-precision machining, we have developed a range of products that deliver stable precision over extended periods, such as mass production technology capable of handling micro-machining and hard-to-cut materials, structures that suppress thermal displacement, and guide-bushless spindles, and have satisfied the diverse needs of the medical, electronics, and automotive fields. The second is our production and supply system. With our mother factory in Nagaoka as our technological hub, we have established a supply system involving overseas facilities in China, India, and other countries. The third is our solid management foundation. We are building a system that enables us to continue investing in growth even in an industry with significant market fluctuations, by promoting management that

is mindful of capital efficiency and pursuing a balance between ongoing improvement in ROE and investments in R&D and human capital.

Our growth strategy going forward is to first accelerate the launch of new products in growth fields. We will promote product development leveraging our technological capabilities in increasingly sophisticated areas such as the environmental solutions, automotive parts, IT, and medical fields. We will also step up our expansion toward regions with strong growth. Our production, sales, and after-sales service systems will be strengthened in markets such as China, Southeast Asia, and India. In India, our first foundry went into operation in April 2024, followed by the start of operations at a new machining and assembly plant. Through these initiatives, we seek to achieve quality improvements and further increase profitability.

3. Initiatives for sustainability

We are proactively stepping up our efforts not only to execute our business strategies but also to promote sustainability initiatives, including environmental conservation and risk management. We will enhance the quality of our management and continue our efforts toward realizing a sustainable society, with the aim of becoming a company trusted by all stakeholders.

Recognizing that human resources are, first and foremost, the foundation of sustainable growth, we

are promoting the recruitment and development of global human resources with language skills and the ability to engage with different cultures. In addition to securing skilled and technical personnel, we prioritize passing down mastered skills, and through the combined efforts made by global and technical personnel, we will pass down our distinctive approach to manufacturing to the next generation. In terms of corporate governance, we, as a company with an audit and supervisory committee, have strengthened the supervisory function of our Board of Directors. We appoint Outside Directors with diverse backgrounds in management, law, finance, technology, and other fields to ensure independence, expertise, and diversity. Going forward, we will strive to build a more diverse Board of Directors while strengthening risk management and internal control.

We are committed to remaining a company that contributes to the sustainable development of society by generating value centered on precision machine tools. Even in this era of rapid change, we will adhere to management driven by technology, talent, and governance and will maintain the trust we have built with all our stakeholders as we move toward our next stage of growth.

We look forward to your continued understanding and support going forward.

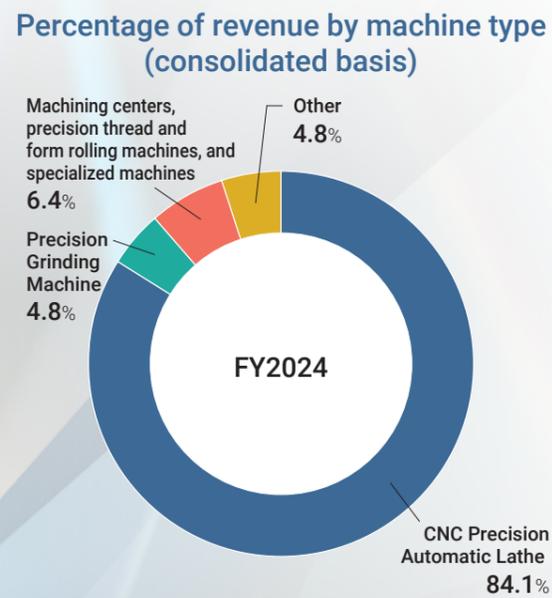
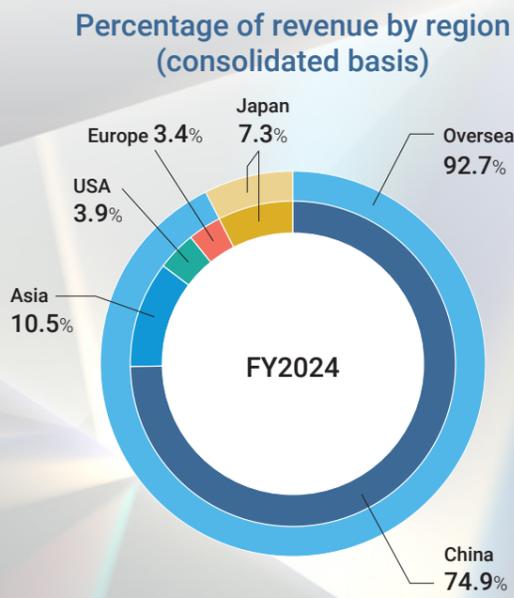
Corporate Management Committee,
TSUGAMI CORPORATION

Medium- and Long-Term Management Policy

The Group is addressing the following priority issues proactively as its medium- and long-term management strategies.

- 1 Acceleration of growth on a global scale and optimization of our product portfolio**
 We aim to expand our sales and market share by concentrating our resources on growth markets and optimizing our product portfolio. More specifically, we will closely examine our existing product portfolio based on profitability and market growth potential while stepping up investment in high-value-added areas such as automotive parts, which require environmental compliance and energy efficiency, and the increasingly sophisticated IT and medical fields. Furthermore, from a medium- to long-term perspective, we will further strengthen our production, sales, and after-sales service systems in growth regions with a strong capital investment appetite, such as China, Southeast Asia, and India. We will promote business expansion tailored to regional characteristics with the ultimate goal of achieving sustainable growth on a global scale.
- 2 Productivity and efficiency in our supply chain**
 We will build an optimal global production system and thoroughly enhance supply chain efficiency. By clarifying the role of each facility, we will achieve shorter lead times and inventory optimization through a flexible supply system that adapts to demand. Furthermore, we will enhance cost competitiveness through process improvements and the utilization of digital technologies to drive profitable business operations. We are committed to remaining a company that is trusted by our customers by strengthening our sales, production, and management systems across the entire Group and providing products and services that meet customer needs.
- 3 Product development that contributes to solving societal issues**
 To address the societal issues surrounding manufacturing industries, we will focus on developing next-generation machine tools. We will support the future of manufacturing industries by providing a range of sustainable and highly reliable products, with a focus on automation and labor-saving measures as well as compliance with environmental regulations and adaptations to changes in industrial structure.

The Group will proactively implement these types of activities in addition to environmental conservation, compliance, and other CSR activities, and continue making every effort as a group of companies trusted by our shareholders, customers, and all other stakeholders.



Growth Strategy

The Tsugami Group is committed to carrying out investments for growth, primarily in China and India, and achieving sustainable growth and increased profitability.

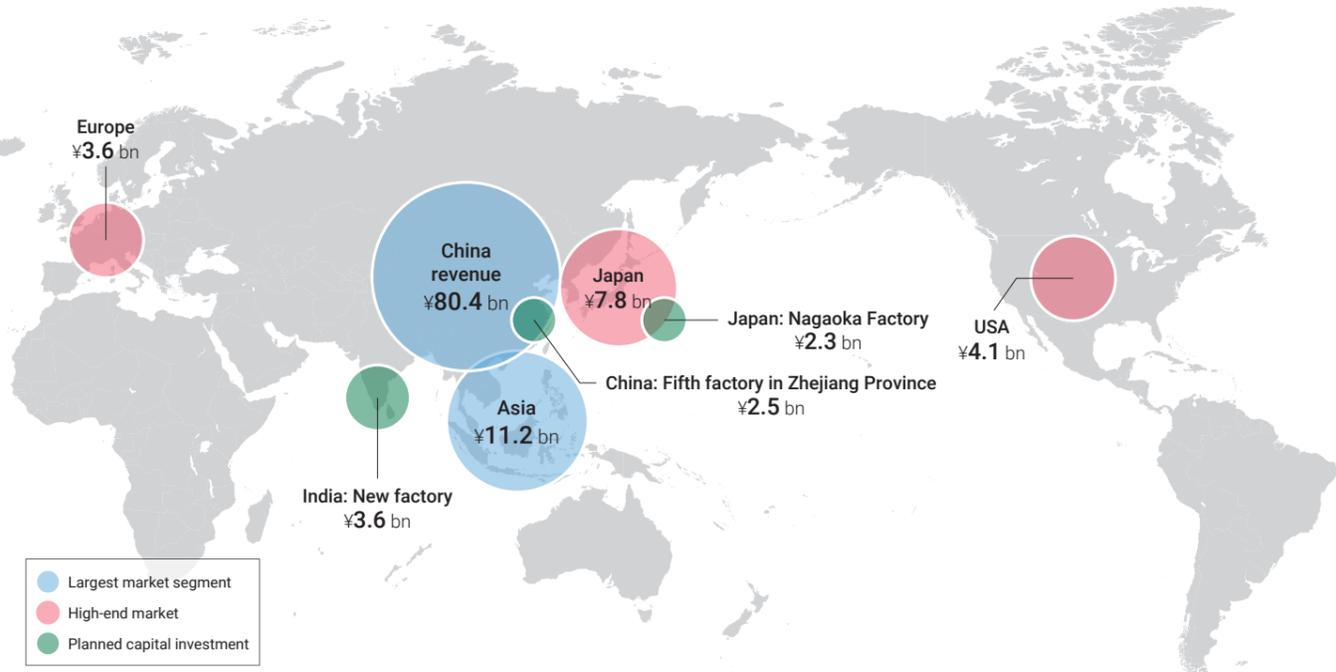
Strategies by region

Development and manufacturing

- Carry out capital investments focused on production facilities at our Chinese subsidiaries and the new factory in India.
- In Japan, investments for development are focused primarily on high-end products for the world's leading countries.

Sales

- Focus on high-end products, primarily in Europe and South Korea, for future growth.
- Implement regional strategies, aiming to win the leading position in niche markets.



Accelerate to delve deeper into the market with the start of operations at our new factory in India

Tsugami considers India, which is growing as the second largest market for manufacturing after China, to be a key market, and has built and put into operation two new facilities, an assembly plant and a foundry, near Chennai. This will enable us to nearly double our production capacity to 200 to 300 units per month within two to three years, accelerating our business in India by speeding up product supply and providing high-quality products that meet the needs of local customers.




Precision Tsugami Assembly Plant Chennai, India
 In December 2025, we held the opening ceremony at Precision Tsugami Assembly Plant Chennai, India.

Research and Development Strategy, Global Development System

The Company's history traces back to the time our founder, Taisuke Tsugami, began studying gauge blocks, which are the standard for lengths. We successfully established domestic production of gauge blocks in Japan and used the underlying technology to begin developing and manufacturing precision measuring instruments, eventually expanding to precision machine tools such as grinding machines, thread and form rolling machines, automatic lathes, and machining centers. We intend to continue using the precision machining technology we have cultivated over decades of product and technological development to actively develop high-precision, high-speed, high-rigidity products with a sense of urgency to quickly meet customers' needs.

Our technological capacity, cultivated over decades

Given the complex shapes and strict geometric tolerance of the precision parts of watches, computers, smartphones, and other information and communication devices we rely on every day, these parts are manufactured using CNC automatic lathes with outstanding machining precision.

As a major manufacturer, we have supplied machine tool users—from major Japanese manufacturers of precision electronic components to smaller companies in the parts machining industry—with products possessing the high precision, speed, and rigidity required in the mass-production of parts with consistent quality. For the automotive and medical industries, among others, our machine tools are also contributing to the manufacture of EV-related parts, motor and sensor parts, artificial joints, and implants. Our strength lies in our ability to create real-world-ready products that facilitate users' efforts to automate and save labor, and our underlying technological and development capacity is highly acclaimed by companies in the world's leading countries in need of high-precision machining, notably renowned watchmakers and smartphone manufacturers in Europe and North America.



Sliding head stock type automatic lathe production line

Successfully developing an effective global system

Even as we tackle the development and production of high-end products that enhance precision and efficiency in Japan, Europe, and North America, we have consistently captured markets in China and other emerging economies to raise our earning power and prudently expand our business.

As the Japanese machining industry continues to mature, we aim to use our technological and development capacity as a foundation for enhancing our presence overseas. We took the Global Financial Crisis as an opportunity to ramp up local production in China of more affordable machine tools with limited functions for the largest market segment; consequently, we enjoyed rapid growth associated with the expansion of the local production industry. Although sales can be quite high in the largest market segment, it can also be difficult to turn a profit due to competition on prices.

We successfully secured ample profits in the largest market segment through substantial cost-cutting by switching to in-house production overseas for parts we had outsourced to Japanese suppliers. Concurrently, expansion of production lots had the effect of reducing the resetting of settings on production lines and other tasks, contributing to enhanced quality. We established a production company in India in 2011 and are continuing to expand and strengthen our production capacity.



China Factory (Maanshan, Anhui Province)

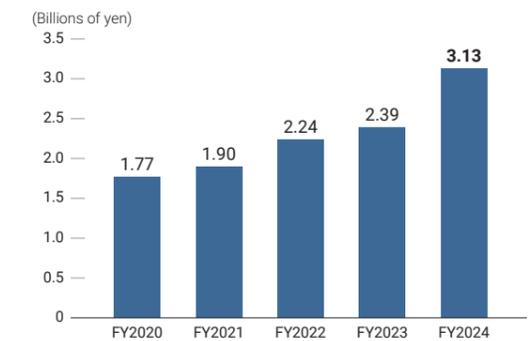


India Factory (Chennai)

Efforts to increase added value

We take steps to strengthen our production, sales, and after-sales service systems in China, Southeast Asia, India, and other markets with a strong appetite for capital investment over the medium and long term. We also aim to delve deeper into the markets of world-leading countries in North America and Europe; toward that end, we will introduce and promote high-end composite machines. Furthermore, in new product development, we will provide cutting-edge solutions that promote automation and labor-saving measures on the shop floor and contribute to solving societal issues such as labor shortages and the need to improve productivity. We are working on the development of machine tools for industries where demand should continue to increase significantly, for example, auto parts, where companies must respond to environmental needs, and advancing industries such as IT, medical, and semiconductor inspection equipment.

Research and development cost



Exhibited at EMO Hannover 2025

We exhibited nine models, including new products, at EMO Hannover 2025 held in Hannover, Germany, over five days from September 22 to 26, 2025. This exhibition is known as one of the three major international exhibitions for machine tools. We exhibited our latest machine tools to demonstrate our technology that is at the forefront of automation and labor-saving.



EMO Hannover 2025

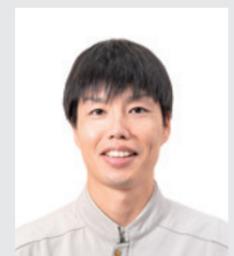
Message from an employee

The excitement we get from R&D activities and the appealing points of technical careers

Our mission is to create "mother machines" that underpin every industry, including automobiles, aerospace, and medical devices, and to contribute to our customers' productivity enhancement.

The excitement we get from R&D activities lies in the moment when we successfully fuse cutting-edge technologies such as IoT and AI with our high-precision, high-speed, and high-rigidity precision technology that we have cultivated as a general machine tool manufacturer. In particular, with a view to contributing to the Sustainable Development Goals (SDGs), we focus on energy-saving design and the development of highly resource-efficient machining processes.

The machines we develop provide reliable quality and efficiency on shop floors around the world and serve as the starting point for creating products that enrich people's lives while contributing to reducing environmental impacts. It is this high level of societal contribution that is the greatest appeal of technical careers and the unshakeable driving force that motivates us. We will mobilize this passion and cutting-edge expertise to powerfully forge the future of manufacturing.



Junichi Sakai
Senior Engineer, Technology Division

Human Resources Strategy

The Tsugami Group views human resources as the foundation of sustainable growth. Therefore, we think it is important to accept the values and characteristics and respect the diversity of the people who underpin our business, regardless of factors like their race, religion, nationality, age, gender, or disabilities. We will maintain environments where everyone can apply their abilities and aptitude to the fullest, and create an organizational culture that allows diverse human resources to flourish.

Strategies for diversifying human capital

1. Recruitment policy

In addition to new graduates, the Group actively recruits mid-career employees with diverse experience, skills and qualifications and who are work ready to encourage capable human resources to join the Group. The Group aims to cultivate human resources who can demonstrate their capabilities in different environments with different customs and cultures.

2. Developing an environment where diverse employees can demonstrate their capabilities

The Group works to build a work environment where all employees can demonstrate their capabilities and grow regardless of race, religion, nationality, age, gender, sexuality, or disability.

Recent efforts

- Has set a target percentage of female regular employees for new regular employees to promote the participation of women.
- Has designed a system where highly skilled part-time employees are promoted to regular employees.
- Has established a consultation desk in the Human Resources Department that provides consultation regarding childcare leave.

3. Health and productivity management

The Group promotes activities focusing on employees' health management and safety management.

Recent efforts

- Has all employees receive regular medical check-ups. Conducts stress tests to prevent mental disorders.
- Industrial physicians conduct mental health interviews.
- Has introduced new medical life insurance and insurance covering three major diseases.

Message from an employee with experience being stationed abroad

Leveraging insights gained while stationed in India to contribute to further market share expansion

During my three years in India, I was engaged in designing to meet customer requests and assisting local staff, conducting technical inquiries to select target models based on customers' product machining drawings, making switchovers to locally sourced parts to reduce production costs, and working on initiatives for in-house production of components. While working in Japan, I was primarily responsible for automatic lathes, but I feel that working with all types of machines in India allowed me to gain a broad range of knowledge. While the Indian factory mainly produces lathes, I also had opportunities to get involved in expanding our product lineup of machining centers and automatic lathes, which are Tsugami's strengths, to meet the various needs of our customers. Going forward, I will dedicate myself to my work in order to contribute to the further expansion of our company's market share.



Daisuke Ohtsuki
Chief Engineer, Technology Division

Indicators and targets

1. Promoting women to management positions

At the Company, female managers actively participate in overseas operations, which account for a large percentage of revenue, and major departments, particularly those involved in technical management. The Company will continue to actively promote female employees to managerial positions and take steps to increase the percentage of female managers to 10% by around 2026. To increase the number of female managers, the Company has set the target of 20% of its new female regular employees and it is taking steps to recruit women. During the fiscal year ended March 31, 2025, no female regular employees were hired, and the percentage of female employees including part-time employees was 17.9%.

2. Promoting mid-career hires to management positions

With so many mid-career hires on staff, we already ensure a proper percentage of mid-career hires in management positions. We have not set any particular target for such promotions because we decide to promote people based on a number of factors such as skills and aptitude, but not whether they were hired as new graduates or in the middle of their careers.

Indicators	Targets	Results (FY2024)
Percentage of female employees in management positions	10%	7.2%
Percentage of new female (regular) employees	20%	0%
Percentage of managers that were hired mid-career	–	20.8%
Percentage of non-Japanese employees in management positions	–	0.5%

Training programs

To avoid the negative effects of changes in the economy and continue to survive amid intense competition, we must further enhance our presence and broadly promote the Company. Human resources are our most important means of accomplishing this. Thus, we have established many training programs to develop human resources who take initiative, apply flexible ways of thinking to overcome difficulties, and continually attempt to meet challenging targets.

Type of training	Details
New employee training	Fundamental training, etiquette, safety and hygiene, production management, laws and regulations, internal control, ISO, intellectual property, export screening, rules and regulations, etc.
On-the-job training	OJT is conducted in small groups at all workplaces for one year after new employee training
English conversation training	Outside instructors are invited once a week to provide English conversation training (one year)
New manager training	Correspondence courses are held to teach newly appointed managers about management (four months)

Message from a training participant

Utilizing AI to improve efficiency and create added value

As part of my external training, I took a basic course for learning about AI and gained a wide range of knowledge about AI technology, from the basics to its applications. The course provided an opportunity not only to understand the mechanisms of machine learning and data analysis but also to think concretely, through hands-on exercises where participants set their own problems and created programs, about how to apply AI to solve business issues to enhance efficiency and create added value. In particular, gaining a systematic understanding of the concepts of data analysis and machine learning was a major achievement, providing me with new perspectives for tackling challenges in my work. Going forward, I will apply the knowledge gained from the course to work actively on the improvement of business processes and proposals about new functions. I will also make efforts to contribute to strengthening our competitiveness through the use of AI.



Yuki Nagumo
Technology Division

Roundtable Discussion by Our Employees

Technology, challenges, and the value generation beyond them

“Know the shop floor, know the world”—this is our strength. We underpin manufacturing through our machine tools, and the technical skills and intrepid spirit of each and every employee are the source of our sustained growth. In this roundtable discussion, employees playing active roles on the global stage candidly shared their perspectives on everything from what made them decide to join us and impressions of our corporate culture to experiences gained through their overseas assignments and future challenges they are willing to take on.



Our corporate culture that values taking on global challenges and shop floor experiences

The source of Tsugami’s sustained growth lies in the technical skills and intrepid mindset of each and every employee. First of all, please share with us what made you decide to join Tsugami and your honest impressions of our corporate culture.

Ito I knew Tsugami had a wide-ranging product lineup including automatic lathes, machining centers, and grinding machines even before joining. This means that we have differentiated technology that no other company has and can offer our customers a wide variety of options.

Furthermore, we have a culture that values the shop floor, and I think another strength is that our entire company has a strong commitment to making better products.

Nomoto During my job search, I hoped to work for a manufacturer, and I was particularly attracted to Tsugami’s history of manufacturing and the high global market share of its main products, including automatic lathes. Furthermore, the environment at Tsugami allows people to take on challenges from an early stage in their career, which was a major reason why I decided to join. In fact, in my third year here, I was seconded to our facilities in the USA, where I successfully took on the challenges I had anticipated.

Ikeda I, too, have been interested in manufacturing since my student days, so I participated in a factory tour. At the time, I was impressed by how friendly the people at Tsugami were, and I once again realized how appealing Tsugami was through my job search. After joining Tsugami, I was impressed by its environment, which enables employees to take on challenges if they speak up about their interest in doing so. I had always been interested in working overseas. Now I am stationed in India and experiencing the power of the unique local culture firsthand.

Hijioka I came to know about Tsugami during my job search. When I attended an exhibition, the nature of the work and the personalities of the employees at Tsugami really drew me in. I am currently in charge of designing automatic lathes, and I find great fulfillment in being able to come up with optimal solutions on my own to meet customers’ specific needs and turn them into products. And I take pride in the fact that this also contributes to customer value.

Hirano I’m from Niigata Prefecture, where a Tsugami factory is located, and during my job search, I was aiming for a position at a manufacturer. Among many other manufacturers, I was attracted to Tsugami because of its wide range of products, history, and its large number of overseas facilities, and I thought I could do something interesting at Tsugami. In addition to the wide variety of products, I was also impressed by the fact that Tsugami accommodated detailed requests for custom-made products, as Mr. Hijioka mentioned. In my fourth year here, I was seconded to Germany, and I realized again the breadth of available challenges.



Diverse experiences achieve customer satisfaction beyond the scope of technology

You have all had the experience of being posted overseas early in your careers after joining Tsugami. How have your experiences overseas impacted your skill development and your sense of contribution to our company’s business?

Ito After joining Tsugami, I was in charge of mechanical design for a long time, but during my assignment in Germany, I gained experience in different fields such as maintenance and other forms of customer service. While design work provides few opportunities for direct interaction with customers, I learned a great deal from receiving their words of gratitude firsthand through service work in Germany. Thanks to the in-house language training I received before my assignment, I was able to start my work there relatively smoothly, which was reassuring.

Nomoto In my third year with Tsugami, I worked in the USA, and I gained experience in a wide range of service tasks, primarily focusing on equipment repairs. My technical skills improved greatly through the assignment, but the firsthand experience I gained of how market needs differ greatly from country to country was even more valuable. Since returning to Japan, I have been engaged in machining research, and my experience working abroad has certainly been useful in my current duties.

Hijioka I have been stationed in China twice, for a total of four years. It is one of Tsugami’s largest factories, handling numerous products, so every day was truly a race against time. In that environment where a sense of scale and speed is required, I was able to thoroughly learn the basics of machinery, and by gaining deep insight into the shop floor, I naturally developed an awareness of the importance of ongoing improvement efforts.

Hirano I was stationed in Germany twice. The first time I worked as a service representative, and the second time I was also involved in sales. During my second assignment, I gained experience in a wide range of tasks, including discussing machinery specifications, coordinating delivery dates, and preparing for exhibitions. I had many opportunities to work with engineers from local distributors, and these experiences have become a major source of motivation for my current job.

Roundtable Discussion by Our Employees

Ikeda I was posted to India in my 12th year at Tsugami, and I was excited and had high expectations for being in charge of a market that was experiencing rapid growth. Ever since I actually took up the post, I have been feeling firsthand the vibrant atmosphere and rapid pace of societal changes here in India. I was originally in charge of mechanical design for automatic lathes in Nagaoka, but now I work on design together with local staff. Before being posted, I studied Tamil to the point where I could exchange simple greetings in the local language, which has made communication smooth. I feel that I am able to build relationships of trust with local customers with little sense of a language barrier.



Competitive advantages created by having a wide range of products and global factories

Our products underpin manufacturing worldwide, and your skills are arguably the source of our corporate value. Please share your views about Tsugami's strengths and what makes working as an engineer rewarding.

Ito One of our major strengths is our wide-ranging product lineup, centered around automatic lathes. This has led to the accumulation of a vast amount of expertise, both qualitative and quantitative. Furthermore, our strong relationships with distributors in each country allow us to efficiently gather local, factual information, and this leads to better product development.

Nomoto As Mr. Hijioka mentioned, a unique strength of ours is that we can not only manufacture standard machines but also custom-made products that accommodate the unique requests of our customers. In my current role of conducting research on machining, I create machining samples for customers and propose machining processes. What gives me a great sense of fulfillment is being able to work while experiencing the flow of the entire supply chain through my duties.

Hijioka Our strength lies not only in our extensive range of models but also in our ability to timely fulfill large-volume shipments requested by local customers, thanks to the large-scale production facilities in India and China. Another appealing point of ours is the close collaboration between departments, especially between the mechanical design and manufacturing departments, which allows improvements to be quickly implemented into products.

Ikeda Having three production facilities in Japan, China, and India is one of our major strengths. Being able to produce and supply locally to a huge market gives us an advantage in terms of reduced delivery times and transportation costs, as well as after-sales service. Furthermore, I feel that one of the thrills I get from my job is that my business proposals directly shape our Indian factory's strategy, precisely because there are only a few Japanese employees stationed there.

Hirano We sometimes hold training sessions for engineers at overseas locations and agencies at our Nagaoka Factory. For our overseas staff, this is a valuable

opportunity to learn about Tsugami's technology firsthand. For those hosting them at our Nagaoka Factory, it is a great opportunity to realize how their work is expanding globally.

Utilizing a global perspective to generate future value

Finally, please share your perspective on contributing to solving societal issues and what challenges you would like to take on going forward.

Nomoto Machine tools provide the foundation for manufacturing and are indispensable in every industry. Going forward, I will leverage our strength of having a diverse product lineup to further expand the breadth of optimal machining proposals for our customers.



Ito My experience of being stationed overseas has reminded me of the fact that it is difficult to reflect local conditions and needs in products without actually visiting shop floors overseas. That is exactly why I would like to actively adopt the opinions of those with overseas assignment experience and create products that meet the needs of even more regions. Additionally, development sites are currently working to utilize AI to correct product deviations. I will continue strengthening my efforts to improve our technological capabilities and further enhance the competitiveness of our products.

Hijioka In addition to enhancing customer service, I am actively utilizing AI, as Mr. Ito mentioned. To improve production processes and increase the efficiency of daily



operations, I will deepen my knowledge while closely monitoring the latest trends, lead Tsugami's technological innovation, and contribute to the further development of our company.

Hirano Currently, I am involved in both sales and customer service. So I believe that my mission is to provide timely feedback from customers to the factory. While I sometimes receive negative feedback or complaints, I will make the best use of them and contribute to creating better products.

Ikeda Right now, India is in the midst of a period of rapid growth. I would like to boldly take on challenges in this dynamic market and enhance our presence. Since job-hopping is commonplace in Indian culture, I will focus on making our staff training more fruitful and informative and creating an environment where employees will want to work for us for a long time. Furthermore, I would also like to share the excitement of this robust market with my colleagues in Japan. I would like to spread the word about the appeal of working in India and foster an atmosphere that inspires people to think, "I want to take on this challenge myself."

Through today's roundtable discussion, I realized again that Tsugami's strength lies not only in its technological capabilities but also in its corporate culture that encourages taking on challenges. From what everyone said, it was clear that the expertise and global experience gained on the shop floor are leading to our future value generation. I hope that each and every one of your endeavors will continue to support the growth of Tsugami.

Sustainability in the Tsugami Group

Basic concept

The Tsugami Group recognizes sustainability as an important management issue. Based on our basic management policy of “contributing to society by constantly anticipating market needs and generating new value, underpinned by the precision technologies we have been developing since the Company was first established,” we undertake efforts with the aim of helping to resolve societal issues through our business activities and growing sustainably alongside society. We established the Sustainability Committee to expedite strategies to promote sustainability and signed the UN Global Compact (UNGC), which consists of ten principles advocated by the United Nations in the four key areas of human rights, labor, the environment, and anti-corruption.

Sustainability policy

Tsugami will contribute to address social issues through its business activities, aiming to achieve sustainable growth together with society.

The Tsugami Group aims to achieve both the realization of a sustainable society and corporate growth based on its corporate philosophy of continuing to provide the world’s premier machine tools with high precision, high speed, and high rigidity. We take society’s expectations of us seriously and will cooperate with local communities to continue contributing to society through all our corporate activities.

Meanwhile, with the adoption of the SDGs, which address the global challenges we face to achieve a sustainable future for all and the promotion of various initiatives for achieving them, the operating environment has changed dramatically, and sustainability has become an extremely important issue.

In face of these momentous changes, the Tsugami Group sees its own sustainability activities as an important element of management. We are also committed to providing other like-minded enterprises with solutions to help solve issues through business.

More specifically, we will develop an awareness of the risks caused by various issues around the world in areas of concern such as climate change, labor, and human rights, and take steps to prevent such issues from getting worse. In our business activities, we will also perceive innovation to resolve issues as a business growth opportunity.

We will set ourselves a medium-to-long-term goal of promoting appropriate sustainable practices throughout the entire supply chain, not to mention the Tsugami Group companies.

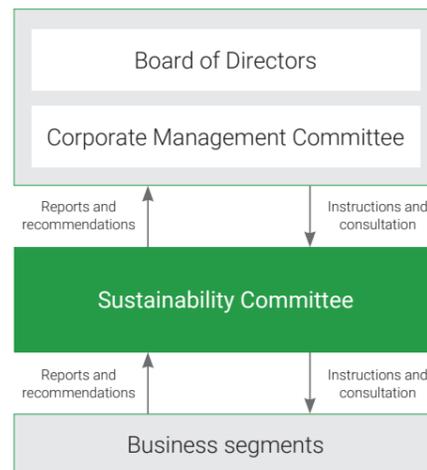
Sustainability promotion system

We are developing a framework for sustainability initiatives, including establishing the Sustainability Committee, which is overseen by the Board of Directors, in April 2021 to expedite strategies to promote sustainability.

The Sustainability Committee has the role of proposing groupwide strategies to promote sustainability and managing their progress, and it comprehensively manages and promotes environmental, social, and governance (ESG) initiatives and makes appropriate ESG information disclosures.

The committee also takes the lead on initiatives that link sustainability with business through active communication with the relevant business segments, aiming to raise awareness and facilitate understanding of sustainability issues in order to promote sustainability on a groupwide basis.

The Sustainability Committee consists of committee members chaired by the Representative Director. It deliberates on ESG-related matters which have a bearing on management decisions such as action on climate change and a framework under which deliberated matters are reported to the Board of Directors has been established.



Information about more detailed sustainability initiatives is posted on the Tsugami website. → <https://www.tsugami.co.jp/eng/csr/>

Environmental Efforts and TCFD

Environmental policy

The Tsugami Group is acutely aware that action to address climate change and environmental issues is one of the important challenges facing management. Given the global framework set out in the Paris Agreement and the Japanese government’s commitment to net zero carbon emissions by 2050, we believe that recognizing the role enterprises must play to realize a sustainable society and achieving solutions to such issues through business will lead to the Tsugami Group’s sustainable growth.

The Sustainability Committee will coordinate the planning, management, and operation of initiatives based on the environmental policy.

Basic policy

1. We recognize that climate change is a critical global issue and we are committed to continuously reducing the GHG emissions from our business activities based on a lifecycle perspective on products and services.
2. We will endeavor to reduce the environmental impact of our products and services, taking environmental impacts at all stages of the lifecycle into consideration.
3. We will comply with relevant environmental laws and regulations and other requirements, establish our own voluntary management standards, and strive to prevent environmental pollution.
4. We will establish environmental goals, targets, and action plans and make continuous improvements, aiming to reduce our environmental impact and conduct business activities in harmony with the environment. We will also review them where necessary.
5. We will provide environmental training and conduct activities to raise environmental awareness to ensure that all employees and all those who work for us understand and are well-informed of our environmental policy.
6. We will disclose environmental information. We will also seek interaction with the local community and society, actively cooperating with activities to protect the environment.

Environmental initiatives

We implement environmental initiatives based on our environmental policy.

Nagaoka Factory in Japan switches to 100% renewable energy

In February 2022, all the electricity used at the Tsugami Group’s Nagaoka Factory (Nagaoka City, Niigata Prefecture) in Japan began to be entirely sourced from 100% renewable energy. By switching to renewable energy with non-fossil fuel energy certificates supplied by retail electricity provider ORIX Corporation, we have achieved net zero CO₂ emissions from energy consumption at our Nagaoka Factory.

Initiatives to reduce water usage

The Tsugami Group recognizes that ensuring safe water resources is an important environmental challenge. To fulfill our responsibilities as a company with manufacturing factories, we will focus on reducing water usage and water uptake in the course of our business activities and strive for the effective utilization of water resources.

Environment Management System certification

TSUGAMI CORPORATION’s Nagaoka Factory (Nagaoka City, Niigata Prefecture), which is the Company’s only production site, has obtained the Environmental Management System certification.

Environmental Management System (ISO14001)
(Certification status of production sites on a non-consolidated basis: 1/1)

Water use (use at Nagaoka Factory in Japan)

	FY2021	FY2022	FY2023	FY2024
Water intake (m ³)	13,328	11,762	12,691	12,264
Water discharge (m ³)	13,328	11,762	12,691	12,264

* The Company had no breaches or penalties in relation to water quality or water volume during FY2024.

Participating in CDP surveys

Since FY2022, we have participated in surveys from the international NGO CDP*. We filled out their climate change questionnaire again in FY2025.

* An international NGO working in the environmental field. They administer questionnaires about environmental matters to corporations, organize the results, and analyze and evaluate them using common metrics.



Environmental Efforts and TCFD

TCFD

The Tsugami Group is acutely aware that action to address climate change and environmental issues is one of the important challenges facing management. We recognize that climate change is a critical global issue and one of our basic policies is to continuously reduce the GHG emissions from our business activities based on a lifecycle perspective on products and services.

The Tsugami Group announced its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2022, and recently disclosed climate-related information based on the TCFD recommendations.



Governance

We have established a Sustainability Committee, which is supervised by the Board of Directors. The Sustainability Committee deliberates on ESG-related matters which have a bearing on management decisions such as action on climate change and reports those deliberated matters to the Board of Directors, which agrees on the necessary resolutions.

Strategy

For the manufacture and sale of precision tools, which is the Tsugami Group's core business, the Company considered climate-related risks (transition risks and physical risks) and opportunities that will impact the Group's business and identified major risks and opportunities. We then conducted a scenario analysis with respect to the identified risks and opportunities.

The Company adopted two scenarios: (i) the 1.5°C/2°C scenario where society as a whole is on a decarbonization pathway and limits the global temperature rise and (ii) the 4°C scenario where economic development is given priority and the global temperature rise and its impact worsen. For each of the scenarios, we assessed and considered to what extent the identified risks and opportunities would impact the Tsugami Group's business and assessed the financial impact on business activities according to three levels: major, moderate and minor.

By recognizing major climate-related risks and opportunities and their impact for the Tsugami Group through the implementation of scenario analysis and by considering action to address the recognized risks and opportunities, we aim to build a sustainable and resilient framework for mitigating climate-related risks and tapping into more opportunities.

Explanation of scenarios and summary of risks and opportunities

Explanation of scenarios	Scenario	Description
Explanation of scenarios	1.5°C/2°C	Scenario where countries around the world succeed in limiting the global temperature rise by stepping up the implementation of social policies, emission restrictions, investment in technology and other measures for achievement of the goals set out in the Paris Agreement and move closer to the realization of decarbonization
	4°C	Scenario where countries around the world fail to step up and implement sufficient measures to combat global warming, CO ₂ emissions increase, and the Earth's temperature continues to rise, leading to a significant increase in the physical risks of climate change
Summary of risks	1.5°C/2°C	Risk of higher manufacturing costs, reflecting increased adoption of renewable energy and a shift to energy saving equipment as governments tighten regulations to realize decarbonization and efforts are made to decarbonize manufacturing processes in compliance with regulation Risk of rising procurement costs, with suppliers also facing higher manufacturing costs due to tighter regulation, including carbon taxes, and passing on increased costs to raw materials
	4°C	Higher risk of storm and flood damage, and risk of suspension of production due to damage to assets and repairs at affected manufacturing factories of the Group, or risk of decline in sales due to logistics disruptions
Summary of opportunities	1.5°C/2°C	Opportunity to expand sales assuming conservation of energy in production processes and successful market introduction of machine tools with improved environmental performance Opportunity to expand sales, as the decarbonization of society leads to even more widespread changes in behavior, fueling demand for new products
	4°C	Opportunity to expand or mitigate decline in sales by successfully maintaining a production and supply structure despite the increased severity of storm and flood damage, assuming successful maintenance and enhancement of existing network and implementation of BCP measures to strengthen disaster resilience and to avoid storm and flood damage

<Reference scenarios>

(i) 1.5°C/2°C scenarios

Considered with reference to the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario and the Sustainable Development Scenario, in which carbon neutrality is achieved by 2070

(ii) 4°C scenario

Considered with reference to the IEA Stated Policies Scenario and the Intergovernmental Panel on Climate Change (IPCC) RCP6.0 and RCP8.5 scenarios

Business impacts and countermeasures in relation to major risk and opportunity factors

Classification	Matter	Financial impact assessment		Countermeasures	
		1.5/2°C	4°C		
Risks	Policies and legal restrictions	Higher costs due to introduction of carbon pricing	Minor	Minor	Adoption of the ICP system and shift to energy-saving manufacturing methods
		Costs incurred when forced to respond in some way to tighter regulation in China and India in the future or similar developments	Minor	Minor	Implementation of more energy-efficient manufacturing methods and processes
	Technology	Higher R&D costs due to the development of environmentally-friendly products	Moderate	Minor	Assessment of climate change needs and R&D and rapid response based on this assessment
	Market	Decline in revenue due to weakening demand amid changes in the needs of customers and business partners associated with climate change	Major	Moderate	Assessment of climate change needs and R&D and rapid response based on this assessment
		Higher energy and production costs due to the scaling-down of thermal power generation and substitution of thermal power with renewables, and rising fuel costs for thermal power generation	Moderate	Moderate	Implementation of more energy-efficient manufacturing methods and processes
	Reputation	Decrease in revenue and/or increase in financing costs due to delayed response to environmental concerns resulting in fiercer competition, rejection by customers and/or a reputational damage	Moderate	Moderate	Assessment of climate change needs and R&D and rapid response based on this assessment Enhancement of information disclosure regarding responses to climate change
Physical risks	Acute risks	Decline in revenue and/or higher costs due to suspension of business amid increasing severity of natural disasters	Minor	Moderate	Enhancement of BCP for procurement and manufacturing
	Chronic risks	Higher costs due to increase in average global temperature	Minor	Minor	Improvement of energy efficiency in manufacturing to limit the rise in utilities
Opportunities	Market	Reduction of financing costs due to improvement in reputation as a result of proactive response to climate change	Minor	Minor	Enhancement of information disclosure regarding responses to climate change
	Resource efficiency	Reduction of costs through manufacturing at highly efficient factories and lower costs as a result of energy conservation	Moderate	Moderate	Implementation of more energy-efficient manufacturing methods and processes
	Products and services	Increase in revenue due to growing demand for new equipment associated with more widespread changes in behavior such as working remotely and going paperless	Major	Minor	Assessment of needs and R&D in line with transitioning society and optimization of production and sales
		Increase in revenue due to growing demand for products that can contribute to a low carbon society	Major	Major	Assessment of needs and R&D in line with transitioning society and optimization of production and sales
Resilience	Mitigation of decline in or increase of sales and/or reduction of costs in the event of disaster through enhancement of disaster resilience	Minor	Minor	Enhancement of BCP for procurement and manufacturing	

Environmental Efforts and TCFD

Risk management

To prevent the materialization of various business risks or minimize them, the Tsugami Group convenes the Risk Management Committee as appropriate, assesses and monitors groupwide risk including climate change risk, and takes appropriate measures in accordance with the Risk Management Rules and Essential Risk Management Execution Rules. We recognize climate change risk as a material issue alongside other business risks and, under the supervision of the Board of Directors, the Sustainability Committee monitors groupwide climate change risk, proposes sustainability promotion strategies and manages their progress. A framework for relevant divisions to report climate change risks to the Sustainability Committee has also been established. We are also working to strengthen groupwide risk management through means such as status reports to and consultations with the Board of Directors and others as appropriate.

Indicators and targets

Given the global framework set out in the Paris Agreement and the Japanese government's commitment to net zero carbon emissions by 2050, we believe that recognizing the role enterprises must play to realize a sustainable society and achieving solutions to such issues through business will lead to the Tsugami Group's sustainable growth. To reduce greenhouse gas emissions that cause global warming, we set ourselves the goal of achieving carbon neutrality by 2050 and have set medium- and long-term targets for this goal. We are committed to further strengthening and accelerating initiatives for action on climate change.

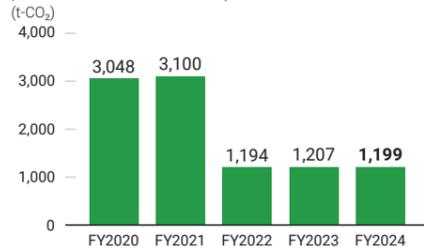
Establishment of medium- and long-term targets for achieving carbon neutrality by 2050

Medium-term target	55% reduction in CO ₂ emissions by 2030 (compared with FY2013 levels) We will reduce CO ₂ emissions (Scope 1 + Scope 2) from our business activities by 55%.
Long-term target	Achievement of carbon neutral by 2050 We will reduce CO ₂ emissions (Scope 1 + Scope 2) from our business activities to net zero.

As part of these initiatives, in February 2022, we switched to 100% renewable energy-derived electricity for all electricity consumption at the Nagaoka Factory, our domestic production base in the city of Nagaoka in Niigata Prefecture, achieving net zero CO₂ emissions associated with electricity consumption there.

To achieve carbon neutrality by 2050, we intend to further enhance and accelerate initiatives including introducing and updating energy-saving facilities, promoting production technology reforms at our factories, and developing new products aimed at improving production efficiency.

GHG emissions (Scope 1, Scope 2) (non-consolidated basis)
(t-CO₂)



* Total emissions of Nagaoka Factory, Takami Warehouse, Parts Center Warehouse, Head Office, and Sendai, Kanto, Suwa, Shinshu, Nagoya, Osaka, and Fukuoka Sales Offices

GHG emissions (Scope 3) (non-consolidated basis)

	FY2021	FY2022	FY2023	FY2024
Purchased products and services (t-CO ₂)	101,146	119,864	70,450	67,425
Transportation and distribution (upstream) (t-CO ₂)	2,574	2,564	1,390	1,563
Transportation and distribution (downstream) (t-CO ₂)	1,550	1,914	1,676	1,181
Use of sold products (t-CO ₂)	95,544	97,229	82,315	67,724
End-of-life treatment of sold products (t-CO ₂)	806	817	670	488
Categories other than the above (t-CO ₂)	1,279	1,176	1,127	1,041
Total (t-CO₂)	202,899	223,564	157,628	139,422

Quality Initiatives

Quality policy

Everything we do is underpinned by our management policy of "Integrated Quality." We focus particularly on "speeding up customer service," so that we can respond quickly to our customers' needs, and on "constantly striving to make improvements," based on our determination to resolve problems. On behalf of the Nagaoka Factory, we have set out the following Quality Policy in line with that underlying management policy.

1. We will always put quality first, in order to earn customers' trust and ensure satisfaction.
2. We will take responsibility for the quality of each process, to prevent issues affecting subsequent processes.
3. We will focus on education, training and improvement activities, in order to continually improve quality.

Efforts to maintain and improve quality

We make efforts to maintain and improve quality based on our quality policy.

- We strive to improve quality by formulating quality policies for the Nagaoka Factory every six months, sharing specific quality targets with all employees, and setting out quality policies based on the targets for departments and workplaces.
- We record information about quality defects on designated forms, share them within production departments, and conduct training on each occasion.

Quality Management System certification

TSUGAMI CORPORATION's Nagaoka Factory (Nagaoka City, Niigata Prefecture), which is the Company's only production site, has obtained the Quality Management System certification.

■ Quality Management System (ISO9001) (Certification status of production sites on a non-consolidated basis: 1/1)

Human Rights and Labor Policy

Human rights policy and labor policy

The Tsugami Group understands that the human rights of all people impacted by its business activities must be respected and has established the Tsugami Code of Conduct as its basic guidelines for corporate activities, identifying "respect for human rights" as a principle of action. We are committed to implementing initiatives to foster respect for human rights in line with the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labor Organization (ILO) Declaration, the United Nations Global Compact, and the UN Guiding Principles on Business and Human Rights.

We will use this consideration for human rights as the basis for promoting diversity management, aimed at creating a pleasant and rewarding workplace where everyone can fully demonstrate their individual skills and share diverse values. The Sustainability Committee will coordinate the planning, management, and operation of initiatives based on the human rights policy set out below.

Basic policy

1. We respect the human rights of all employees, regardless of the form of employment. We also ask all our business partners to support and comply with our policies on social activities and collaborate with them to fulfill our responsibility to respect human rights.
2. We respect diversity, and never engage in discrimination or harassment on the grounds of race, religion, nationality, age, gender, sexuality, disability, or any other factor that has no relevance to our legitimate business interests.
3. We do not tolerate any form of forced labor or child labor or any form of modern-day slavery.
4. We respect basic labor rights, including workers' rights to organize and bargain collectively and to participate in collective action.
5. We build a human rights due diligence framework and continuously implement human rights due diligence. We also identify human rights issues and seek to prevent or minimize any issues.
6. We also take advantage of the human rights expertise of independent third-party organizations and engage in dialogue and discussion with relevant outside stakeholders.
7. We seek to embed compliance with laws and regulations and principles relating to human rights into our business activities by making all Officers and employees aware of our human rights policy and providing them with appropriate human rights training.
8. We publicly disclose our human rights policy and the process and results of its implementation.

Human Rights and Labor Policy

Human rights and labor initiatives

We implement human rights and labor initiatives based on our human rights policy.

Ensuring a safe and pleasant workplace

The Tsugami Group strives to maintain a healthy and safe workplace free from discrimination and harassment. Sexual advances or other verbal or physical conduct of a sexual nature, racist or religious slurs or jokes, and other verbal or physical conduct which creates an unhealthy working environment or disregards an individual's personality are not tolerated in the workplace. We promote the following efforts at the Company.

1. Efforts for safety and hygiene

We prioritize the safety and health of our employees in all business activities and maintain work environments where they can work in safety and good health. We also comply with laws and regulations on industrial safety, hygiene, and health. The Company and its employees work together to continuously promote efforts for safety and health. We maintain systems, set goals, and systematically implement measures toward that end.

Tsugami's safety and hygiene promotion system

- Our Safety and Hygiene Committee, which comprises both employees and managers, holds monthly meetings attended by industrial physicians, conducts patrols mainly on production floors, and makes efforts to prevent accidents.
- Employees who work long hours are subject to fatigue checks when called for, and we make efforts to discover if anyone is in poor mental health as early as possible.
- We supply each workplace with report forms for close calls in an effort to prevent accidents.
- In an effort to mitigate disasters, our annual disaster drills include considerations for how the environment will be impacted by conceivable fires or earthquakes.
- Each department promotes 5S in an effort to prevent accidents.
- In an effort to mitigate disasters, each department patrols its workplaces as an earthquake countermeasure.

2. Efforts to prevent harassment in the workplace

The Tsugami Group Code of Conduct clearly states that we should maintain healthy, safe work environments free of unfair discrimination and harassment based on race, religion, nationality, age, gender, sexuality, disability, or any other factor that has no relevance to the Company's legitimate interests.

Anti-harassment training and awareness-raising activities

We conduct anti-harassment training as part of new employee training as well as awareness-raising activities, for example posting internal documents explaining that we do not tolerate harassment.

Maintaining contact points for internal reporting and consultation

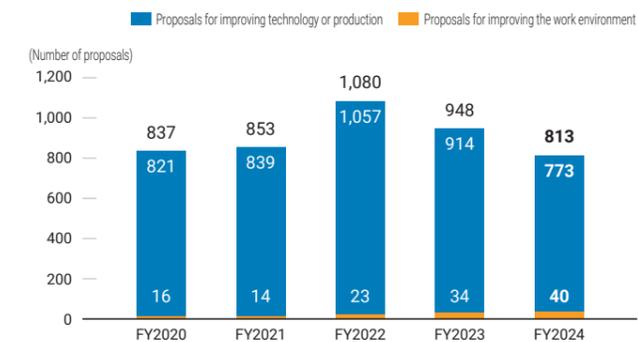
We have established contact points for consultation both internally and at an attorney's office outside the Company to ensure that violations of laws, regulations, rules, and the like are reported and dealt with promptly after they are discovered while maintaining the anonymity of the whistle-blowers.

3. Initiatives to improve work efficiency and the work environment

With the aim of improving work efficiency and the work environment, we have set up a suggestion box to solicit constructive feedback and improvement proposals from employees.

This channel of giving opinions has created an environment where issues and ideas noticed on the shop floor can be easily shared, leading also to a diversification of proposals. These opinions also lead to the early detection of problems and prompt countermeasures, ultimately contributing to the optimization of business processes and improvements in the work environment.

Number of proposals for improvement



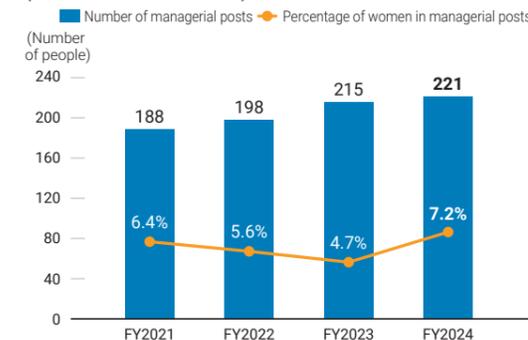
Promoting diversity

The Tsugami Group sees human resources as the foundations underpinning sustainable growth. It is, therefore, important to accept the values and uniqueness of every individual who supports our business, regardless of race, religion, nationality, age, gender, sexuality, disability, or personal background, and to respect diversity. We are pursuing the development of a working environment which allows all employees to fully demonstrate their unique skills and aptitudes and the creation of an organizational climate which allows the active participation of diverse human resources.

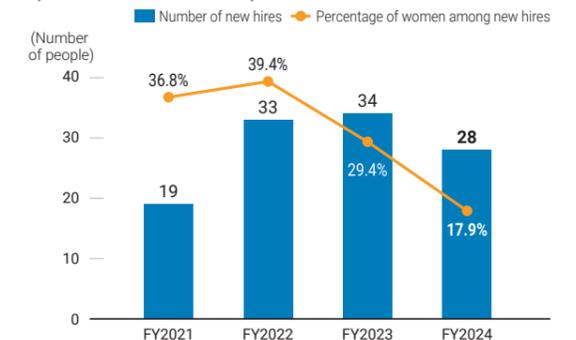
Proactively promoting women to management positions

At the Company, female managers actively participate in overseas operations, which account for a large percentage of revenue, and major departments, particularly those involved in technical management. We take steps to further promote this effort.

Percentage of women in managerial posts (non-consolidated basis)



Percentage of women among new hires (non-consolidated basis)



Establishment of fair and equitable personnel systems

To get the most out of individual employees, it is necessary to fairly evaluate each individual employee based on his or her role and accomplishments and to strive to treat, train, and utilize them properly according to this evaluation. We try to ensure the transparency and fairness of evaluations by conducting interviews in which employees assess their own accomplishments and any outstanding issues with their managers.

Corporate Governance

Basic concept

The Company is committed to fulfilling the expectations of its shareholders and fulfilling its corporate social responsibility as a member of the international community by making quick and appropriate management judgments that facilitate continued growth in corporate value and maintaining sound management through the building and reinforcement of an internal control system and its effective operation.

In addition, the Company will strengthen the governance system of the Board of Directors by audits conducted by the Directors who are Audit and Supervisory Committee Members with voting rights at the Board of Directors meetings on the legality and adequacy of the execution of business and increase the mobility of the execution of business by delegating some of the business execution authority of the Board of Directors to Directors.

Basic policy

1. We will work to secure the rights of the shareholders and equality among them.
2. We will work to cooperate with our stakeholders other than shareholders (including customers, suppliers, employees, and communities) appropriately.
3. We will disclose information appropriately under laws and regulations and will voluntarily provide other information to achieve transparency.
4. The Board of Directors will fulfill its roles and responsibilities appropriately to make transparent, fair, quick, and bold decisions.
5. Audit and Supervisory Committee will make efforts to strengthen the governance system of the Board of Directors by conducting audits properly and accurately.
6. We will pursue constructive communication with our shareholders to achieve sustainable growth and enhance corporate value in the medium to long term.

Ensuring mobility of execution of duties (Corporate Management Committee)

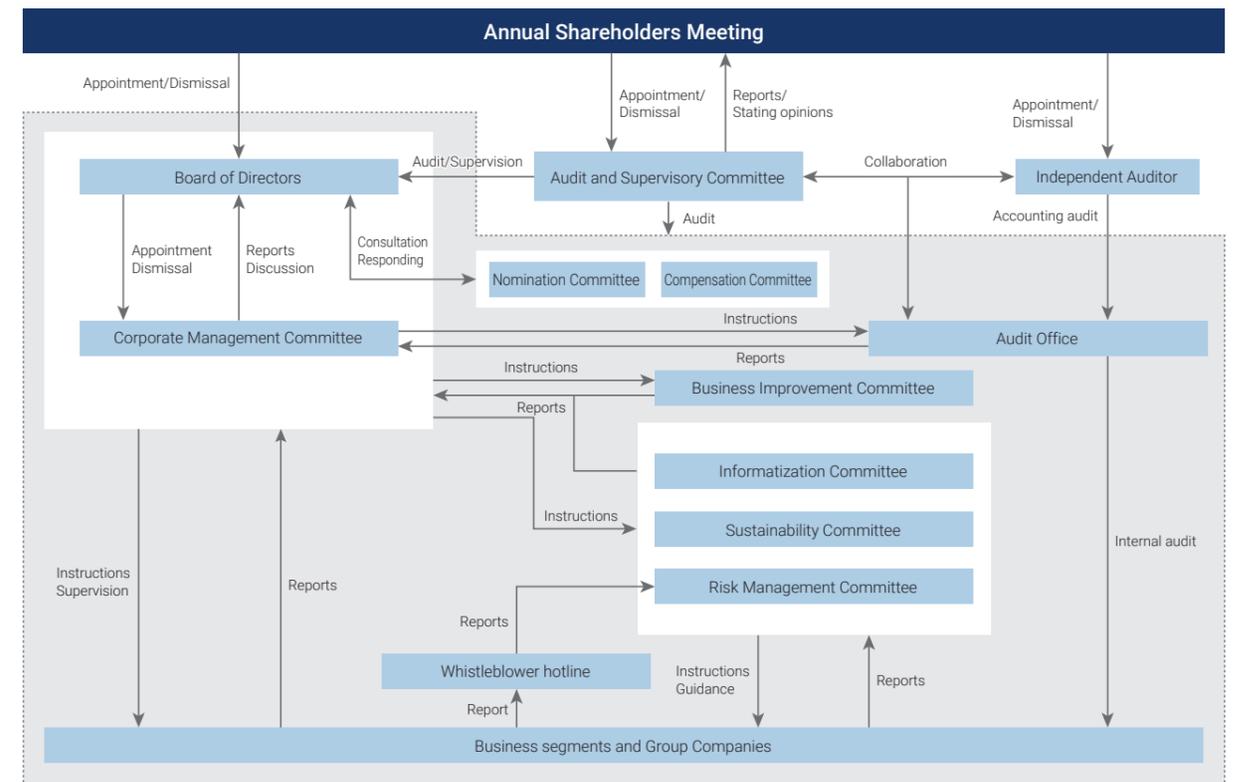
The Company has established the Corporate Management Committee, which consists of Representative Directors and major Executive Officers as an organ for reporting and discussing matters concerning the consensual decision making of important business execution issues including those submitted to the Board of Directors for discussion and other important operations and their execution. The committee meets monthly in principle to share management information, through which it considers and makes flexible decisions on issues related to important operations in its effort to achieve management efficiency.

The Corporate Management Committee is made up of Executive Officers who, as heads of departments, are responsible for departments. These Officers collaborate and hold discussions, thereby forming a system for making proper management decisions. Items discussed by the Corporate Management Committee are continuously reviewed to further ensure and improve mobility.

Composition of the Corporate Management Committee

Member	Nobuhiro Watabe	Nagaoka Plant Manager (Head of Engineering and Production Operation), Head of Domestic Operation	Supreme Advisor	Takao Nishijima
Member	Mami Matsushita	Head of Overseas Sales and Operation		
Member	Toshio Honma	Head of Administration, General Manager of Administration Division		

Corporate governance system chart



Organizational design

Board of Directors

The Company positions the Board of Directors as a key organization for corporate governance. In principle, the Board of Directors meets every month and makes decisions through comprehensive discussions and studies of management challenges and significant matters to address. The following are the main topics of discussion by the Board of Directors.

Matters to be discussed	Major matters
Items to be resolved	Financial results, shareholder return, budgets, shareholders meetings, management and execution systems, officer compensation, election of Nomination Committee and Compensation Committee members, requesting that the Nomination Committee and Compensation Committee submit reports, personnel changes, organizational changes Management systems at subsidiaries, revisions to important internal regulations, reconstruction of a new factory building
Items to be reported	Results of surveys on the evaluation of the effectiveness of the Board of Directors, the status of the operations of the whistle-blowing system and the system for proposing improvements, reports on audits by the Audit Office and internal control, partial sale of shares of subsidiaries and associates, plan for construction of a new factory building

Audit and Supervisory Committee

The Company is a company with an audit and supervisory committee, and four Audit and Supervisory Committee Members, all of whom are independent Outside Directors, audit the execution of duties of Directors.

Nomination Committee and Compensation Committee (voluntary committees)

The Company has established the Nomination Committee and Compensation Committee, voluntary committees, as advisory bodies to the Board of Directors and ensures the transparency and objectivity of the process for evaluating and determining the nomination and compensation, etc. of Directors and Executive Officers. Each committee is made up of three or more Directors elected by the Board of Directors and a majority of the members are independent Outside Directors.

The following are the main topics of discussion at meetings of the Nomination Committee and Compensation Committee.

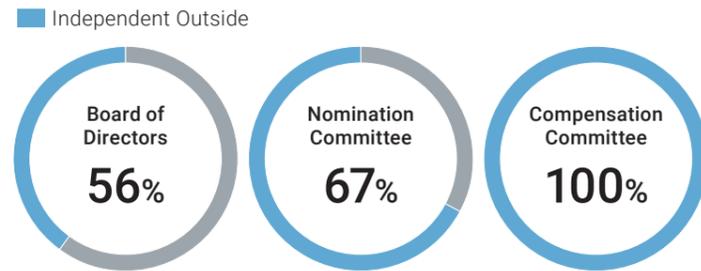
- Nomination Committee**
 - Deliberation and reporting of appointments and dismissals of Directors and Executive Officers
 - Deliberation and reporting of other matters determined necessary by the Board of Directors
- Compensation Committee**
 - Deliberation and reporting of compensation to Directors and Executive Officers
 - Deliberation and reporting of other matters determined necessary by the Board of Directors

Corporate Governance

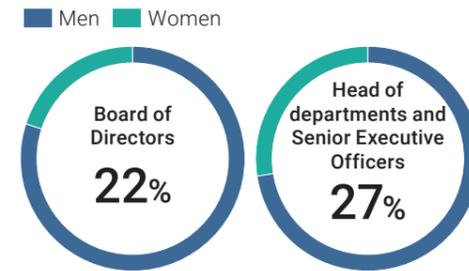
Composition of Board of Directors (as of June 18, 2025)

Now that we operate globally in a volatile environment, candidates for the Board of Directors (including Directors who are Audit and Supervisory Committee Members) are elected taking into consideration their experience, knowledge, and expertise, with no distinction for their gender, age, or nationality, and giving due consideration to the overall balance of the Board. As for Outside Directors, we elect people with experience and skills in corporate management, legal affairs, accounting, research related to our business, and other areas as well as good judgment in an effort to ensure the diversity of the Board of Directors as a whole.

Percentage of independent Outside Officers



Percentage of female Officers



Definition of skills

Corporate management	Experience, knowledge, and skills to effectively supervise business execution, as well as the ability to make comprehensive judgments and appropriate decisions in corporate management
Industry knowledge	Deep understanding and knowledge regarding the machine tool industry as a whole, including market trends, technological developments, and competitive landscapes
International experience	High level of expertise and leadership in different countries, cultures, and legal systems
Sales, marketing	Experience, knowledge, and skills in sales strategies and marketing aimed at expanding business revenue and sales channels
Technology, R&D	Experience, knowledge, and skills in R&D of high-value-added products and technology
Legal affairs	Knowledge on compliance with the laws and regulations of Japan and foreign countries as well as in risk management
Financial accounting	Knowledge and experience in finance, accounting, and taxation to promote initiatives aimed at maintaining management stability and financial soundness, improving capital efficiency, and the like

Name	Years in office	Attendance in FYE Mar. 2025 (Number of meetings attended/Number of meetings)			Skills matrix							
		Board of Directors meetings	Nomination Committee meetings	Compensation Committee meetings	Corporate management	Industry knowledge	International experience	Sales, marketing	Technology, R&D	Legal affairs	Financial accounting	
Michiyo Yamamiya	Outside Director, Chairman of the Board of Directors, Chair of the Compensation Committee	5 years	9/9	–	5/5	●		●			●	
Nobuhiro Watabe	Representative Director and President	2 years	9/9	3/4 ^{Notes:4}	–	●	●	●	●	●		
Mami Matsushita	Representative Director	1 year	7/7 ^{Notes:4}	–	–	●	●	●	●		●	
Shoichiro Haga	Representative Director	–	Assumed office in June 2025	3/3	–	●					●	●
Donglei Tang	Director	7 years	9/9	–	–	●	●	●	●	●		
Shu Hamba	Outside Director (Chairperson of the Audit and Supervisory Committee)	1 year	7/7 ^{Notes:4}	4/4 ^{Notes:4}	4/4 ^{Notes:4}	●		●			●	
Yoshimi Takeuchi	Outside Director (Audit and Supervisory Committee Member)	5 years	9/9	–	5/5		●	●		●		
Kunimasa Ota	Outside Director (Audit and Supervisory Committee Member)	–	Assumed office in June 2025	–	–	●	●	●	●		●	●
Kenyu Adachi	Outside Director (Audit and Supervisory Committee Member, Chair of the Nomination Committee)	5 years	9/9	6/6	–	●		●			●	

Notes: 1. Years in office indicated as of June 2025.
 2. The above years in office of Mr. Tang do not include the period from June 2010 to February 2017 during which he served as a Director (six years and eight months).
 3. Mr. Haga and Mr. Ota were newly elected as Directors at the 122nd Annual Shareholders Meeting held on June 18, 2025 and assumed office then; thus, their attendance at meetings of the Board of Directors and the like is not indicated.
 4. They have been in office since June 19, 2024.

Applicable reasons for each skill

Name	Main achievements and reasons evidencing the possession of skills
Michiyo Yamamiya	<ul style="list-style-type: none"> Corporate management: Currently serving as a Partner at Tanabe & Partners. International experience: Earned an LL.M. from the University of Pennsylvania and was admitted to the New York State Bar. Legal affairs: Possesses extensive experience and broad expertise as an attorney and is well-versed in corporate legal affairs.
Nobuhiro Watabe	<ul style="list-style-type: none"> Corporate management: Currently serving as Representative Director and President of the Company. Industry knowledge / Sales, marketing: Years of experience as the Company's Head of Technology, and Domestic and Overseas Sales and Operation. International experience: Working experience at the Company's facilities in India. Technology, R&D: Experience gained from serving as the Company's Nagaoka Plant Manager and Head of Factories.
Mami Matsushita	<ul style="list-style-type: none"> Corporate management: Currently serving as Representative Director of the Company. Industry knowledge / International experience / Sales, marketing: Years of experience as the Company's Head of Overseas Sales and Operation. Legal affairs: Possesses knowledge on compliance with the laws and regulations of Japan and foreign countries gained through extensive experience as the Company's Head of Overseas Sales and Operation.
Shoichiro Haga	<ul style="list-style-type: none"> Corporate management / Legal affairs: Possesses broad knowledge based on years of experience working for financial institutions. Financial accounting: Possesses broad knowledge on economic trends and corporate management gained from years of experience working for financial institutions.
Donglei Tang	<ul style="list-style-type: none"> Corporate management / International experience: Experience in the management of the Company's overseas subsidiaries. Industry knowledge / Sales, marketing / Technology, R&D: Years of experience in the technology, and sales and operation departments at the Company and its overseas subsidiaries.
Shu Hamba	<ul style="list-style-type: none"> Corporate management: Currently serving as a Partner of Shimada Hamba & Osajima. International experience: Earned an LL.M. from Indiana University and was admitted to the New York State Bar. Legal affairs: Possesses extensive experience and broad expertise as an attorney and is well-versed in corporate legal affairs.
Yoshimi Takeuchi	<ul style="list-style-type: none"> Industry knowledge / Technology, R&D: Involved in research into machine tools and production and machining systems for many years. International experience: Possesses deep knowledge on precision machining technology in foreign countries and involved in joint research with a company in the USA in the field of AI robotics.
Kunimasa Ota	<ul style="list-style-type: none"> Corporate management / Financial accounting: Served as Representative Director and CFO and President and CEO of TOKYO SEIMITSU CO., LTD. Industry knowledge / International experience / Sales, marketing / Legal affairs: Possesses extensive experience and broad expertise gained from working for TOKYO SEIMITSU CO., LTD. for many years.
Kenyu Adachi	<ul style="list-style-type: none"> Corporate management: Served as President of the Shoko Chukin Bank, Ltd., served as Outside Director of Asahi Kasei Corporation and Toyo Engineering Corporation, and currently serving as Outside Director of Japan Alcohol Trading CO., LTD and ENECHANGE Ltd. International experience / Legal affairs: Possesses extensive experience and broad expertise in economic and industrial administration by the government across various industries, including the machine tool industry.

Officers' career records are posted on the Tsugami website. → https://www.tsugami.co.jp/ir/governance/houkokusyo_20250618.pdf (in Japanese)

Officer compensation plan

We have set out the following policy for determining details of the compensation, etc. of individual Directors.

- In accordance with its basic policy for corporate governance, the Company adopts a compensation structure that aligns the values of Directors with those of shareholders to ensure that compensation effectively incentivizes Directors to strive for sustainable improvement in corporate value and, when determining compensation amounts for individual Directors, the Company sets these at an appropriate level in light of the responsibilities of each Director.
- Compensation is determined following deliberation by the Compensation Committee where a majority of members are independent Outside Directors, in order to ensure objectivity and transparency.
- Compensation must be within the total amount of compensation fixed by resolution of the shareholders meeting.

Performance-linked compensation

Performance-linked compensation is monetary compensation that reflects performance indicators to motivate Directors to improve performance, and it is paid as monthly compensation. Performance indicators and their target levels are set and reviewed as appropriate according to changes in the environment to ensure that they are consistent with evaluations of the level of achievement of business performance forecasts (consolidated revenue, consolidated operating profit, etc.) and the performance of the business for which each Director is responsible.

Restricted stock compensation

The Company pays non-monetary compensation in the form of restricted stock compensation as part of medium-to-long-term performance-linked compensation. The Company provides monetary compensation claims within the range of annual amounts set by resolution of a shareholders meeting, and each eligible director pays in the entire monetary compensation claim as an in-kind contribution to the Company and receives the allocated restricted stock. Restricted shares are allocated at a fixed time every year based on comprehensive consideration of a range of factors including rank, responsibilities and the Company's performance. Restrictions on transfer of shares are lifted at the time of retirement.

Total amount of compensation, etc. in FY2024

Post	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of eligible Directors
		Basic compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Audit and Supervisory Committee Members) [Outside Directors included]	¥405 million [¥9 million]	¥73 million [¥9 million]	¥39 million [-]	¥292 million [-]	6 [1]
Directors (Audit and Supervisory Committee Members) [Outside Director included]	¥51 million [¥51 million]	¥51 million [¥51 million]	- [-]	- [-]	6 [6]
Total [Outside Directors included]	¥456 million [¥60 million]	¥124 million [¥60 million]	¥39 million [-]	¥292 million [-]	12 [7]

Notes: 1. The above includes one Director (excluding Director who is an Audit and Supervisory Committee Member) and one Director who is an Audit and Supervisory Committee Member (Outside Director) who retired as of the closing of the 121st Annual Shareholders Meeting held on June 19, 2024.
 2. It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018, that the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) should be no more than ¥250 million per year. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the closing of the 115th Annual Shareholders Meeting was seven (including two Outside Directors). It was also resolved at the 118th Annual Shareholders Meeting held on June 16, 2021 that, separate from this monetary compensation, the provisions on the amount of compensation, etc. in the form of subscription rights to shares to be allocated as stock compensation-type stock options up until that point be repealed, and the amount of compensation, etc. related to restricted shares for Directors (excluding Directors who are Audit and Supervisory Committee Members) be set at not more than ¥80 million per year, and the total number of restricted shares allocated in each fiscal year be at not more than 150,000 shares. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members as well as Outside Directors) at the closing of the 118th Annual Shareholders Meeting was three. Separately from the amount of compensation related to restricted shares for Directors which was resolved at the 118th Annual Shareholders Meeting held on June 16, 2021, only for the 122nd fiscal year of the Company (April 1, 2024 to March 31, 2025), it was resolved that the amount of compensation, etc. related to restricted shares and the total number of restricted shares that are allocated as measures for the transition to restricted shares from subscription rights to shares (unexercised portion) granted for reappointed Directors as stock compensation-type stock options are set at not more than ¥334 million, and not more than 167,000 shares, respectively, at the 121st Annual Shareholders Meeting held on June 19, 2024. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members as well as Outside Directors) at the closing of the 121st Annual Shareholders Meeting was four. Non-monetary compensation, etc. in the table above includes a compensation amount of ¥262 million that corresponds to restricted shares (167,000 shares) which were granted on July 12, 2024, as the transition measures.
 3. It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors who are Audit and Supervisory Committee Members should be no more than ¥80 million per year. The number of Directors who are Audit and Supervisory Committee Members at the closing of the 115th Annual Shareholders Meeting was four.
 4. The Board of Directors delegates authority to determine the details of compensation, etc. (including amounts of basic compensation and performance-linked compensation) of individual Directors (excluding Directors who are Audit and Supervisory Committee Members) to the three Representative Directors (Mr. Nobuhiro Watabe, Ms. Mami Matsushita, and Mr. Kenji Yoneyama). The Board of Directors delegated authority based on the judgment that the panel of three Representative Directors are the right people to evaluate the performance of the business unit each Director is responsible for whilst taking into consideration the performance of the Company as a whole and other pertinent factors. The Company established voluntary Nomination and Compensation Committees where the majority of members are independent Outside Directors as advisory bodies to the Board of Directors. Upon determination of the details of compensation, etc. of Directors described above, the details are first deliberated at the Compensation Committee and then determined by the three Representative Directors, under authority delegated by the Board of Directors, giving due respect to the report of the Compensation Committee.

Evaluating the effectiveness of the Board of Directors

Every year, our Board of Directors analyzes, evaluates, and discusses its effectiveness based on the results of surveys administered to the Directors with recommendations from an external organization. According to the survey conducted in the fiscal year ended March 2025, our Board of Directors was run properly, and its effectiveness was largely ensured. However, response to issues surrounding sustainability, further enhancement of discussions regarding matters such as DX promotion and the development of management human resources and human resource strategies from a medium- to long-term perspective, and other improvements were cited as items to be implemented to further improve the effectiveness of the Board of Directors. We will continue to address these issues in an effort to further improve the effectiveness of the Board of Directors.

Business and Other Risks

The following are key risks we have identified as having the potential to substantially impact the Group's financial situation and operating results. Notably, the future-related key risks detailed below are those determined by the Group as of March 31, 2025.

(1) Effects of business fluctuations

The machine tool industry is an industry that is susceptible to the effects of business fluctuations. The Group is continuing its efforts to minimize the effects that unexpected market downsizing can have on its performance, by reducing fixed costs and taking other steps in an attempt to maximize management efficiency. Sudden and unexpected changes, however, may affect the Group's production, business performance, and financial situation.

(2) Effects of changes in prices of raw materials

The prices of cast metals and iron and steel products, the main raw materials of products of the Group, are influenced by movements of exchange rates and the international supply-demand situation. Increases in prices of raw materials for those reasons may affect the Group's production, business performance, and financial situation.

(3) Effects of fluctuations in exchange rates

Each year, overseas sales are accounting for a greater percentage of total sales of the Group's products. Exports by the Group are denominated in yen, and they are not directly influenced by exchange rate fluctuations in principle. A sharp appreciation of the yen, however, prompts agents and users overseas to ask the Group to lower its selling prices for its products. In addition, the risk of an exchange loss attributable to fluctuations in the Chinese yuan is rising in proportion to the growing weight of production at manufacturing factories in China.

(4) Effects of overseas operations

Subsidiaries in China and India manufacture and sell machine tools, and the Group sells products and provides after-the-sale services through subsidiaries in South Korea, Thailand, Germany and others. Deterioration in political situations and changes in laws and regulations in those countries may affect the Group's production, business performance, and financial standing.

(5) Effects of matters relating to quality

The Group is united in its commitment to improving quality, in addition to proactively developing new products and introducing them to markets. Nonetheless, unexpected issues, such as accidents and poor service, may affect the Group's production, business performance, and financial conditions should they arise.

(6) Effects relating to intellectual property rights

To protect its technologies, the Group applies for patents for them and acquires intellectual property rights. However, if other companies infringe on the intellectual property rights of the Group, if the invalidation of intellectual property rights of the Group is sought, or if injunctions against the manufacture and sale of products are filed against the Group in association with infringements of intellectual property rights, then this may affect the Group's production, business performance, and financial conditions.

(7) Effects of the situation

The Group deals with range of industries, including the electronics, information and telecommunications, and automobile industries. The Group pays close attention to the environment and credit risk. However, if the situation of business partners, especially those with which the Group conducts large transactions, changes because of amendments to contracts, changes in the business environment, business downturns, or other factors, this may affect the Group's production, business performance, and financial situation.

(8) Effects of natural disasters

The Group has production, selling, and service bases worldwide, and may therefore be affected by disasters that might be caused by a range of phenomena, including natural disasters, computer viruses, and terrorism. The Group has production bases in Niigata Prefecture in Japan, in Zhejiang province, China and in Oragadam, Dt. Tamil Nadu, India. If large natural disasters, such as earthquakes and floods, should occur, and if as a result the supply of products should become impossible or be delayed, then this may affect the Group's production, business performance, and financial situation.

Compliance

Basic concept

The Tsugami Group views compliance as a priority management issue, and has set out a compliance policy under the Tsugami Group Code of Conduct, which was established to ensure that we operate based on sound social practices, and is making efforts to further promote and institutionalize awareness of compliance.

Anti-corruption policy

The Tsugami Group believes that executing business in compliance with laws and regulations, engaging in fair, transparent and free competition and fair and responsible transactions, and ensuring that individual employees go about their day-to-day tasks with high ethical standards will lead to its corporate development in the long term. We do not tolerate corruption in any aspect of our business. We maintain appropriate relationships with our business partners, and ask all our Officers and employees and all our contractors to ensure free and fair competition. The Sustainability Committee will coordinate the planning, management, and operation of initiatives based on the anti-corruption policy set out below.

Basic policy

1. We provide all our Officers and employees with appropriate training in an effort to increase awareness of anti-corruption.
2. We prohibit the granting or requesting of improper benefits to prevent the giving or receiving of bribes.
3. We completely sever all ties or relations with antisocial forces.
4. We seek cooperation with companies in the same industry and other stakeholders.
5. We publicly disclose our anti-corruption policy and the process and results of its implementation.

Anti-corruption initiatives

The Tsugami Group shares this basic policy with the compliance officers of all group companies both inside and outside of Japan and encourages every company to establish internal regulations and guidelines and to provide compliance education, in a bid to stamp out bribery across the Group.

In FY2024, there were no instances of disciplinary action taken against employees on the grounds of bribery or other forms of corruption. The Group also incurred no fines, penalties, or settlement costs in relation to corruption during FY2024.

Measures Taken for Cybersecurity

Tsugami places importance on continuous monitoring and risk-based countermeasures to address increasingly sophisticated and cunning cyberattacks and is strengthening its rapid detection and response capabilities.

1 Heightened endpoint security

In addition to conventional endpoint protection, a transition has been made to Extended Detection and Response (XDR), which enables a wider range of threat detection and response. This has enabled threat detection, analysis, and response across multiple domains, including not only endpoints but also networks and the cloud. We will endeavor to achieve early detection of attacks and minimization of damage.

2 Subscription to a SOC service which operates all day, every day

In order to mitigate the risk of cyberattacks, we have subscribed to a Security Operation Center (SOC) service that provides monitoring, analysis, and response 24 hours a day, 365 days a year. This enables real-time threat detection, rapid incident response, and advanced analysis by experts, ensuring business continuity.

3 Initiatives going forward

- Promotion of the zero trust model (strengthening network access management)
- Automation and prioritization of vulnerability management
- Strengthening of information sharing with each Group company
- Utilization of assistance from external experts and implementation of penetration tests

Main Financial Data for the Past 11 Years

* The Group has voluntarily applied International Financial Reporting Standards (IFRS) since the first quarter of the fiscal year ended March 31, 2019.

Japanese GAAP / International Financial Reporting Standards (IFRS)

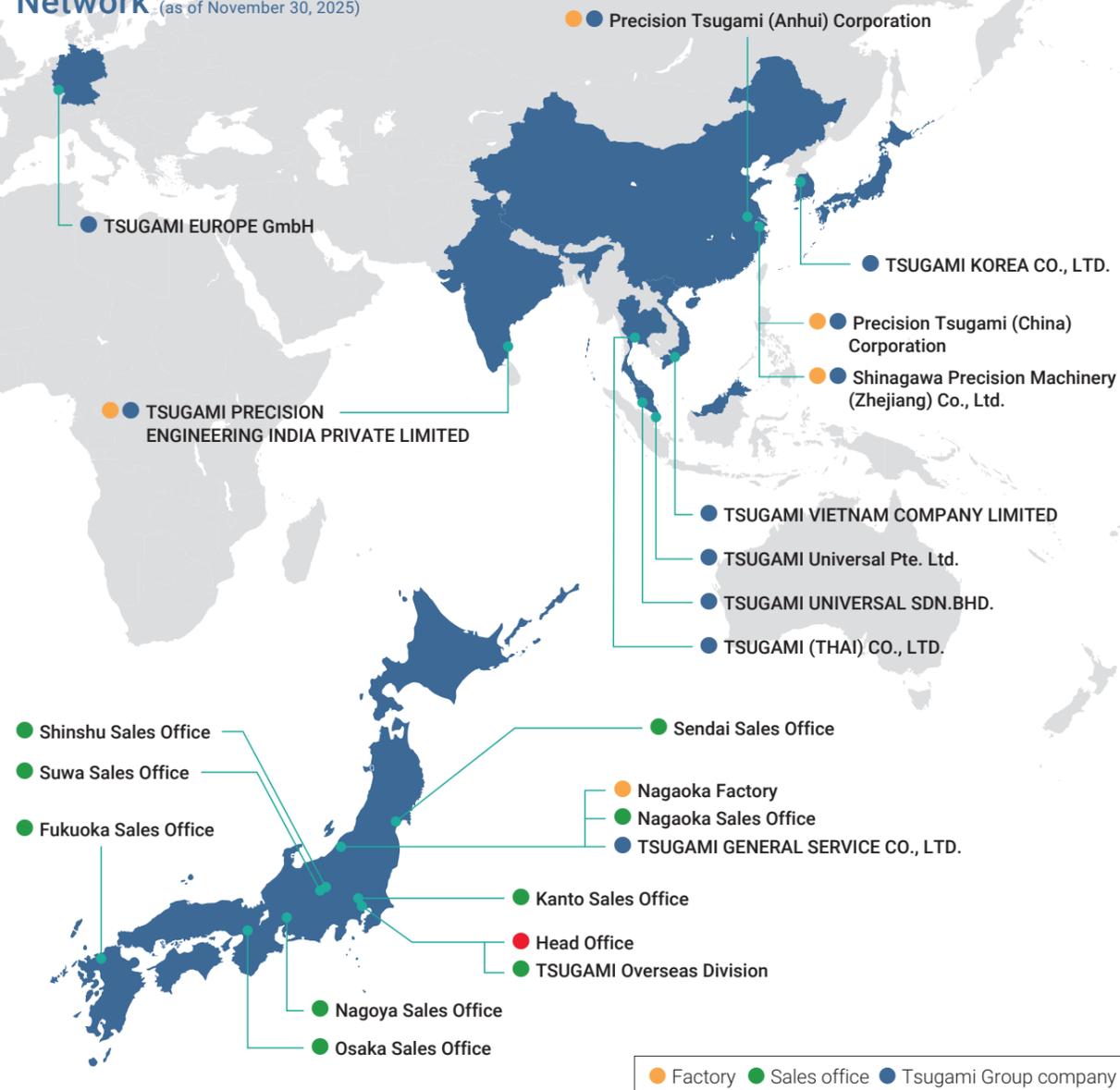
		Japanese GAAP				International Financial Reporting Standards (IFRS)						
		March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022	March 2023	March 2024	March 2025
Operating results (fiscal year)												
Net sales / Revenue	(Millions of yen)	54,132	40,132	41,050	57,576	68,486	49,310	61,662	93,174	94,963	83,928	107,411
Gross profit	(Millions of yen)	14,241	8,968	9,631	14,554	19,978	12,956	17,204	28,179	26,758	23,669	36,355
Selling, general and administrative expenses	(Millions of yen)	6,988	6,843	6,547	7,612	(9,803)	(8,369)	(8,297)	(10,223)	(11,044)	(11,775)	(14,302)
Operating profit	(Millions of yen)	7,253	2,125	3,083	6,942	10,215	4,549	9,533	18,860	16,758	13,095	23,309
Ordinary income / Profit before tax	(Millions of yen)	7,745	1,095	2,848	6,510	10,384	4,259	9,459	18,776	16,467	13,795	23,709
Net income attributable to owners of parent / Profit attributable to owners of parent	(Millions of yen)	5,297	877	2,630	4,171	6,192	2,001	4,917	9,486	7,695	5,376	10,901
Financial position (fiscal year-end)												
Current assets	(Millions of yen)	36,861	30,639	32,468	44,165	52,493	42,952	60,023	82,036	90,370	92,935	102,799
Current liabilities	(Millions of yen)	17,851	13,983	16,762	22,821	27,933	20,866	30,204	42,873	43,689	40,047	38,317
Total assets / Total assets	(Millions of yen)	56,829	47,859	50,127	62,656	69,692	61,860	79,278	103,761	112,364	117,714	127,306
Interest-bearing liabilities	(Millions of yen)	6,855	6,127	4,183	3,200	11,121	8,867	9,579	13,313	17,698	16,816	11,524
Net assets / Total equity	(Millions of yen)	37,279	32,594	31,462	37,516	40,072	39,073	46,836	57,840	64,922	72,361	84,114
Shareholders' equity / Equity attributable to owners of parent	(Millions of yen)	36,414	31,693	30,620	31,083	33,244	32,480	38,229	45,580	50,953	56,605	62,897
Cash flows												
Cash flows from operating activities	(Millions of yen)	3,135	4,226	5,550	6,832	1,643	7,994	6,784	6,296	8,300	11,883	8,855
Cash flows from investing activities	(Millions of yen)	(1,706)	(959)	920	(615)	(1,362)	(3,246)	1,432	(3,009)	(1,278)	(2,605)	(2,020)
Cash flows from financing activities	(Millions of yen)	(2,822)	(3,520)	(6,353)	(1,002)	355	(4,261)	(2,781)	(3,514)	(379)	(6,687)	(8,762)
Cash and cash equivalents at the end of the term	(Millions of yen)	4,952	4,589	4,561	10,181	11,112	10,921	17,207	18,844	25,779	30,495	27,729
Key financial indicators												
Operating margin	(%)	13.4	5.3	7.5	12.1	14.9	9.2	15.5	20.2	17.6	15.6	21.7
Return on assets / Return on total assets before tax (ROA)	(%)	14.2	2.1	5.8	11.5	15.2	6.5	13.4	20.5	15.2	12.0	19.4
Return on equity / Return on equity attributable to owners of parent (ROE)	(%)	15.7	2.6	8.4	13.5	19.1	6.1	13.9	22.6	15.9	10.0	18.2
Capital adequacy ratio / Equity attributable to owners of parent ratio	(%)	64.1	66.2	61.1	49.6	47.7	52.5	48.2	43.9	45.3	48.1	49.4
Current ratio	(%)	196.9	205.9	184.4	188.1	187.9	205.8	198.7	191.4	206.9	232.1	268.3
Debt-to-equity (D/E) ratio	(x)	0.22	0.21	0.15	0.12	0.36	0.28	0.27	0.34	0.40	0.36	0.21
Net income per share / Basic earnings per share (EPS)	(Yen)	74.37	13.04	41.91	74.71	117.98	38.60	95.21	191.99	159.39	112.57	231.55
Net assets per share / Equity attributable to owners of parent per share (BPS)	(Yen)	522.94	473.78	510.43	585.58	641.69	628.14	751.14	941.82	1,057.67	1,190.52	1,327.03
Dividend per share	(Yen)	14	16	16	18	21	24	26	40	46	48	59
Dividend payout ratio	(%)	18.8	122.7	38.2	24.1	17.8	62.2	27.3	20.8	28.9	42.6	25.5
Investments, etc.												
Depreciation	(Millions of yen)	1,160	1,092	989	1,008	1,039	1,242	1,505	1,815	2,038	2,049	2,214
Capital investment	(Millions of yen)	1,725	595	311	1,658	2,297	3,378	2,456	3,096	1,369	2,676	2,241
Research and development cost	(Millions of yen)	1,278	1,187	1,320	1,318	2,701	1,863	1,777	1,901	2,249	2,392	3,136

Corporate Information

Corporate information (as of March 31, 2025)

Corporate name: TSUGAMI CORPORATION
Established: March 1937
Address of home office: Nihonbashi T&D Bldg., 12-20 Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo 103-0006 Japan
Paid-in capital: 12,345 million yen
Number of employees: 3,433 (consolidated)
Business activity: Manufacture and sales of precision machine tools

Network (as of November 30, 2025)



Stock information (as of March 31, 2025)

Stock code: 6101
 (Tokyo Stock Exchange, Prime Market)
Number of authorized shares: 320,000,000 shares
Number of shares outstanding: 48,000,000 shares
Number of shareholders: 10,457

Major shareholders (top 10 shareholders)

Name	Investment in the Company	
	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,865	14.48
Custody Bank of Japan, Ltd. (trust account)	3,053	6.44
Daishi Hokuetsu Bank, Ltd.	2,184	4.60
Sumitomo Mitsui Banking Corporation	1,516	3.19
The Dai-ichi Life Insurance Company, Limited	1,470	3.10
THE BANK OF NEW YORK 133652	1,352	2.85
Tsugami Customers' Shareholding Association	1,155	2.43
JPMorgan Securities Japan Co., Ltd.	982	2.07
STATE STREET BANK AND TRUST COMPANY 505001	868	1.83
DAIKIN INDUSTRIES, LTD.	717	1.51

Notes: In calculating the ratio of holdings, treasury shares were excluded. The ratio was rounded down to the second decimal place.

Endorsement of initiatives

United Nations Global Compact (UNGC)

The UNGC is a voluntary initiative in which companies and organizations exhibit responsible, creative leadership to act as good members of society and achieve sustainable growth. In May 2021, we signed the UNGC, publicly pledging our support for its ten principles in the four key areas of human rights, labor, environment, and anti-corruption.

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD was established by the Financial Stability Board (FSB) at the request of the G20 for the purpose of considering how to disclose climate-related information. In 2017, the TCFD published a final report recommending that companies make disclosures on four items relating to climate change-related risks and opportunities. The Tsugami Group endorses the intent of the TCFD and takes the proper actions to maintain the recommended systems and make the recommended climate-related disclosures.



About this report

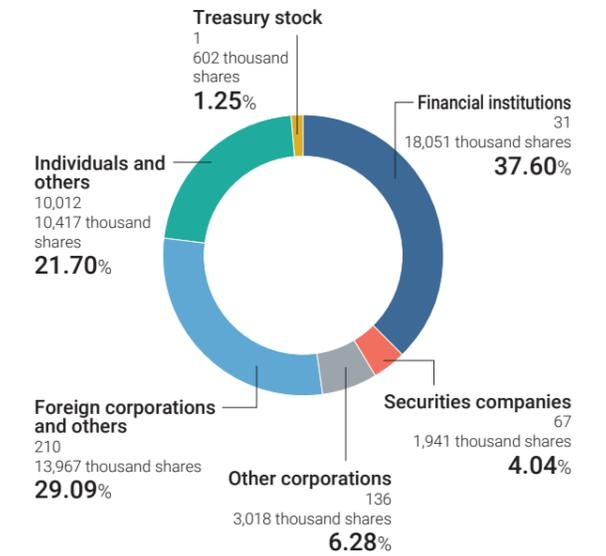
About this report

Editing policy: The aim of this report is to provide an overview of the Company's efforts to achieve sustainable growth in its business.
Reporting period: FY2024 (April 1, 2024–March 31, 2025)
 However, the report also includes information about efforts from other fiscal years.
Scope of data collection: Scope of consolidated accounts. The report also includes some data from TSUGAMI CORPORATION apart from the rest of the Group.
Date of publishing: January 2026

Projections, forecasts, and plans

We ask readers of this report to be aware that the projections herein are based on the information available at the time it was written; factors such as changes in the business environment may cause results and events to differ from the projections.

Shareholders composition by type



Fractions of shares rounded off, percentages rounded down to the second decimal place