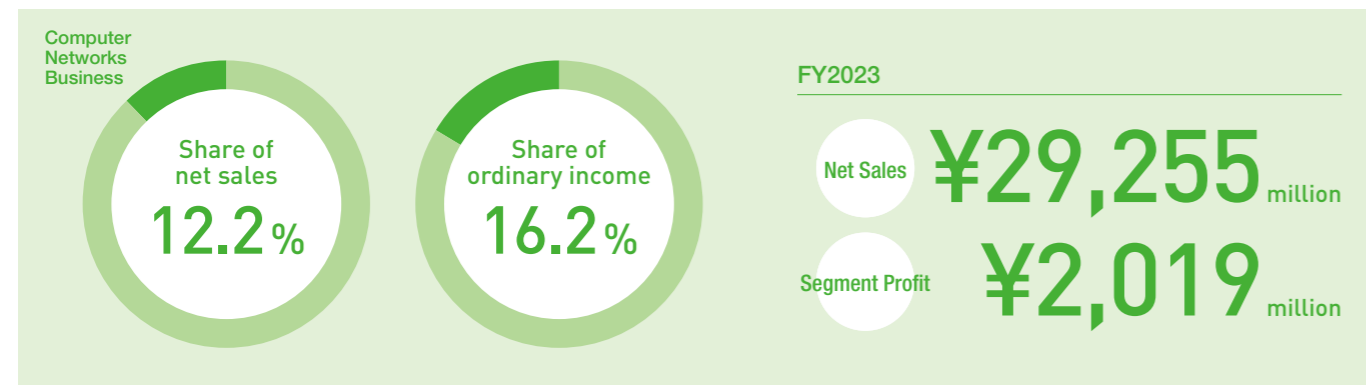


# Computer Networks Business

CN

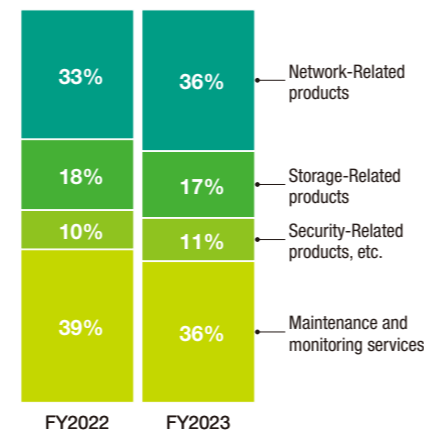
Business Overview

Corporate IT investment remained firm, including that for cloud usage and security measures, and sales of network, storage and security products were steady. In addition, sales of subscription licenses and services expanded. As a result, segment net sales to external customers in fiscal 2023 came to ¥29,255 million, up 24.7% year on year. However, reflecting increased procurement costs due to the depreciation of the yen and higher personnel costs due to hiring of IT engineers, segment profit (ordinary income) came to ¥2,019 million, down 9.6%.



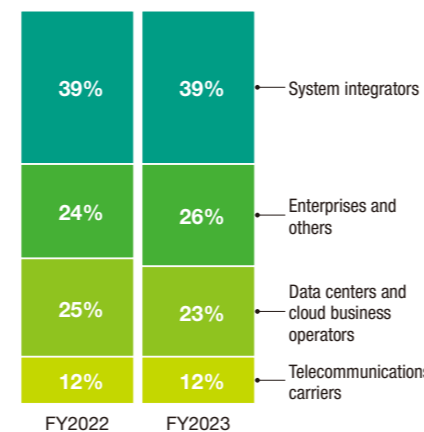
Category	Main suppliers	Function
Network-Related products	Arista Networks F5 Extreme Networks	Internet connection load balancing and switching hubs
Storage-Related products	Pure Storage Dell Technologies	High-speed connection and storage of bulk data
Security-Related products, etc.	Netskope Nutanix SentinelOne	Protection of computer systems, networks and data from attacks, damage and unauthorized access
Maintenance and monitoring services	TED	Device maintenance services and security monitoring services

Sales by Product Category



Category	Main customers
System integrators	IT service companies in Japan
Enterprises and others	General companies, government agencies, research facilities and educational institutions
Data centers and cloud business operators	Data centers, internet-related service companies
Telecommunications carriers	Domestic telecommunications carriers

Sales by Field



\* Main suppliers are referred to by commonly used abbreviations or their group names, rather than their full official corporate names.

## Growth of Security Products alongside DX and the Launch of AI Verification Support Service

In fiscal 2022, sales of existing IT device products and security products increased, but performance was negatively impacted by the cancellation of a distributor agreement and the application of a new accounting standard. In the second half of the fiscal year, semiconductor shortages led to delays in IT device product deliveries and the start of maintenance services for such devices. As a result, revenue and profit both decreased year on year.

In fiscal 2023, despite long delivery times for IT device products, corporate IT investment was firm, and product sales as well as maintenance and monitoring services both saw growth, leading to a 24.7% increase in net sales year on year. However, segment profit decreased 9.6%, reflecting rising procurement costs due to the sharp depreciation of the yen during the fiscal year and higher personnel costs due to the hiring of engineers.

Over these two years, corporate DX has driven increased use

of cloud services and remote work, leading to the emergence of new security risks and a rapid increase in demand for zero trust security (an approach to security requiring safety verification for any access, whether from within or outside the organization's network). The Netskope and SentinelOne products we handle are effective for zero trust security, and license sales and operating and monitoring services grew. In addition, reflecting the promotion of cashless payment services, we saw growth in security products for financial systems, including e-money and credit cards.

In AI infrastructure, we began offering the TAILIES AI verification support service. We provide the use of our AI accelerator—among the world's fastest—along with engineer support to help customers test and develop their own AI ideas and concepts.

## Focusing on Infrastructure, Cloud, Security and AI Technologies and Providing Solutions through Services

In fiscal 2024, we expect IT investment to remain firm and plan for net sales of ¥31,600 million, up 8.0% year on year. By focusing efforts on security products and maintenance and monitoring services while strengthening hedges against foreign currency risk, we will work to secure stable profit.

In the Computer Networks Business, looking toward the achievement of VISION 2025 and beyond, we aim to evolve into a DX vendor that provides first-party services leveraging our technology trading company functions. Until now, we have developed and provided innovative and highly specialized products, targeting the fields of IT infrastructure, the cloud, security and AI. In addition to these efforts, we are now working to develop services to support customers' system building and operations. Specifically, we are providing a number of first-party services, including ZenOne, an automated infrastructure maintenance service; security monitoring service via the TED Security Operation Center (TED-SOC); and the TAILIES AI verification support service. We will continue working to develop and provide services that solve customer issues.

Furthermore, in addition to our conventional business of selling IT devices and then providing maintenance and support, we aim to develop recurring-revenue businesses, providing more and wider-ranging products to customers along with new services to secure ongoing revenue. At the same time, we will launch new sales activities, including inside sales and digital

marketing, and work to develop human resources to form autonomous, self-driven organizations.

Keeping in mind that profit comes in return for value provided, we will strive to provide customers with even greater value in order to contribute to profit growth.

**Takayoshi Miyamoto**

Senior Vice President  
Computer Networks Business

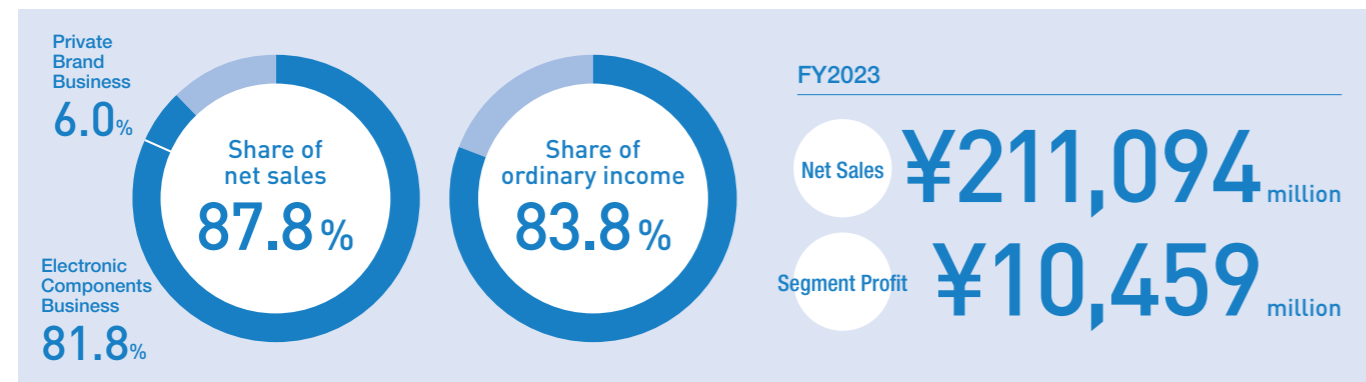


# Electronic Components Business

EC

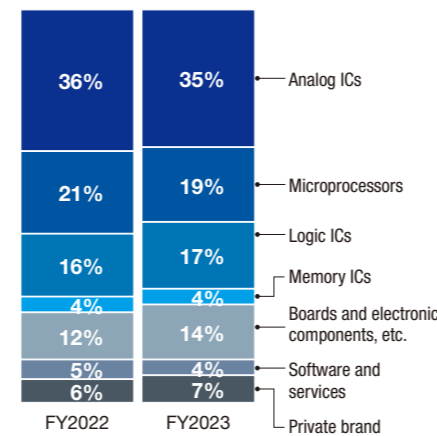
Business Overview

Amid the gradual improvement of tight supply conditions for semiconductors, demand was strong for the semiconductor products for industrial equipment, automotive equipment and communications equipment that the Group handles. In addition to the boost to sales provided by the weak yen, design changes implemented in response to the strained supply of components led to an increase in contracted development sales. As a result, segment net sales to external customers in fiscal 2023 came to ¥211,094 million, up 34.9% year on year, and segment profit (ordinary income) came to ¥10,459 million, up 105.7%.



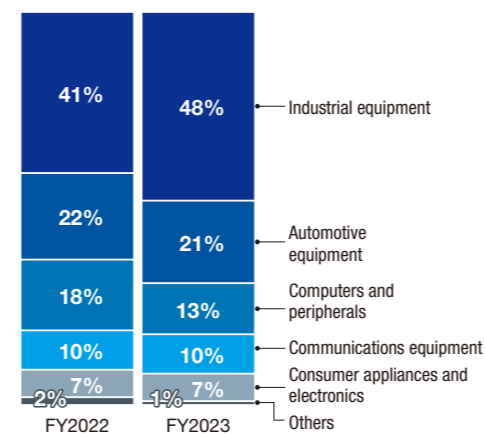
Category	Main suppliers	Function
Analog ICs	Texas Instruments	ICs that perform amplification, oscillation or other processing of analog signals
Microprocessors	NXP Semiconductors / Texas Instruments Infineon Technologies / Intel	ICs with arithmetic and control functions that serve as the brains of electronic devices
Logic ICs	Texas Instruments / NXP Semiconductors Lattice Semiconductor / MaxLinear Infineon Technologies	ICs that process digital signals / Special-purpose ICs made for particular applications / Custom ICs
Memory ICs	Infineon Technologies	Memory ICs
Boards and electronic components, etc.	NXP Semiconductors / Hagiwara Solutions Western Digital / Intel / PFU / ams OSRAM	Products (circuit boards) equipped with ICs, power supplies, connectors and other components on printed-wiring assemblies
Software and services	Microsoft / McAfee	Software embedded in industrial equipment for enterprises / Provision of subscription services
Private brand	TED / TED Nagasaki / Fast	Design, development and mass production of circuit boards according to customer specifications / Devices for manufacturing industries

Sales by Product Category



Category	Main applications	Main customers
Industrial equipment	Medical and analyzing equipment / Semiconductor production equipment / FA equipment / Industrial robots / Fabricating equipment / Measuring equipment / Control systems / Electrical component mounting equipment / Inverters	OMRON / Tokyo Electron Hitachi / FANUC / Mitsubishi Electric
Automotive equipment	Car navigation systems / Automobile instruments / Advanced Driving Assistant systems / Displays / Automobile electronic control units (ECUs) / Lithium ion batteries / Automobile inverters	ALPS ALPINE / NIPPON SEIKI Hitachi / Mitsubishi Electric
Computers and peripherals	Multifunctional printers / POS systems / Storage / Server / Projectors / PCs and peripheral devices	Epson / Sharp / TOSHIBA / Hitachi
Communications equipment	5G base stations / Optical transmission equipment / Satellite communications equipment / Wireless IP network equipment	NEC / Nihon Musem / FUJITSU / Mitsubishi Electric
Consumer appliances and electronics	Electronic musical instruments / Home gaming consoles / Digital cameras / Air conditioners / TVs and HDD recorders / Residential fuel cells	Canon / Nintendo / Mitsubishi Electric / Yamaha

Sales by Application



\* Main suppliers are referred to by commonly used abbreviations or their group names, rather than their full official corporate names.

## Overcoming Two Years of Tight Semiconductor Supply Helped Achieve the VISION 2025 Targets Two Years Early

In fiscal 2022 and 2023, semiconductor demand was consistently tight, as demand from customers exceeded supply from manufacturers. At the same time, the expansion of our semiconductor customer commercial rights increased our customer base, demand from existing customers rose, and the rapid depreciation of the yen in fiscal 2023 led to net sales and profit far above planned levels. As a result, the Electronic Components Business met its VISION 2025 financial targets two years ahead of schedule.

The past two fiscal years have seen an unprecedented supply squeeze. Working closely with semiconductor manufacturers and customers, we have striven to align deliveries of semicon-

ductor products with customer production plans. As our sales staff focused on meeting delivery deadlines, our engineers advanced activities aimed at the future, including creating new semiconductor product proposals. In line with changes in sales activities alongside the spread of remote work, we strove to increase sales efficiency through such means as holding online meetings and webinars with customers.

In recurring-revenue service businesses, we reinforced cloud service initiatives. We built a framework to provide cloud services not only to our customers in manufacturing industries, but also customers across a wide range of fields through collaboration with partner companies, and advanced sales activities accordingly.

## Continuing to Focus on Industrial and Automotive Equipment as We Actively Target OT Security

In fiscal 2024, semiconductor markets are expected to see year-on-year contraction, mainly due to slowdown in the personal electronics field (PCs, smartphones, etc.). We expect the decrease in revenue from the deceleration of semiconductor markets and shift to direct sales among some semiconductor manufacturers to exceed the positive effects of obtaining customer commercial rights. As such, we plan for net sales (excluding the Private Brand Business) of ¥185,050 million, down 5.9% year on year. We expect market recovery from the following fiscal year onward, and aim to re-enter a growth phase in fiscal 2025.

Until now, we have focused on customers in industrial equipment and automotive equipment, fields where Japanese companies are highly competitive globally. Products such as analog ICs and microprocessors, which are highly utilized in these fields, have been the mainstays of our portfolio. We will maintain this policy going forward. In particular, in anticipation of growing automotive market demand related to assisted driving and electrification, we have established the Automotive Sales Division as a comprehensive contact point for customers. By providing broad-ranging proposals and fine-tuned support for the products we handle, we aim to support customers' development and acquire new customer commercial rights. Furthermore, we are focusing efforts on obtaining orders for projects extending to contracted development and manufacturing, rather than just the sales of semiconductor products themselves. By changing from selling products to selling services, we seek to increase profit and develop relationships with semiconductor manufacturers as both a distributor and a customer.

In recurring-revenue service businesses, we will focus on providing security solutions. In recent years, as DX advances in manufacturing, cyberattacks on factories and other such facilities are increasing, making operational technology (OT) security more important than ever. Most of our customers are in manufacturing industries, and many have their own factories. By providing security solutions for factory production lines or for inclusion in customer products, we will contribute to stable factory operations and the reliability of customer products.

Focusing on competitive markets and products, we will provide added value through new services, technical support and manufacturer functions, aiming to increase profitability and achieve sustainable growth.

**Masami Hasegawa**

Representative Director  
Senior Executive Vice President  
Electronic Components Business



# Private Brand Business



FY2023  
Net Sales

¥14,498

\* The Private Brand Business is, for the sake of segment grouping, included in the Electronic Components Business.

**Business Overview**

The Private Brand Business comprises contracted design and manufacturing services, private brand products and the consolidated subsidiaries FAST CORPORATION (“Fast”) and TOKYO ELECTRON DEVICE NAGASAKI LTD. (“TED Nagasaki”). In contracted design and manufacturing services, sales related to medical equipment and industrial equipment were strong, as were sales in the business of circuit board manufacturing for semiconductor production equipment at TED Nagasaki. Fast, meanwhile, saw recovery in sales as capital expenditure by customers picked up. As a result, fiscal 2023 net sales rose to ¥14,498 million.

## Growth Amid Parts Shortages and Progress in Private Brand Product Development

In fiscal 2022, orders received recovered. TED’s business in circuit board manufacturing for medical equipment and semiconductor production equipment recovered, while TED Nagasaki’s circuit board manufacturing business and Fast’s panel inspection equipment business both saw firm performance. In fiscal 2023, amid continued parts shortages, TED and TED Nagasaki faced challenging conditions, including delivery delays and manufacturing cost increases in circuit board manufacturing, but overall business was strong, and Fast’s performance improved. As a result, revenue and profit both rose year on year.

Over these past two years, we have also advanced initiatives aimed at becoming the kind of manufacturer we want to be as laid out in VISION 2025: a manufacturing system manufacturer and original design manufacturer (ODM) and a design development division based on providing solutions to issues and highly efficient smart factories. For example, in manufacturing systems, we reinforced the functions of the RAYSENS compound semiconductor wafer inspection system by increasing the maximum wafer size and adding new inspection items. We also opened the Robot Center, a facility for the development and demonstration of the TriMath robot vision system. We completed the necessary licensing and manufacturer registration for the medical equipment ODM business, establishing an integrated internal framework for the production of medical equipment, from product planning to manufacturing and sales, while developing relationships with customers that can serve as mentors and building ecosystems with development partners. To improve operational efficiency, we integrated the production management and procurement departments of Tokyo Electron Device and TED Nagasaki. By consolidating and combining parts procurement and production management, we will improve collaboration among Group companies to make operations more efficient.

## Reinforcing Manufacturer Functions that Drive Profit Growth

In fiscal 2024, we expect the semiconductor production equipment market and inspection business focused on China to enter a lull. As such, we plan for net sales of ¥13,350 million, down 7.9% year on year.

Demand for semiconductors will assuredly grow over the medium to long term, and we expect recovery from the adjustment phase and growth in fiscal 2025. In the circuit board manufacturing business, which mainly provides products for medical equipment, semiconductor production equipment and other industrial equipment, we expect the easing of component procurement difficulties to lead to acceleration in production and growth. In addition, we plan to develop comprehensive contracted design and production services by horizontally expanding sales of new products among existing customers and working to secure orders for next-generation models.

For the RAYSENS compound semiconductor wafer inspection system, we will work to expand the range of its inspection capabilities to accommodate future demand growth for SiC, GaN and other compound semiconductors, which are promising for applications in power semiconductors. We will also ramp up sales activities in Europe, Taiwan and mainland China. At the same time, we will advance improvements to the robot vision system TriMath by standardizing its software to make it easier to adopt for system integrators and users. In medical ODM, we will advance the development of in-vitro diagnostic equipment and medical smartwear and advance efforts to meet quality standards for medical equipment. We will also prepare for approval review processes and to provide support for the proper use of devices we have developed.

To achieve profit growth, a key task for the achievement of VISION 2025, we will continue to reinforce our manufacturer functions.

**Kazuki Shinoda**

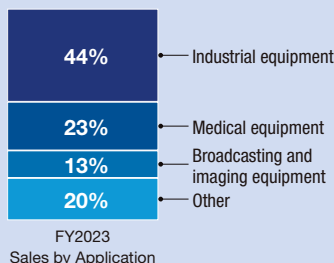
Corporate Director  
Executive Vice President  
Private Brand Business



### Design and Manufacturing Services



Under the irevium brand, we offer one-stop contracted design and manufacturing services, from specification development to the design, prototyping, evaluation, production trials and mass production of customer circuit boards. Through coordination with the Electronic Components Business, we are reinforcing the development of high value-added products that use cutting-edge semiconductors.



### Private Brand Products

**TED**



**Compound semiconductor wafer inspection system**  
RAYSENS



**Robot vision system**  
TriMath

TED develops and supplies manufacturing systems that integrate its proprietary technologies, including image processing, data science and robotics, to realize automation and labor saving in inspection and other processes.

**Fast**

Fast is a manufacturer boasting image processing technologies, providing image processing software, machine vision technologies, and AI platforms for the visual inspection of non-uniform products for factory automation in the manufacturing sector.



**AI platforms**  
FV-AID / FV-PDL



**Image processing libraries**  
WIL Version 3.1

**TED Nagasaki**

TED Nagasaki boasts circuit board production lines capable of high-quality, small-lot, high-variety manufacturing and carries out mass production as part of contracted design and production services. TED Nagasaki also offers such private brand products as smart power supply systems, data center security systems and environmental monitoring products.



**RMS Series**  
Rack Monitoring System



**Distributed energy systems**  
50 kW interconnection inverters  
SPM series