

Tsuzuki Denki Co., Ltd

Financial Results for the First Half of the Fiscal Year Ending March 31, 2023

November 16, 2022

Stock code: 8157

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



1 Overview of Q2 FY03/23 Consolidated Results

2 FY03/23 Consolidated Earnings Forecast

3 Progress of Medium-term Management Plan

4 Shareholder Return

On June 24, 2022

We created a purpose statement and reorganized management principles (Tsuzuki Principles)

The purpose statement expresses our values and aspirations, while “values” defines the values we hold and the action guidelines we follow

Management principles

Purpose statement

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

Values/seven actions



Face



Build



Connect



Challenge



Enjoy



Support



Persevere

Based on the purpose statement, we are creating a long-term vision and a new medium-management plan as we prepare for our 100th anniversary

1 Overview of Q2 FY03/23 Consolidated Results

2 FY03/23 consolidated earnings forecast

3 Progress of Medium-term Management Plan

4 Shareholder Return

Highlights

Net sales: JPY55,046mn, an **increase** of JPY1,945mn (103.7% YoY)
Operating income: JPY1,021mn, an **increase** of 222mn (127.8% YoY)

Second-highest sales and profit in 10 years

Information Network Solutions

- Customers made steady IT investments (investments suspended amid the pandemic recovered in some industries)
- Delivery delays associated with semiconductor shortages were mitigated to a certain extent
- Progress was made in transition to service of cloud computing

Electronic Devices

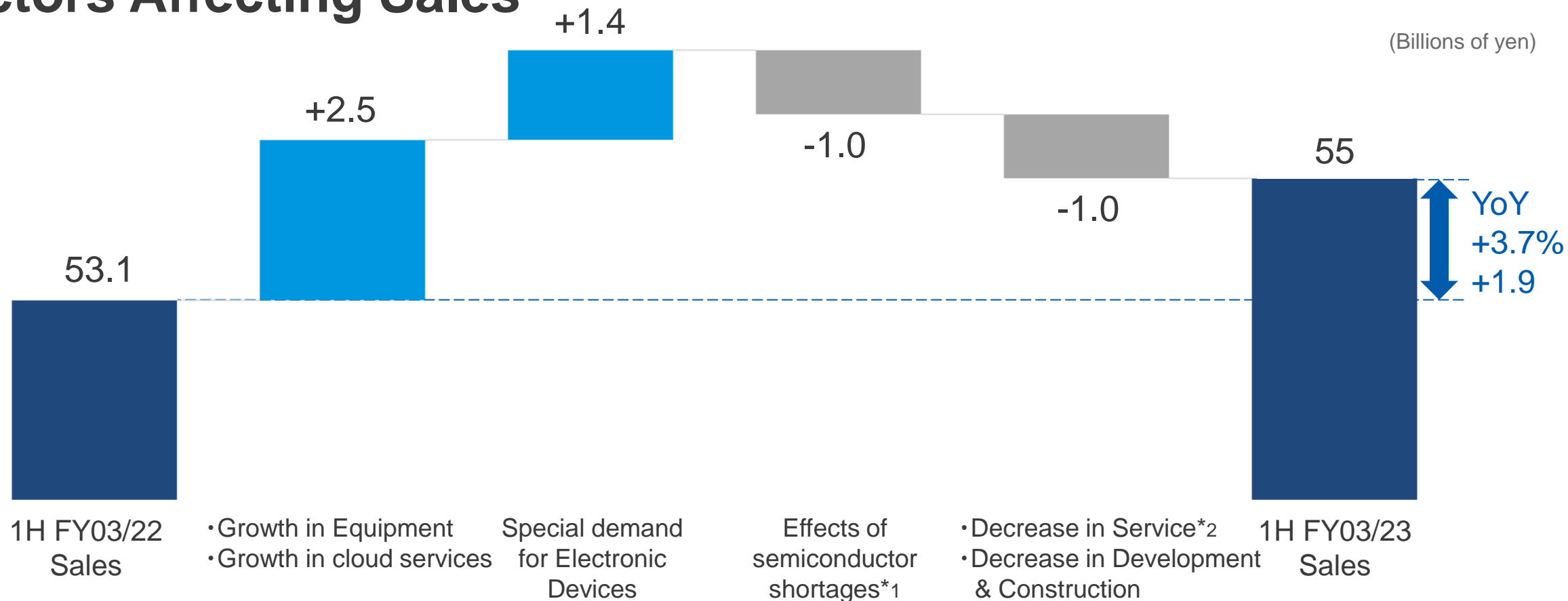
- The supply-demand balance for semiconductors began to improve, but there was still special demand

Statement of Income

(Millions of yen)

	1H FY03/22	1H FY03/23	Change (amount)	Change (YoY)
Net sales	53,100	55,046	1,945	103.7%
Gross profit	9,789	10,478	688	107.0%
(Cost ratio)	(81.6%)	(81.0%)	(-0.6pt)	—
SG&A expenses	8,990	9,457	466	105.2%
Operating income	798	1,021	222	127.8%
(Operating margin)	(1.5%)	(1.9%)	(0.4pt)	—
Profit attributable to owners of parent	492	700	208	142.3%
Orders	68,576	69,213	637	100.9%
Order backlog	37,942	47,878	9,935	126.2%

Factors Affecting Sales

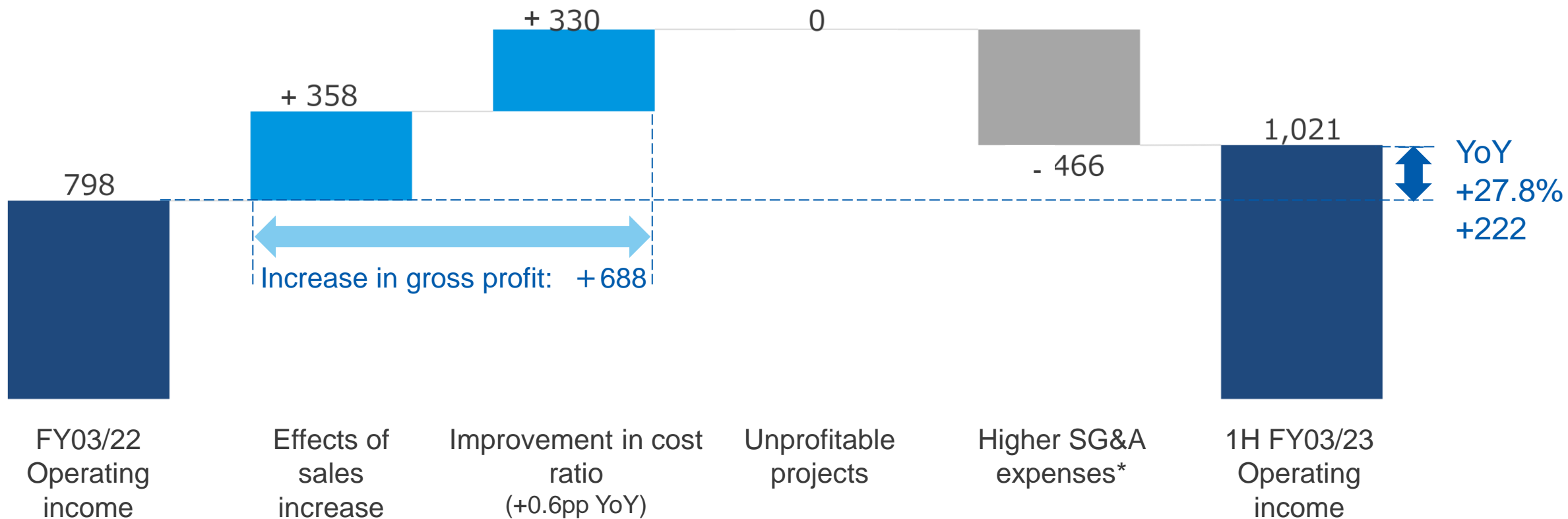


(*1) Sales were postponed because of a delay in the delivery of information network equipment amid semiconductor shortages

(*2) Large-scale LCM services expired for some customers

Factors Affecting Operating Income

(Millions of yen)



(*) Higher SG&A expenses: Expenses related to pre-order activity and personnel expenses in Information Network Solutions

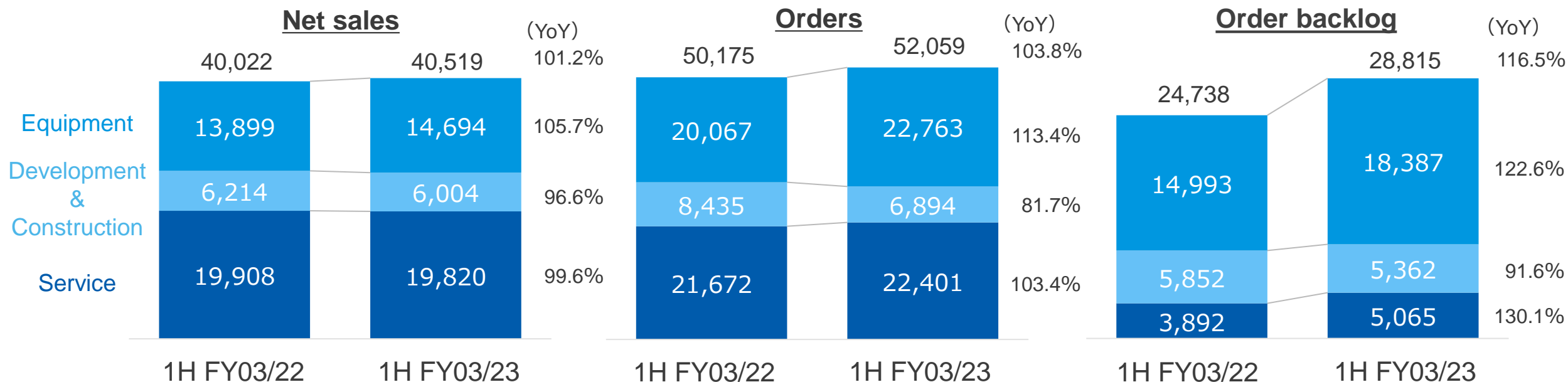
Results by Segment

(Millions of yen)

	Net sales				Operating income			
	1H FY03/22	1H FY03/23	Change (amount)	Change (YoY)	1H FY03/22	1H FY03/23	Change (amount)	Change (YoY)
Information Network Solutions	40,022	40,519	496	101.2%	532	521	-10	98.0%
Electronic Devices	13,078	14,526	1,448	111.1%	266	483	217	181.5%
Consolidated Total	53,100	55,046	1,945	103.7%	798	1,021	222	127.8%

Results by Business Model (Information Network Solutions)

(Millions of yen)



Equipment

Effects of delivery delays associated with semiconductor shortages were mitigated to a certain extent. We actively held talks with customers in the railroad, manufacturing, financial industries, etc.

Development & Construction

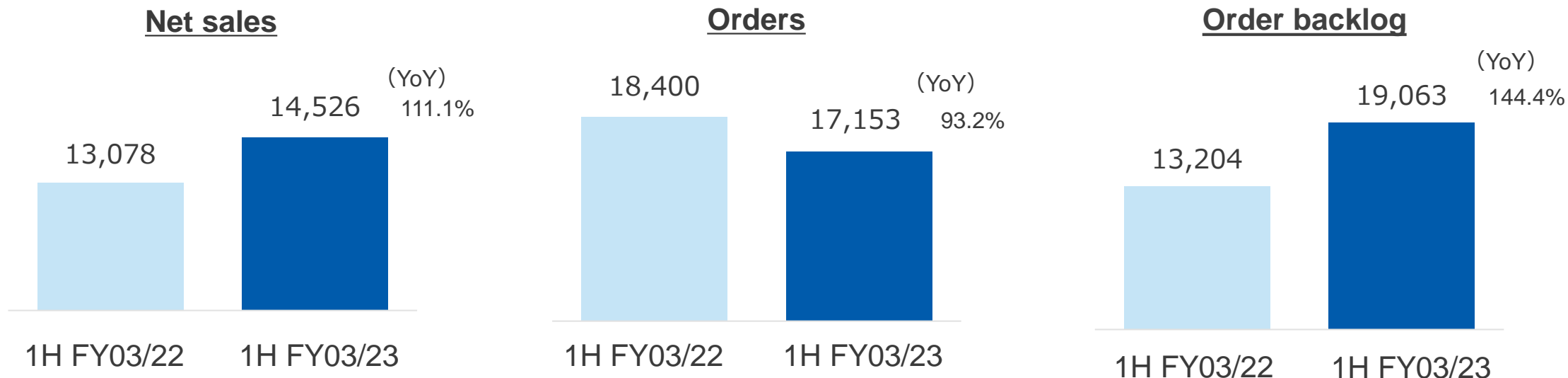
Despite a reactionary decline from the previous fiscal year and a shift in services, PBX, network construction, etc., remained solid.

Service

Orders and order backlog remained solid thanks to growth in cloud services and equipment-maintenance services.

Results by Business Model (Electronic Devices)

(Millions of yen)



Net sales/Orders

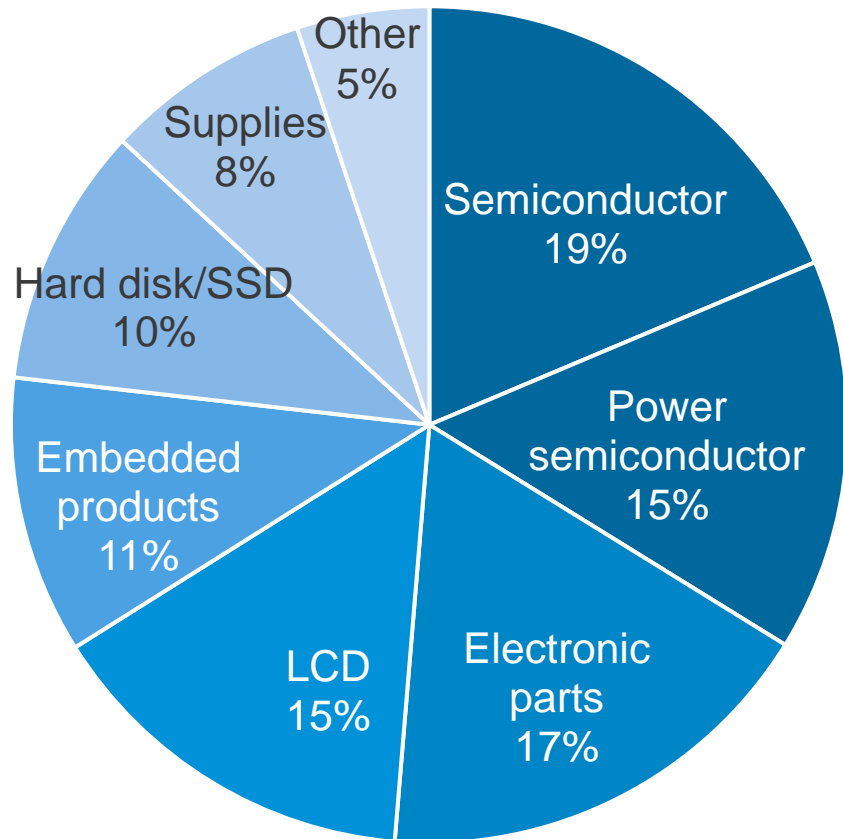
Semiconductor shortages continued, but sales significantly rose as we secured volume by leveraging our procurement capabilities and strengthened proposals for alternative products. However, some suppliers normalized their production. Thus, the supply-demand balance improved and led to a decline in demand.

Order backlog

Buildup of inventory of long-lead items
(We received, as we did in the previous fiscal year, advanced orders from customers concerned about semiconductor shortages. The majority of the sales will be made in the next fiscal year or later.)

Results by Business Model (Electronic Devices – by Product)

Sales composition ratio by product in Electronic Devices: Q2 FY03/23



This fiscal year (+)

Semiconductors/electronic parts for FA and industrial equipment

Power semiconductors for electric vehicles, power supply equipment, and air conditioning equipment

Embedded products for servers, PCs, etc.

This fiscal year (-)

Hard disks for consumer equipment

LCD panels and SSD products for in-vehicle information equipment

1

Overview of Q2 FY03/23 consolidated results

2

FY03/23 Consolidated Earnings Forecast

3

Progress of Medium-term Management Plan

4

Shareholder Return

We raised our FY03/23 consolidated earnings forecast

(released on May 13, 2022)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change (B-A)	(Change)	FY03/22 results	Change (YoY)	Change
Net sales	120,000	121,000	1,000	0.8%	119,316	1,683	1.4%
Operating income	4,000	4,500	500	12.5%	4,012	487	12.2%
Ordinary profit	4,130	4,630	500	12.1%	4,227	402	9.5%
Profit attributable to owners of parent	2,760	3,090	330	12.0%	2,798	291	10.4%

Net sales

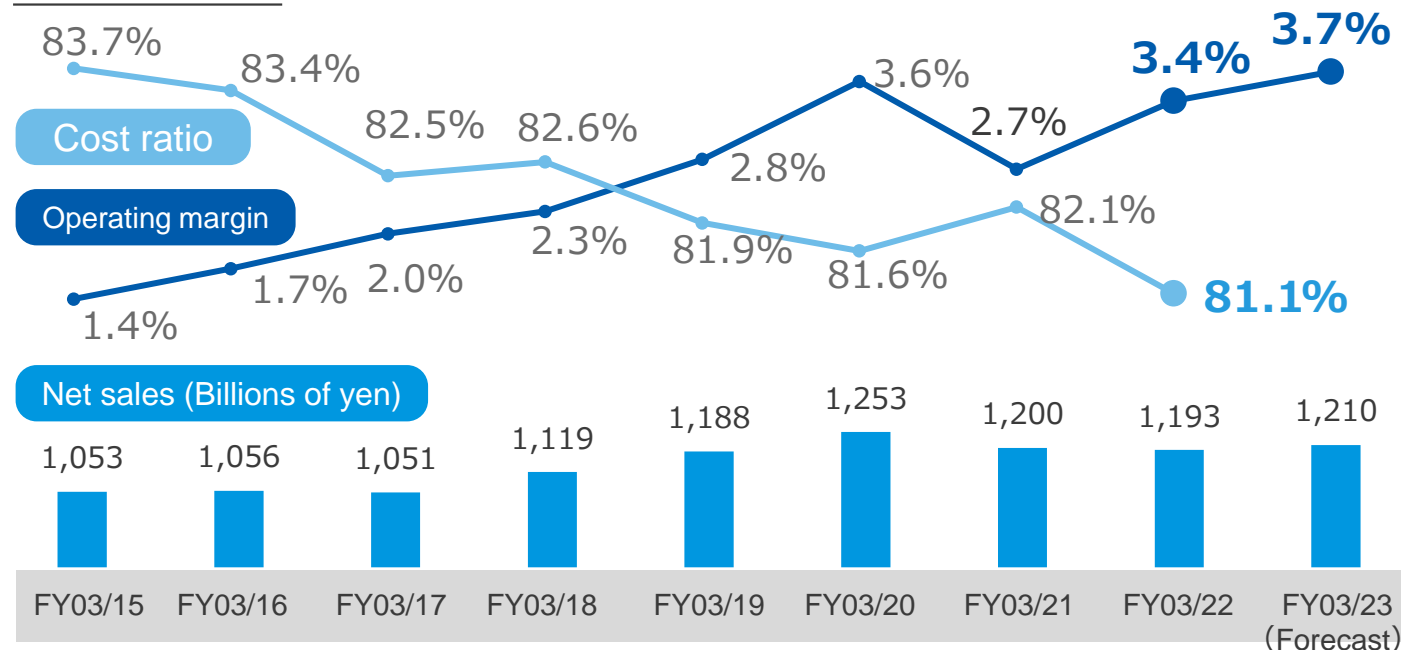
We have a high order backlog, but sales will not be recorded until next fiscal year or later for the majority of the backlog for electronic devices (long-lead inventory). Therefore, the sales contribution of the order backlog will be limited during this fiscal year. (Sales are progressing as planned for Information Network Solutions.)

Profit

Profitability is expected to continue to improve in 2H (the cost ratio improved by 0.6pp YoY in 1H)

Long-term Trends in the Cost Ratio and Operating Margin

Consolidated

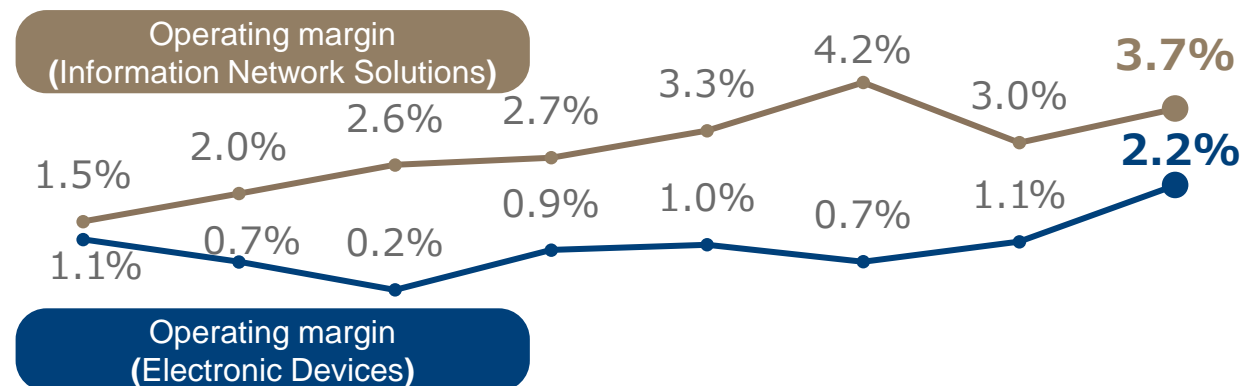


Cost ratio improved significantly over the medium to long term; operating margin rose accordingly

Changes in business structure

✓ We are strengthening profitable services (Information Network Solutions)

By segment



Ensuring appropriate profit

- ✓ We have practically no unprofitable projects thanks to thorough profit management (Information Network Solutions)
- ✓ We are addressing soaring procurement costs (Electronic Devices)

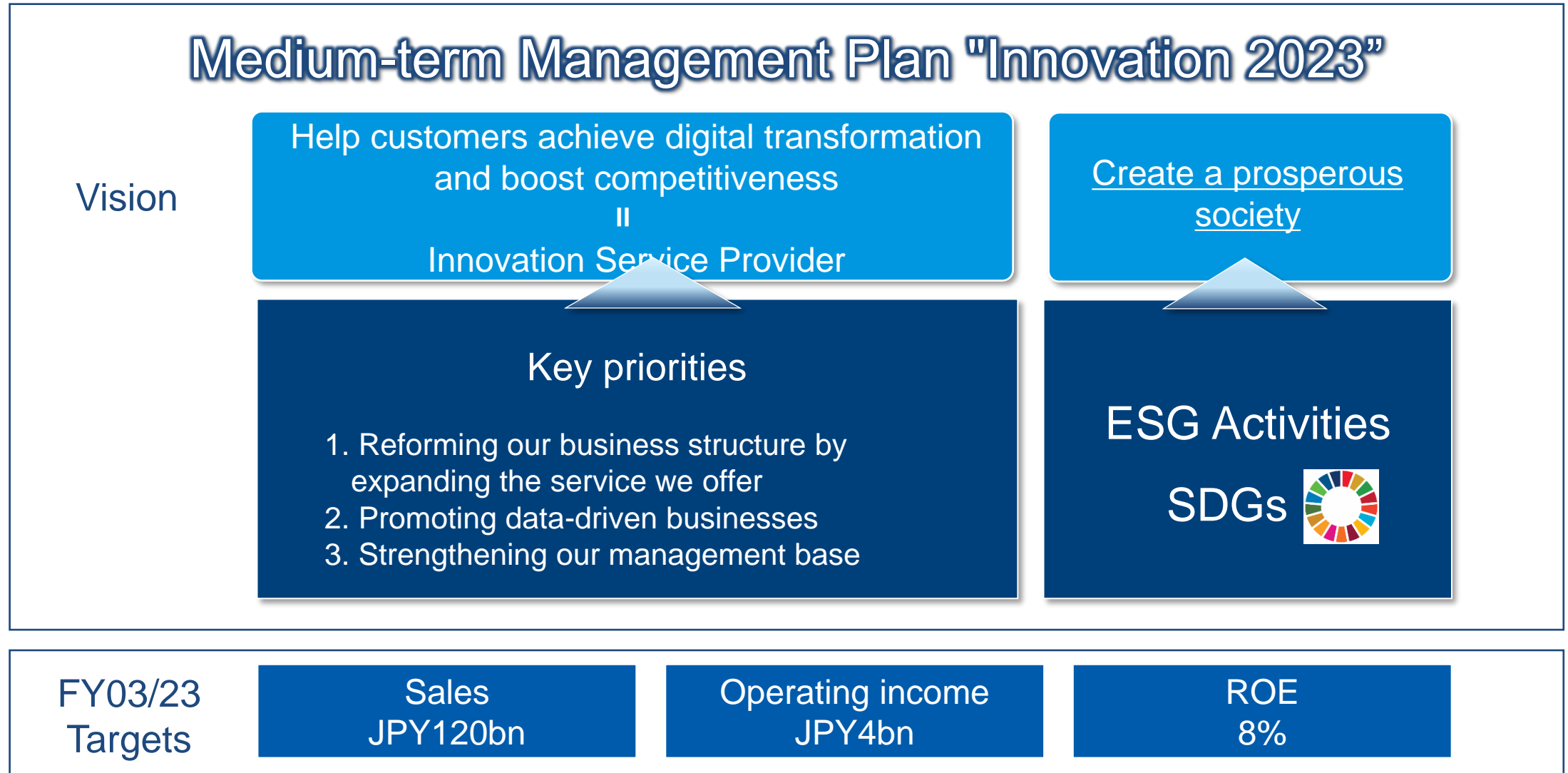
1 Overview of Q2 FY03/23 consolidate results

2 FY03/23 consolidated earnings forecast

3 Progress of Medium-term Management Plan

4 Shareholder Return

Overview of Medium-term Management Plan (FY03/21 to FY03/23)

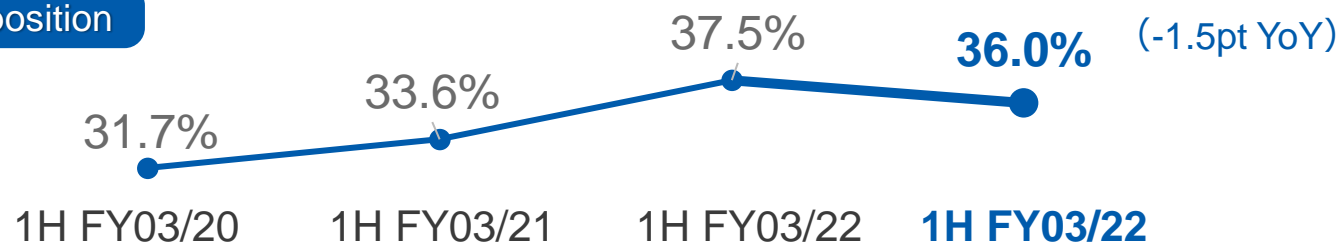


Progress of Key Priorities in the Medium-term Management Plan (Overview)

1. Reforming our business structure by expanding the service we offer

Maintaining a high service-sales composition ratio by promoting human-resource training, etc. to release new services and strengthen service sales

Service sales composition



*Declined because large-scale service contracts expired for some customers

2. Promoting data-driven businesses

Focusing on business design centered on co-creation with partners

- Alliance with Digital Platformer Corp.
- Progress in collaboration with JIG-SAW INC.
- Active demonstration experiments in the AI field

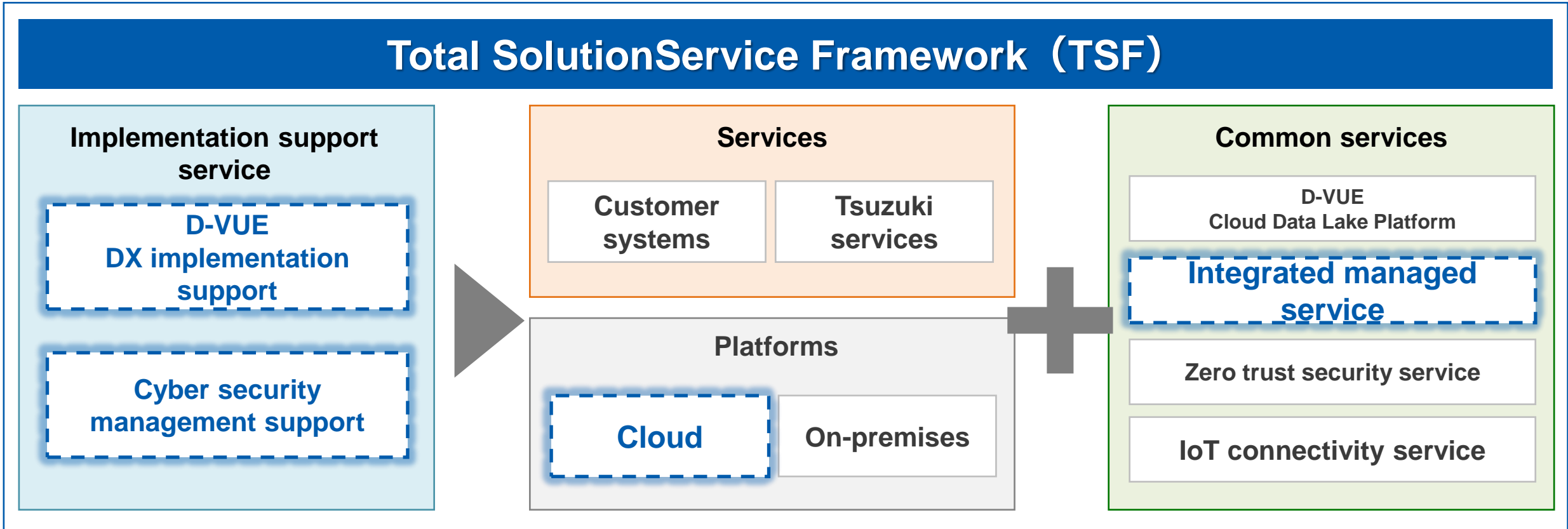
3. Strengthening our management base

Creating a purpose statement, reorganizing management philosophy

Formulating a long-term vision and next medium-term management plan based on the purpose statement

Strengthening the Service Business

New service releases and enhancements of existing services are progressing under our TSF service framework

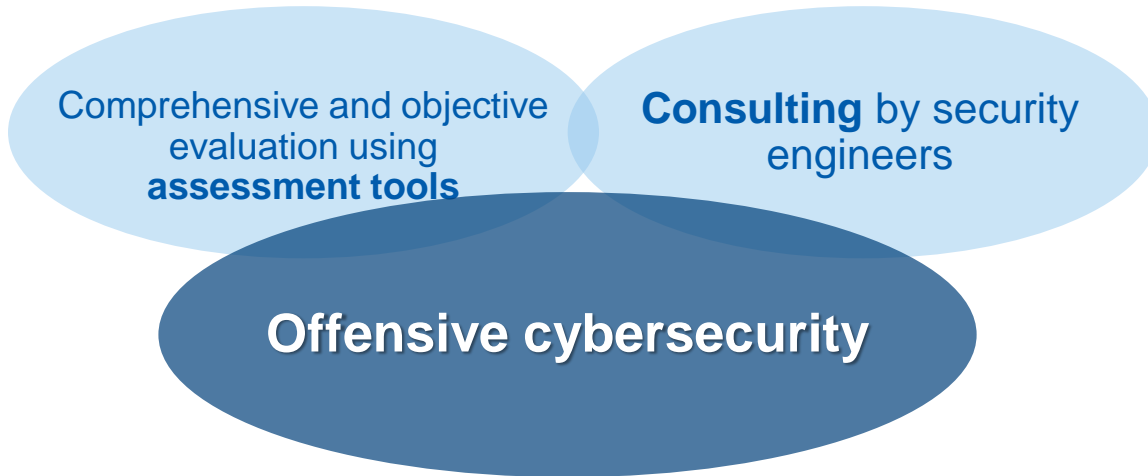


(new release/enhancements)

Strengthening the Service Business

Cyber security management support services

Support for the visualization of cybersecurity response and the creation of effective cybersecurity planning



- ✓ **New security challenges** are on the rise as companies actively pursue DX
- ✓ Specialists provide **low-cost, short lead-time, and high-quality services**

Aiming to sign contracts with 200 companies by end-March 2026

TCloud for Smart Fruits

(a sales-management system for fruit and vegetable wholesalers)

Industry-wide cloud platform covering the basic operations of fruit and vegetable sales



Expertise gained through the provision of ICT support for fruit and vegetable wholesalers for 40 years

Cloud format lowers entry hurdle

Perfect for small- and medium-sized fruit and vegetable markets

- ✓ **Responding to changes in the environment**, such as a revision to the Whole Market Act, diversification of distribution channels, and human-resource shortages

Aiming for a 30% share of sales-management systems for fruit and vegetable wholesale markets (small- and medium-sized operators)

Strengthening the Service Business

D-VUE® Implementation Support Services

One-stop support service for upstream processes such as business design and data analysis for DX implementation

Advisory service

Design workshop

Marketing service creation

DX talent reskilling

Creation of aspirational goals, as well as qualitative research and test-marketing, to help customers achieve their targets

Reskilling program for digital talents to help customers foster DX personnel they need

These two are newly added

Solving problems faced by customers, providing sustainability support

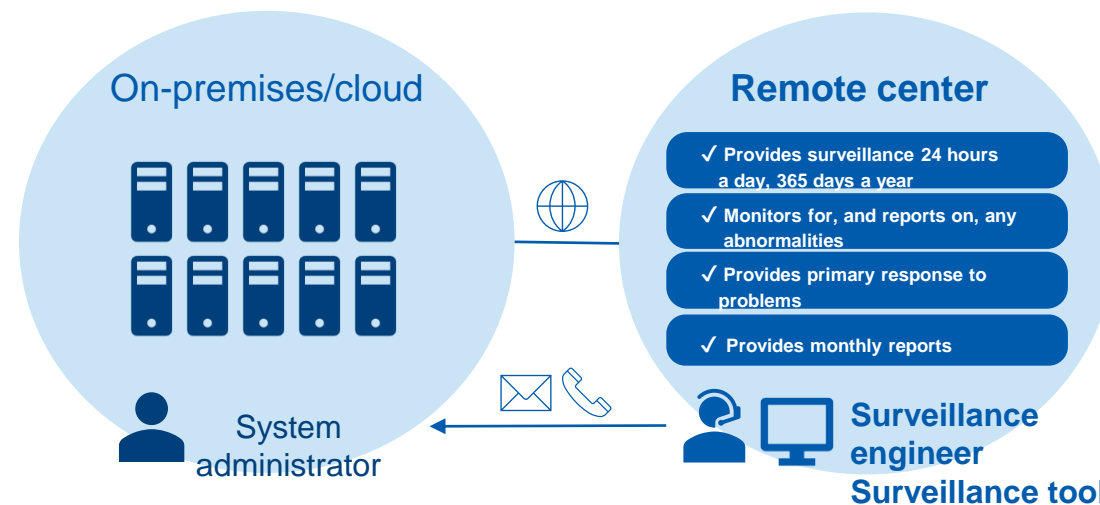
Upstream approach to expanding business domains

TManaged Service (Server-surveillance starter service)

Monitors up to 10 servers in cloud and on-premises environments; The service package specifies surveillance targets and provides primary response when a problem occurs

TManaged Service

【Server-surveillance starter service pack 10】



We will expand service sales by capturing demand for cloud computing and surveillance; Such demand grew during the pandemic

Co-creation with Partners

Digital Platformer Corp.

Business alliance agreement signed (August 23, 2022)



We will combine blockchain technology, which is essential in the era of Web. 3.0, with our Group's industry knowledge and IoT technology to develop new markets

✓ The acceleration of DX has increased the need for reliable information. Thus, blockchain technology, which protects against data tampering and ensures transparency, is gaining attention

LITA, blockchain platform



We will add LITA to our service lineup and create businesses through a proof of concept within our company and with our customers

JIG-SAW INC.

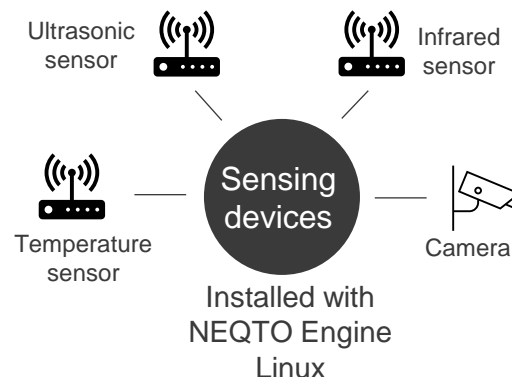
Release of Tsuzuki IoT StarterKit



NEQTO Engine Linux version was released by the company (September 2022)

▼
We will leverage the alliance to develop services that incorporate this product ahead of other companies

Tsuzuki IoT StarterKit



Bringing IoT closer to customers

We will develop sensing devices compatible with sensors of various specifications. This will lower the hurdle for introducing IoT. In this way, we will uncover potential IoT needs and expand sales.

Co-creation with Partners

Nextgen, Inc.

【Joint development】 Cloud PBX



No physical PBX needed	Reduction in operational loads	Extensible
Works in any location	No maintenance needed	No physical assets needed
Flexible	High quality	Low costs

✓ Customers in various industries such as financial, manufacturing, and real estate are adopting the service, which provides unparalleled functionality and quality



IP-PBX software
NX-C1000



可能性に満ちた“余白”を、ともに。

Our Group's voice
platform technology

✓ Highly competitive in on-premises PBX construction

✓ We stand out for our reliability and scalability;
The business is highly profitable (we serve major
companies in the financial industry, etc.)

1 Overview of Q2 FY03/23 consolidated results

2 FY03/23 consolidated earnings forecast

3 Progress of Medium-term Management Plan

4 Shareholder Return

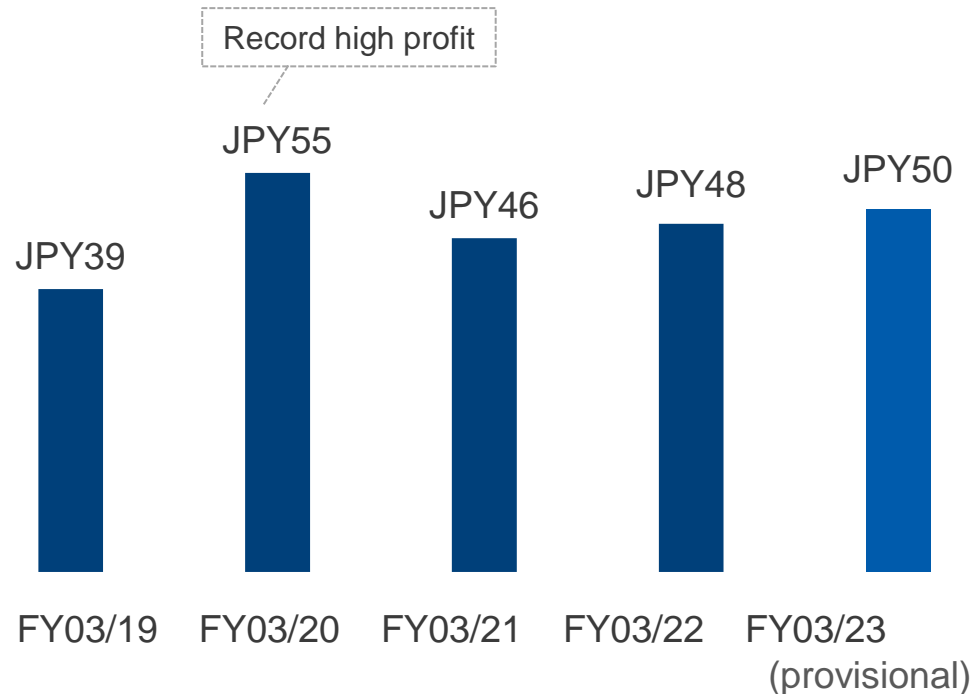
Shareholder Return

Interim dividend: JPY25 (including JPY2 commemorative dividend for the 90th anniversary)

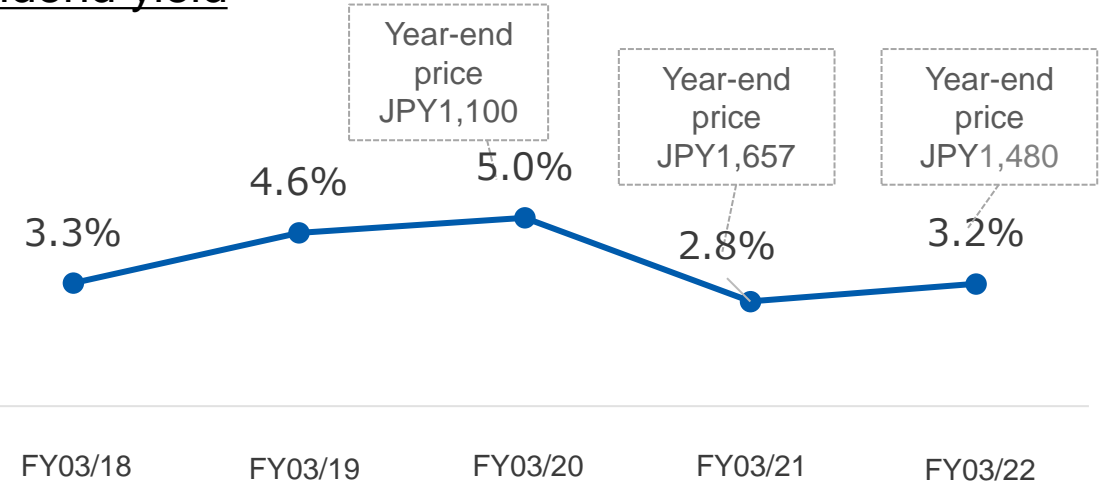
Annual dividend: JPY50 (provisional)

Aiming to maintain stable dividends with a payout ratio of around 30%

Dividend per share



Dividend yield



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

Shareholder benefits

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

Press Releases

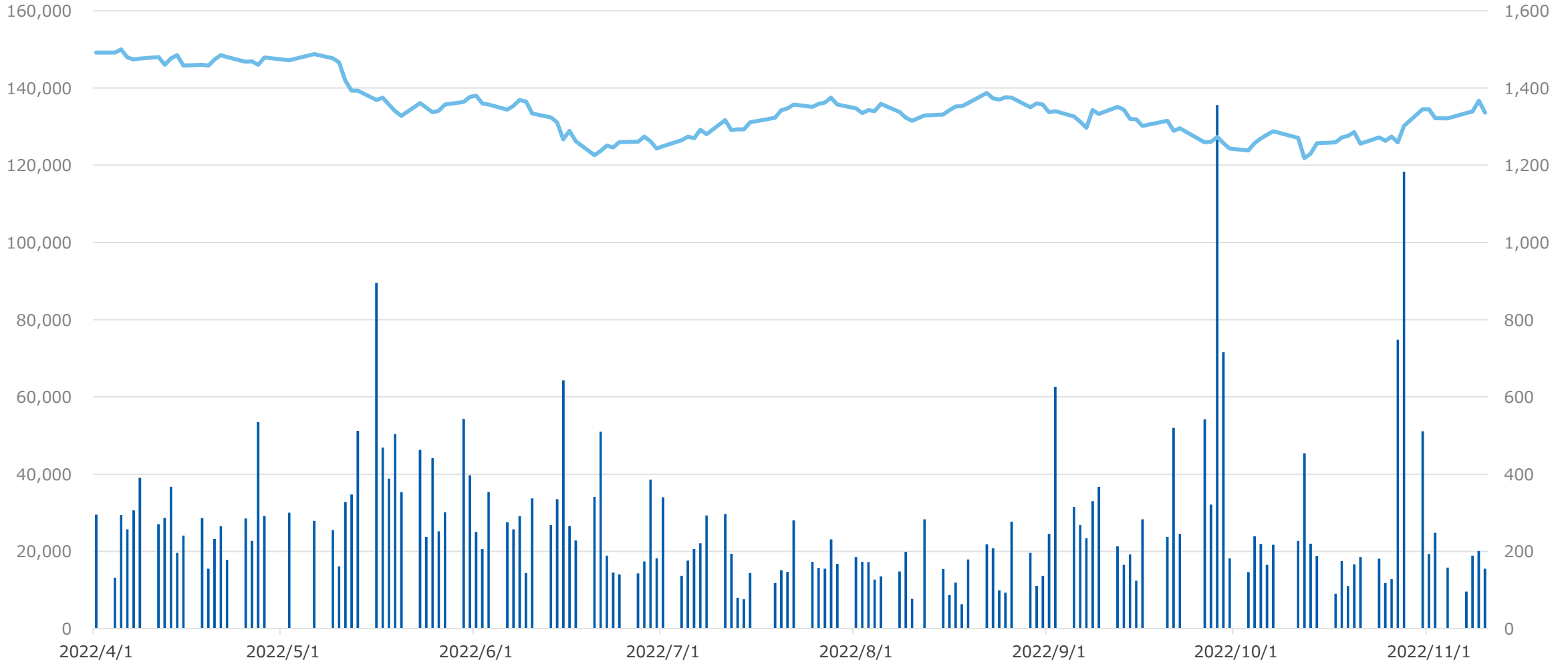


No.	Date	Content
1	2022/06/24	Established a purpose statement
2	2022/07/14	Released FINDISH, an AI-based tableware-search site, on a trial basis
3	2022/08/23	TSUZUKI DENKI and Digital Platformer concluded a business alliance agreement
4	2022/08/29	Released information regarding TCloud for Smart Fruits, a sales management system for fruit and vegetable wholesalers
5	2022/09/21	Won both corporate excellence award and individual excellence award in an industry DX certification test
6	2022/09/27	Launched cybersecurity management support services

Stock Price History

(Volume: Shares)

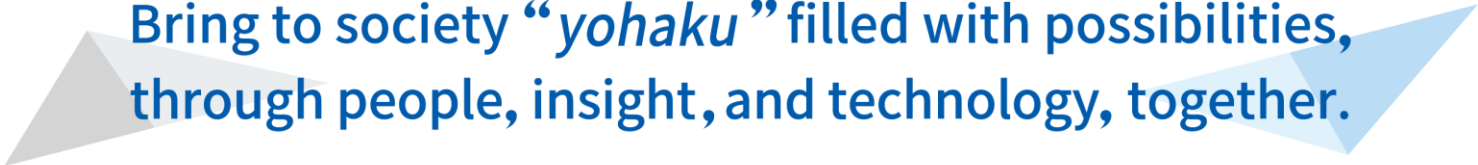
(Stock price: Yen)



Contact	Tsuzuki Denki Co., Ltd. Management Planning Office
Address	6-19-15 Shinbashi, Minato-ku, Tokyo 105-8665, Japan (Tokyo Art Club Building)
	Phone: 050-3684-7780
	ir-tantou@tsuzuki.co.jp
	https://www.tsuzuki.co.jp/

Disclaimer

The forward-looking statements, including earnings forecasts, contained in this document are based on information available to the company at the time of this document's release and are subject to a number of uncertainties. Please note that actual results may differ significantly due to various factors. Although every effort has been made to ensure the accuracy of the information contained in this document, please note that the accuracy and certainty of its content is not guaranteed. The names of companies, products, and services mentioned in this document are registered trademarks or trademarks of their respective owners.



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