

Tsuzuki Denki Co., Ltd Financial Results for the First Half of the Fiscal Year Ending March 31, 2022

November 17, 2021

Stock code: 8157

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

Agenda

1**1H FY03/22 Results****2****Progress of Medium-term
Management Plan****3****FY03/22 Forecast****4****Shareholder Return**

1 1H FY03/22 Results

Highlights

Net sales and profits rose thanks to steady growth in the service businesses
Electronic Devices business also contributed on the back of a shortage in
semiconductors

Information Network Solutions

(+) Growth in service businesses, increase in network reinforcement and security enhancement projects, recovery of customers severely impacted by COVID-19

(-) Absence of major projects seen in 1H FY03/21

COVID-19 impact: Although the impact of restrictions on face-to-face sales activities remains, the overall impact has been reduced from 1H FY03/21

Electronic Devices

(+) Special demand arising from global shortage of semiconductors

(-) Drop in demand caused by shift to in-house production at some customers

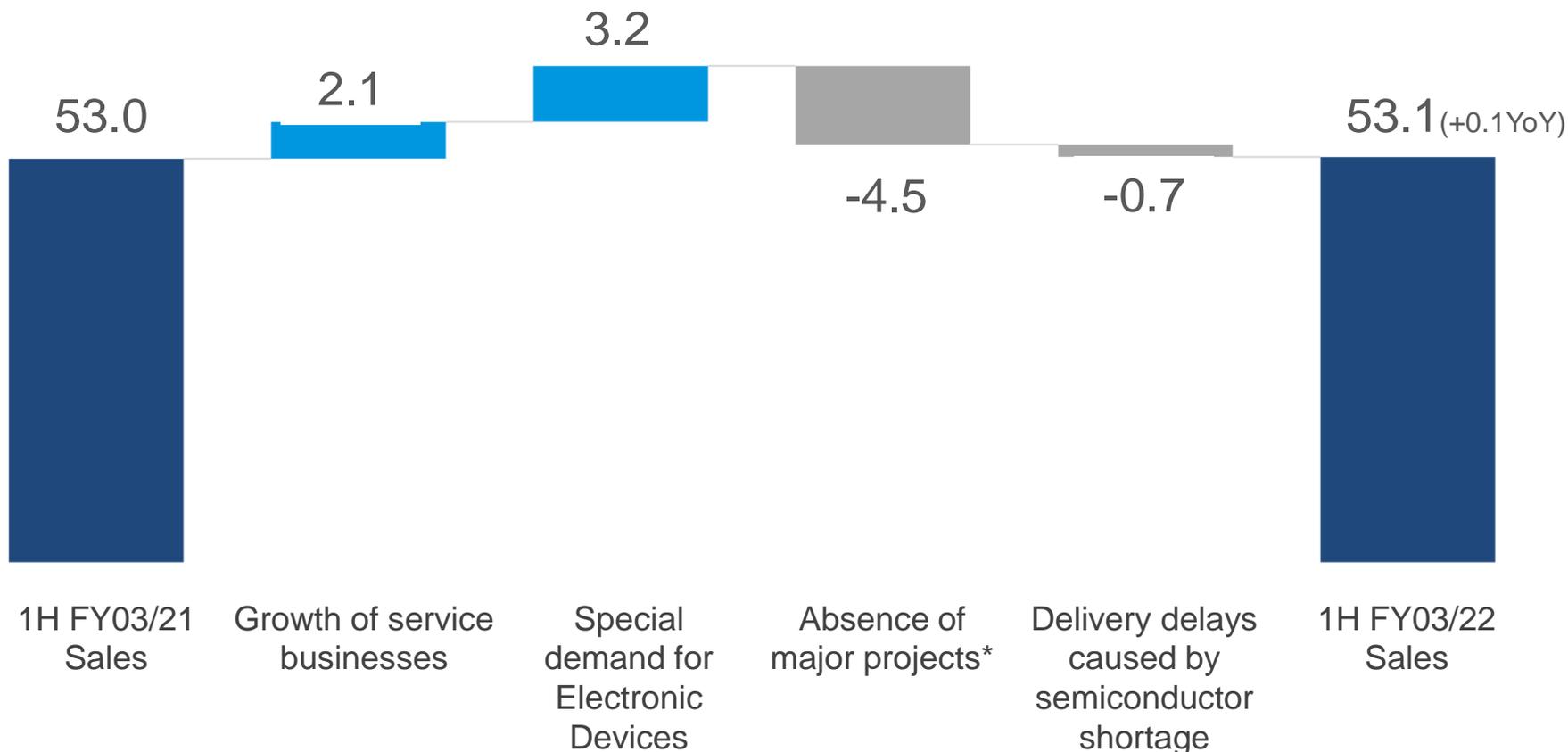
Statement of Income

(Millions of yen)

	1H FY03/21	1H FY03/22	Change (amount)	Change (YoY)
Net sales	53,006	53,100	94	+0.2%
Gross profit	9,090	9,789	699	+7.7%
(Cost ratio)	(82.8%)	(81.6%)	(-1.2pt)	—
SG&A expenses	8,869	8,990	121	+1.4%
Operating income	221	798	577	+260.9%
(Operating margin)	(0.4%)	(1.5%)	(1.1pt)	—
Profit attributable to owners of parent	149	492	342	+229.0%
Orders	60,677	68,576	7,898	+13.0%
Order backlog	28,487	37,942	9,455	+33.2%

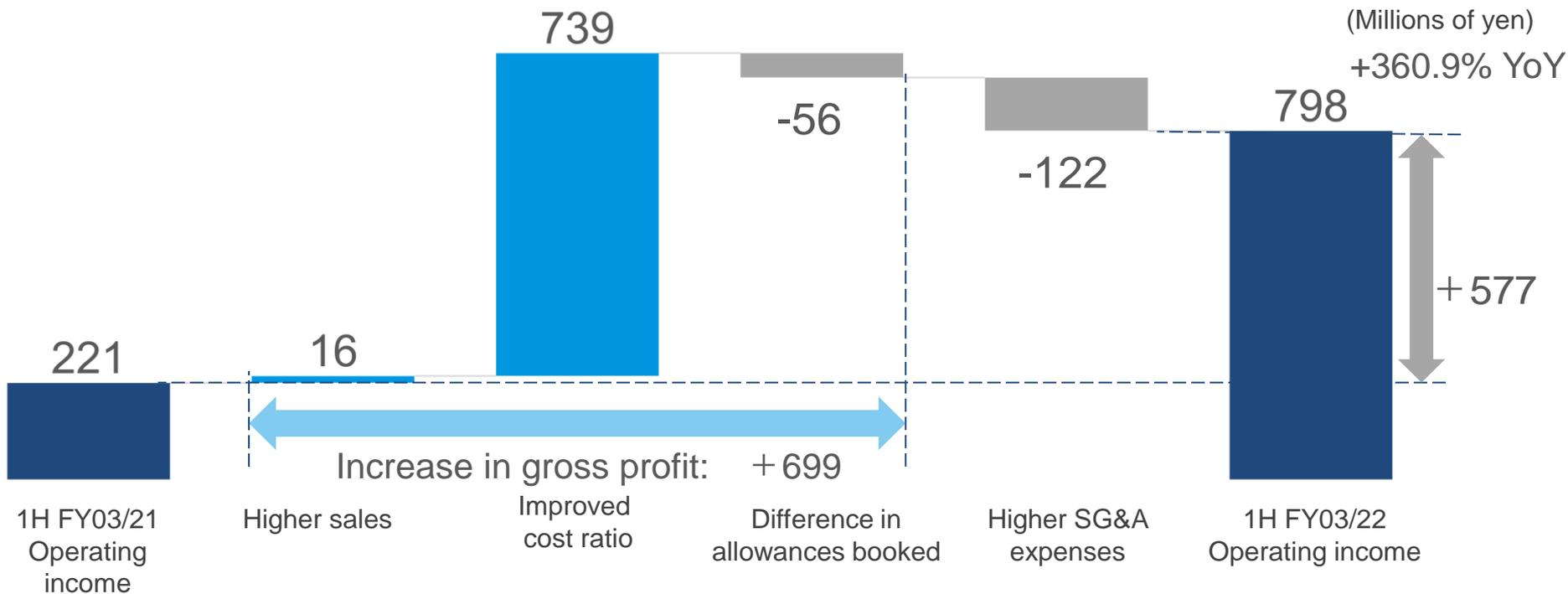
Factors Affecting Sales

(Billions of yen)



* Absence of smartphone deals for the insurance industry and server and storage installation deals for public-sector customers, and decrease in PC installation deals owing to remote work support demand running its course

Factors Affecting Operating Income



Positive factors

- Higher sales: +JPY16mn
- Improved cost ratio: +739mn
 - Growth of service businesses
 - Improved cost ratio for development and construction projects

Negative factors

- Difference in allowances booked: -JPY56mn
 - *There were no unprofitable projects in 1H, but we booked a gain of JPY56mn on reversal of allowances in 1H FY03/21, which had a negative YoY impact on operating income
- Higher SG&A expenses: -JPY122mn
 - Increase in consolidated subsidiaries

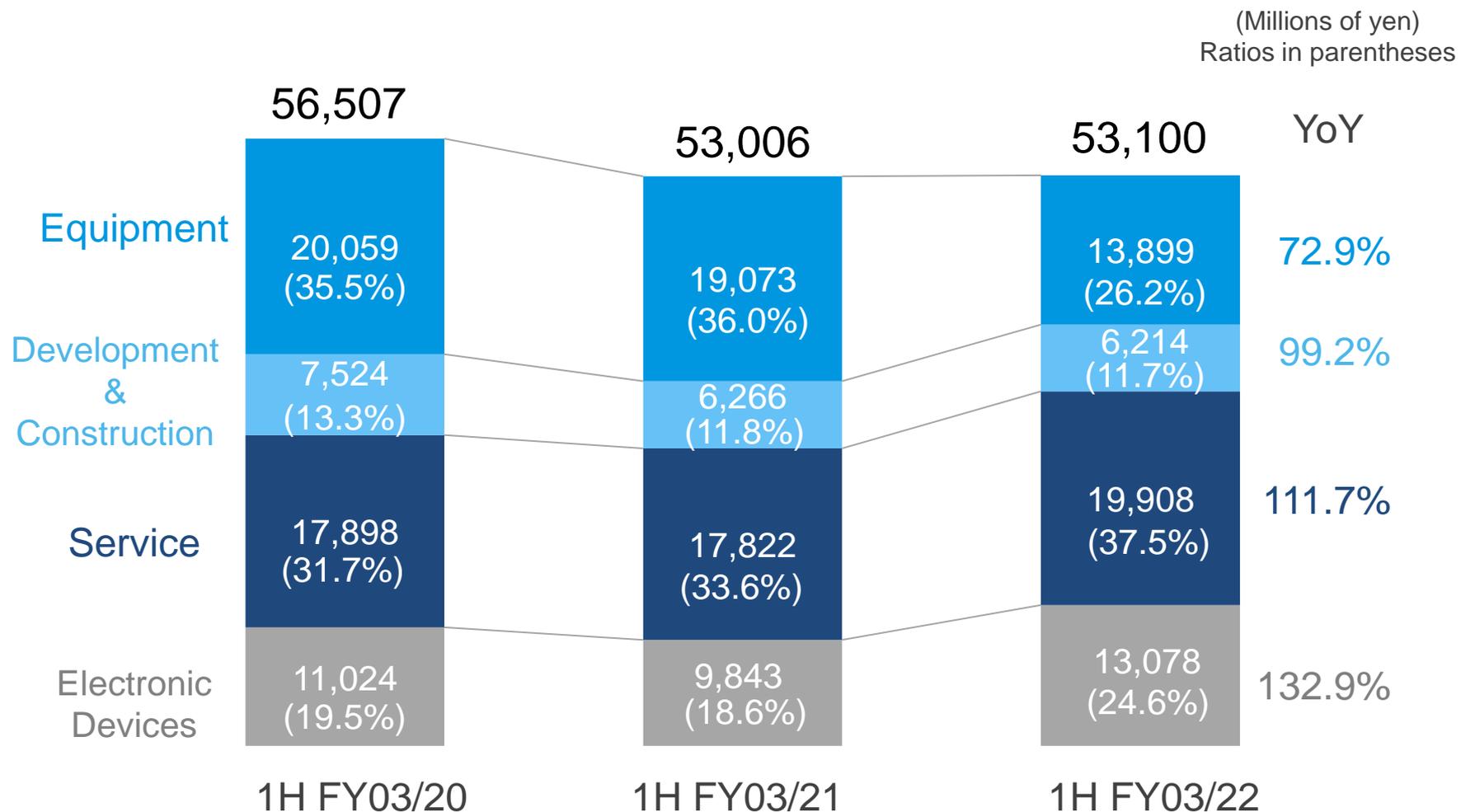
Results by Segment

(Millions of yen)

	Net sales				Operating income			
	1H FY03/21	1H FY03/22	Change (amount)	Change (YoY)	1H FY03/21	1H FY03/22	Change (amount)	Change (YoY)
Information Network Solutions	43,162	40,022	-3,140	92.7%	185	532	347	+187.6%
Electronic Devices	9,843	13,078	3,235	132.9%	36	266	230	+637.3%
Consolidated Total	53,006	53,100	94	100.2%	221	798	577	+260.9%

*Operating income adjustments are excluded.

Sales by Business Model

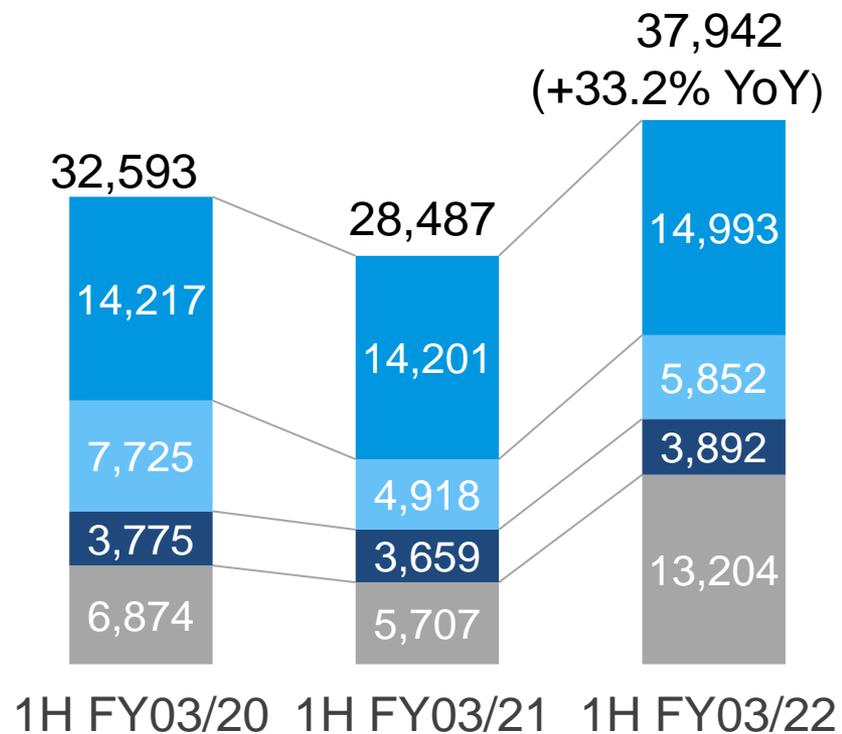
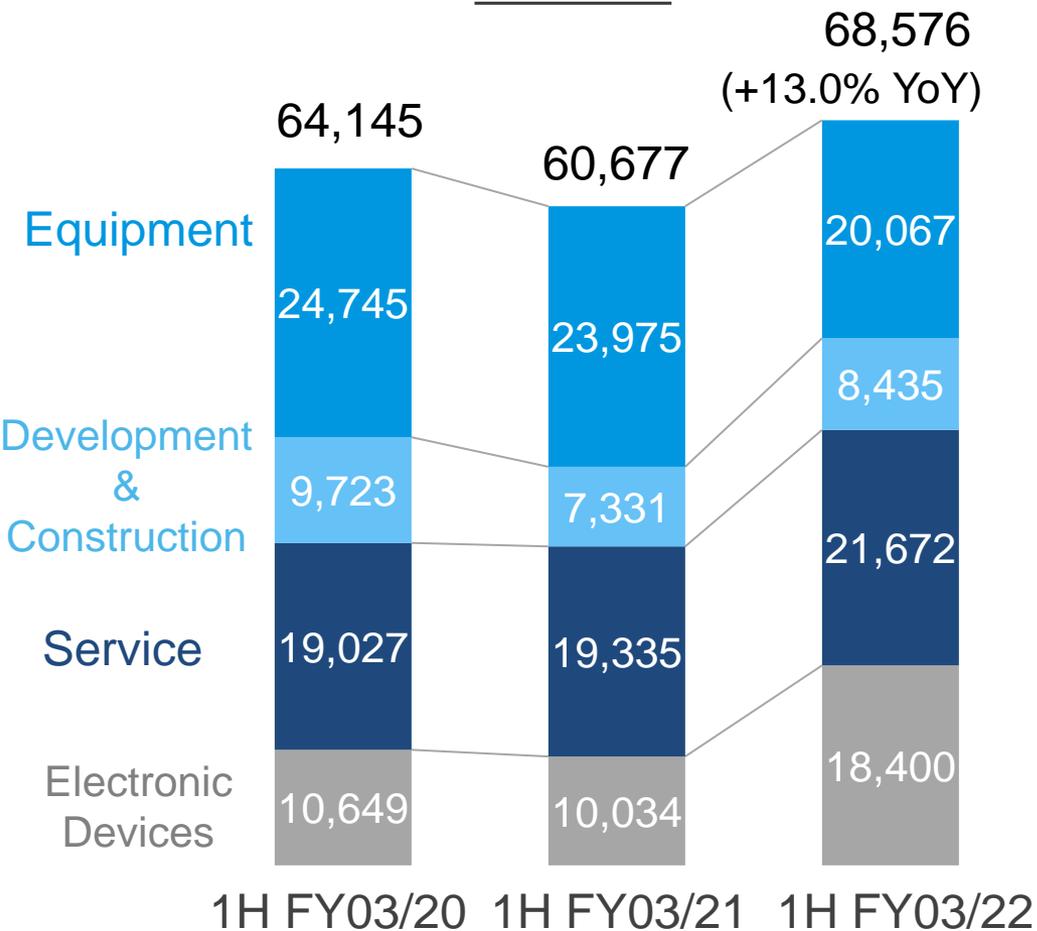


Orders and Backlogs by Business Model

(Millions of yen)

Orders

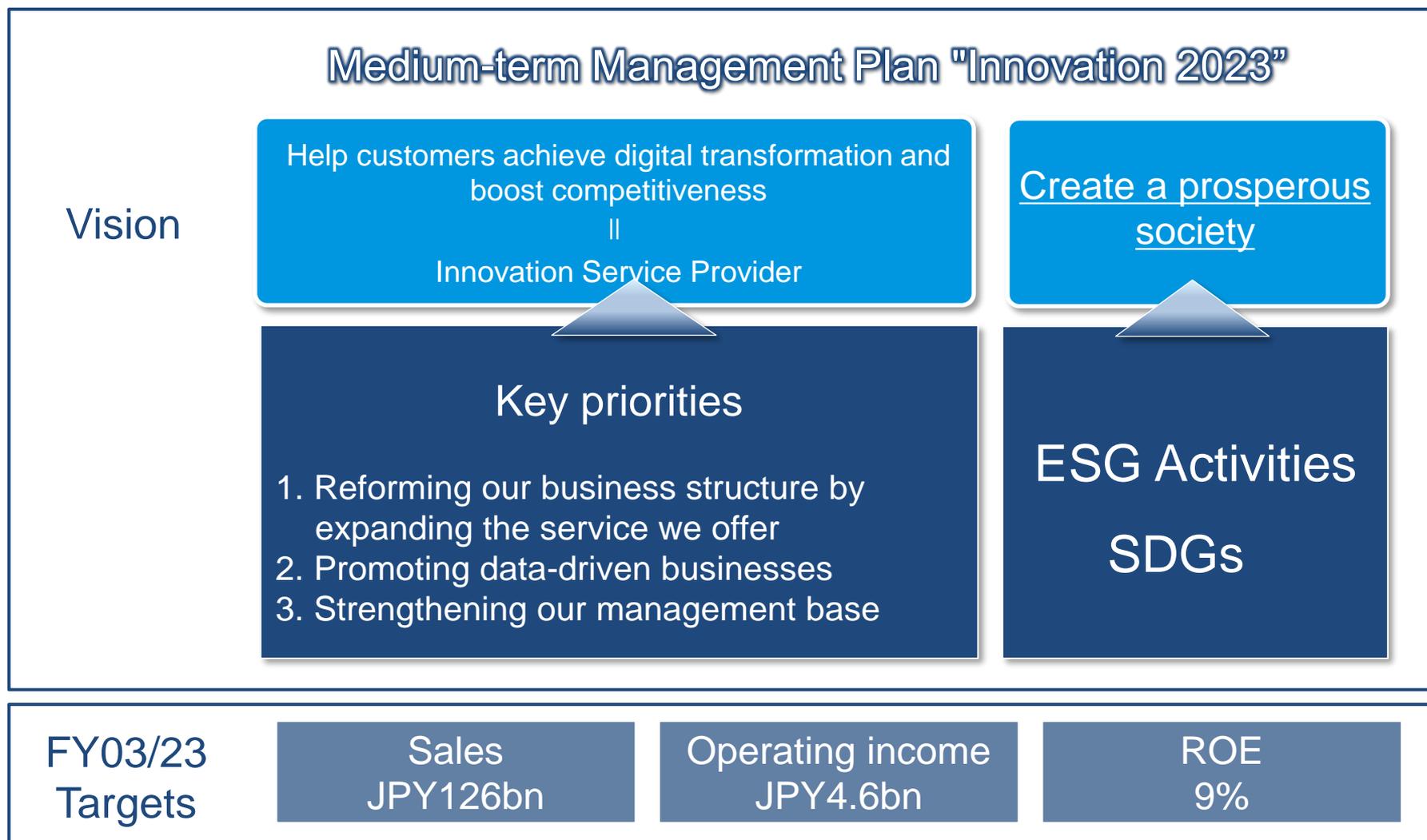
Order backlog



2

Progress of Medium-term Management Plan

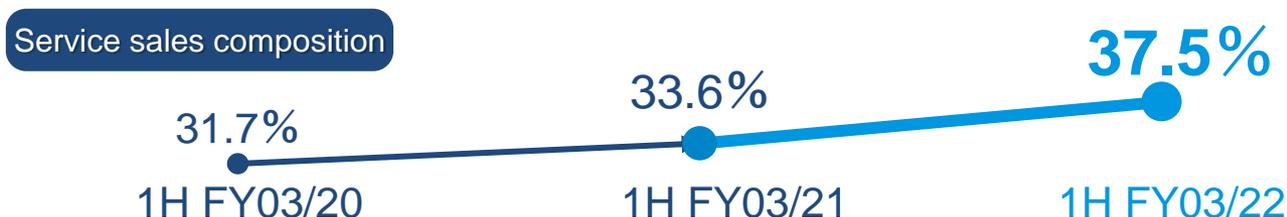
Overview of Medium-term Management Plan (FY03/21 to FY03/23)



Overview of key medium-term priorities

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

Service sales composition rose and service lineup improvements progressed as planned



2. Promoting data-driven businesses

Steady progress in preparation for the "Next Normal"

- ✓ Developed & launched electronic contract service
- ✓ Collaborated with other companies
- ✓ Trained advanced DX talent

3. Strengthening our management base

Progress in strengthening our management through execution of various initiatives

- ✓ Launched new company
- ✓ Co-creation with other companies
- ✓ Groupwide rollout of healthy management
- ✓ Implemented new workstyles and zero trust security in-house

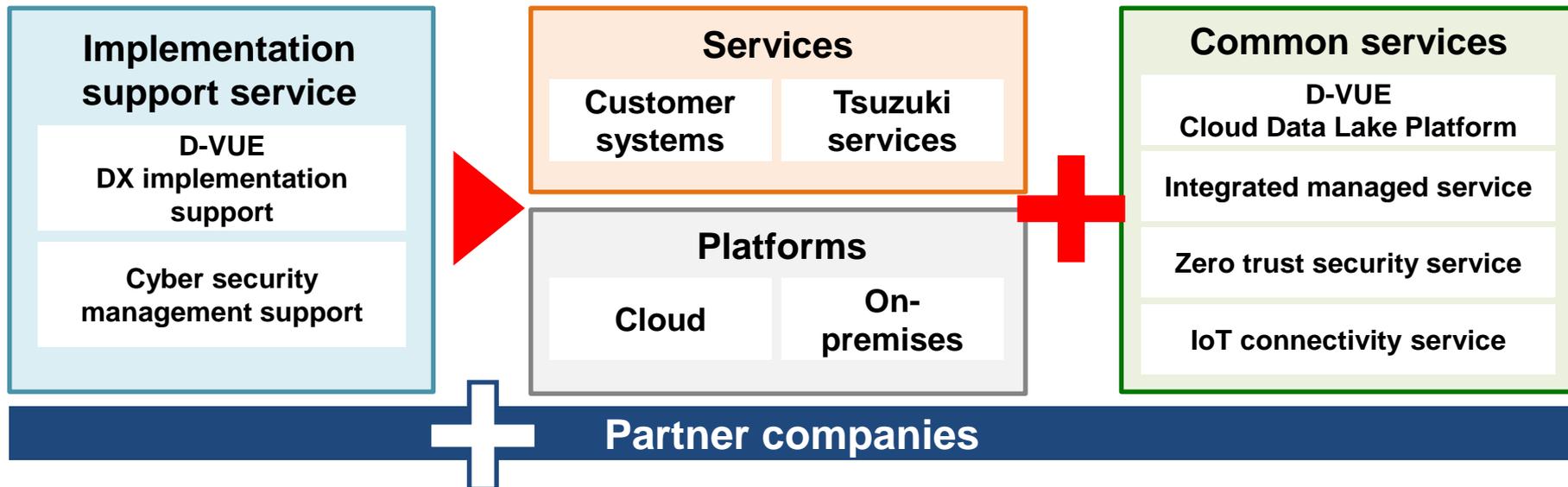
Announced **TSF**, a new service framework for DX

- Organized service framework to provide quick and reliable support for customer digital transformation (DX) efforts
- New services to be rolled out on TSF

Point

- ✓ Covers all of the services we offer
- ✓ Support for a variety of customer environments (cloud-based and on-premises)
- ✓ Optimal combination of in-house services and collaboration with partners

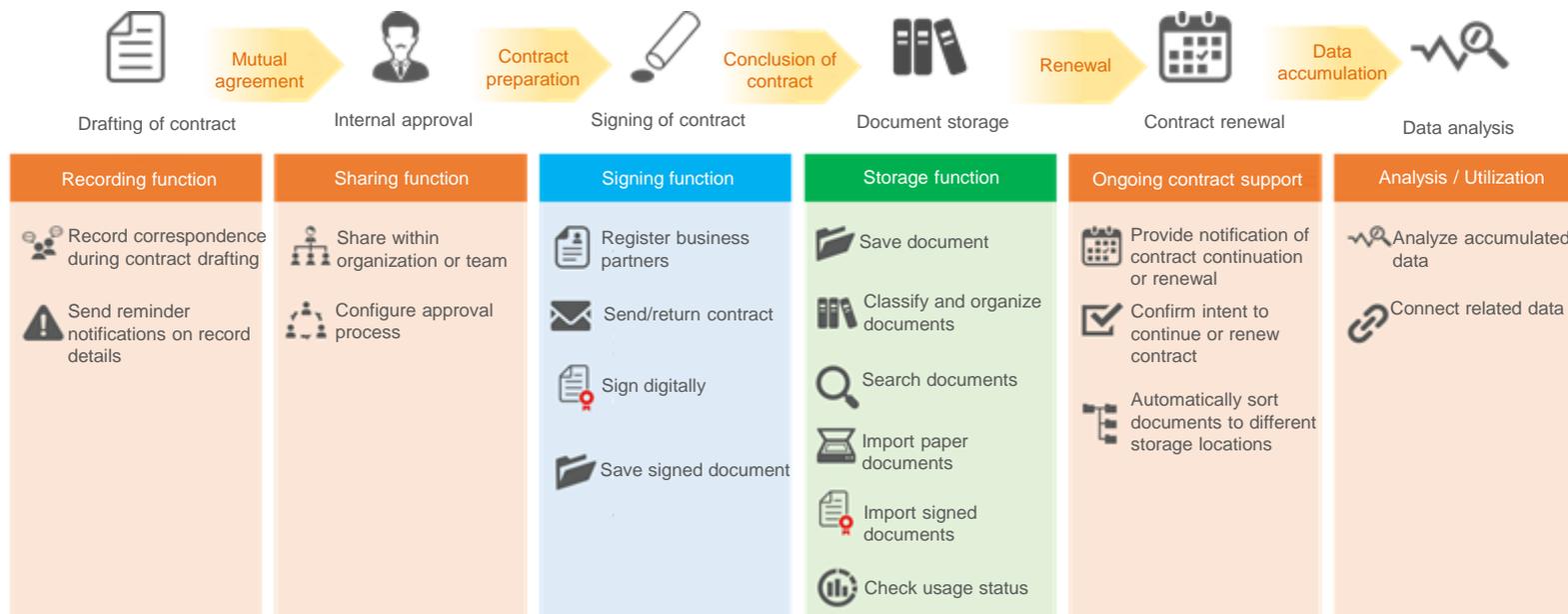
Total SolutionService Framework (TSF)



Launched **DagreeX**, a service that digitally transforms contract management

- Total document management service that goes beyond digital signatures and seals
- Captures the growing need for cloud storage of transaction-related documents (including invoices, etc.) following the revision of the Electronic Books Preservation Act
- Rolled out signature and storage functions, and will focus on expanding sales in 2H

DagreeX Overview



Launched TCloud for Voice, a new service to support the cloud shift of PBX

- Build an external/internal phone environment tailored to customer needs to support a "new normal" work style
- Enables high-quality low-cost service



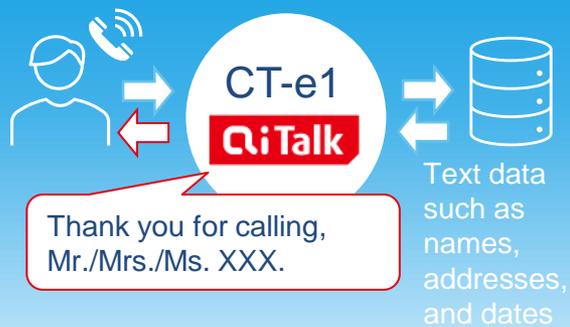
- ✓ Configured to leverage existing assets
- ✓ Reduce costs associated with equipment maintenance, office relocation, layout changes, etc.

Aiming for
20,000 user IDs
by March 2024

Enhanced CT-e1/SaaS functions

- Released new version of CT-e1 with dramatically improved functionality
- ① Text-to-speech guidance creation function included as a standard feature (integrated with AITalk® system)
- ② Real-time sentence recognition feature now available (implemented Ruby Dictation)
- ③ API integration with speech recognition app AmiVoice Cloud Platform now supported

① Guidance creation function



Automatic response system capable of handling more complex information with natural expressions.

Automated / Unmanned operation

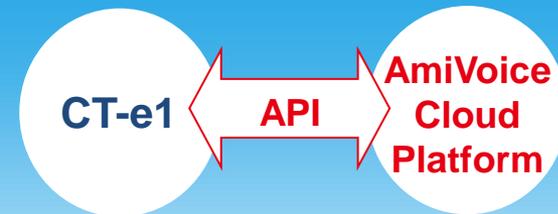
② Sentence recognition



Operators can input questions converted to text (previously manually typed) into the FAQ, speeding up response times.

Improved customer experience with faster response

③ Integration with speech recognition app



Enables users to switch to CT-e1 while continuing to use AmiVoice, which boasts the top share of the Japanese speech recognition market*.

Increased target customers

Strengthening IoT and operation service business through business alliance with JIG-SAW

- Aiming to explore new areas and create innovative services by leveraging each other's strengths

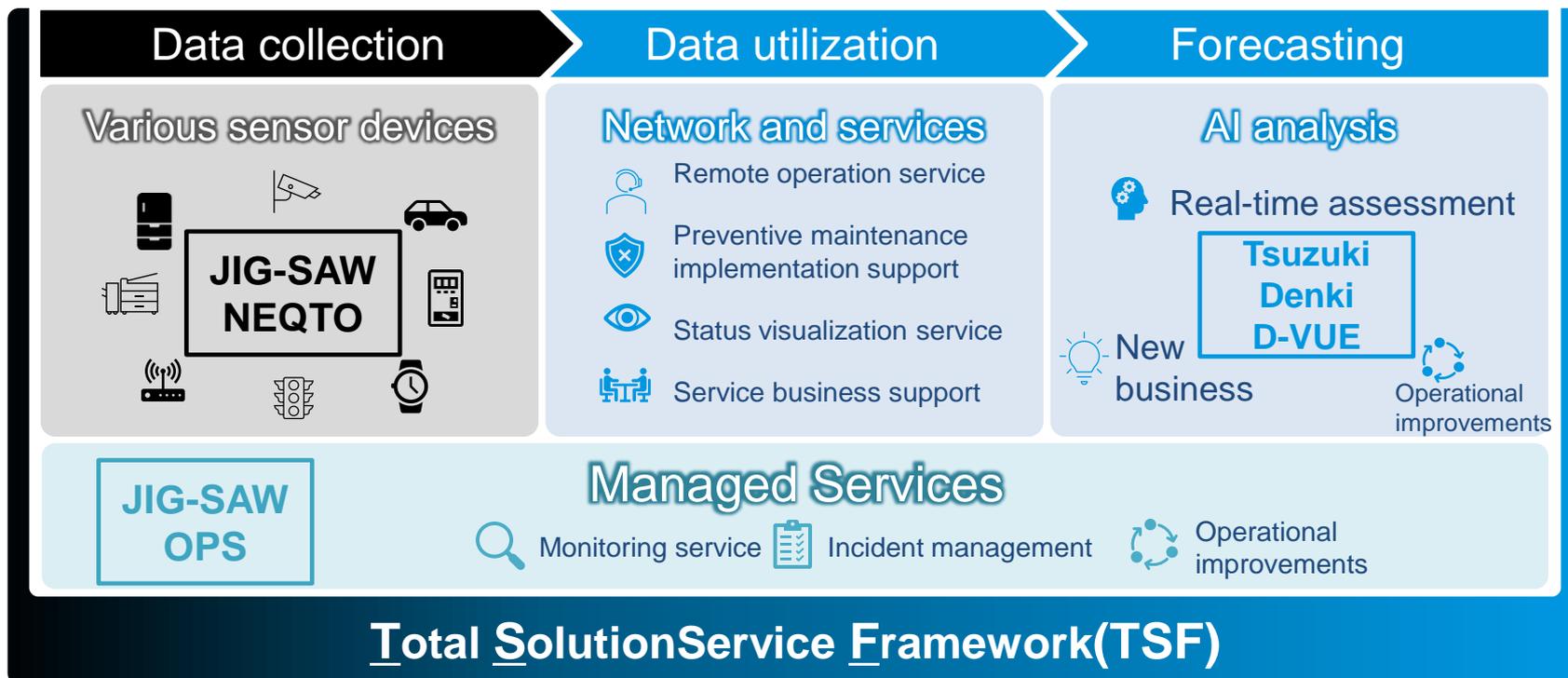
IoT technology

JIG-SAW



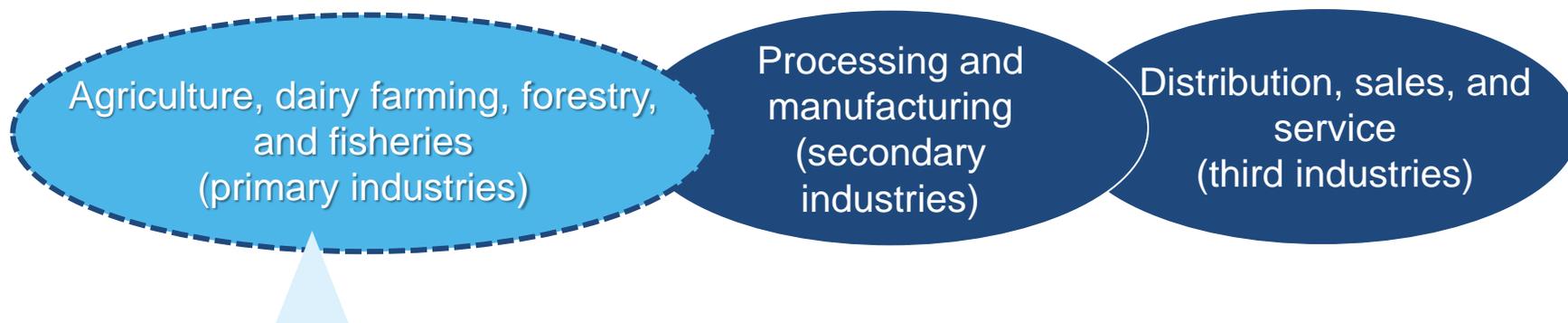
Data-driven business

TSUZUKI



Lateral deployment of AI technology is helping to expand our customer base to other domains

- Collaboration with Tohto Suisan Co., Ltd. materialized
Expanding business with new industries based on AI technology (D-VUE service)



Aiming to automate, streamline, and speed up fish sorting operations using AI



3 FY03/22 Forecast

FY03/22 Forecast

No change from the initial forecast due to lingering uncertainty over the impact of COVID-19 and semiconductor shortages, despite continued strong performance of service businesses

(Millions of yen)

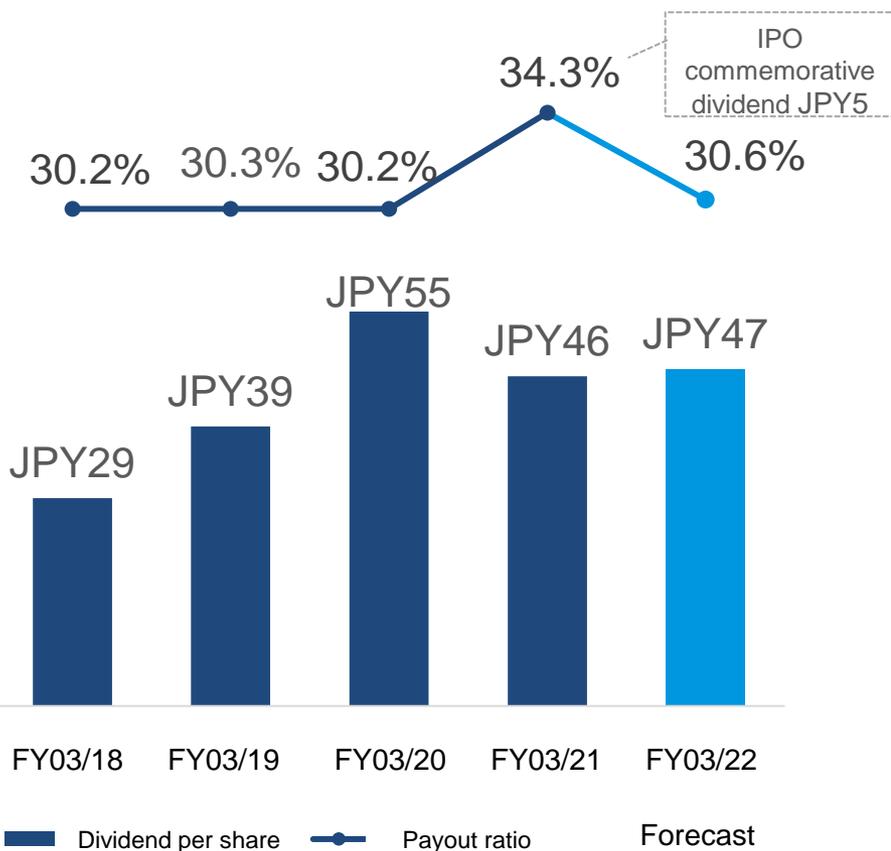
	FY03/21	FY03/22 Forecast	Change (amount)	Change (YoY)
Net sales	120,004	122,000	1,995	+1.7%
Operating income	3,202	4,000	797	+24.9%
(Operating margin)	(2.7%)	(3.3%)	(0.6pt)	—
Profit attributable to owners of parent	2,346	2,700	353	+15.1%

4 Shareholder Return

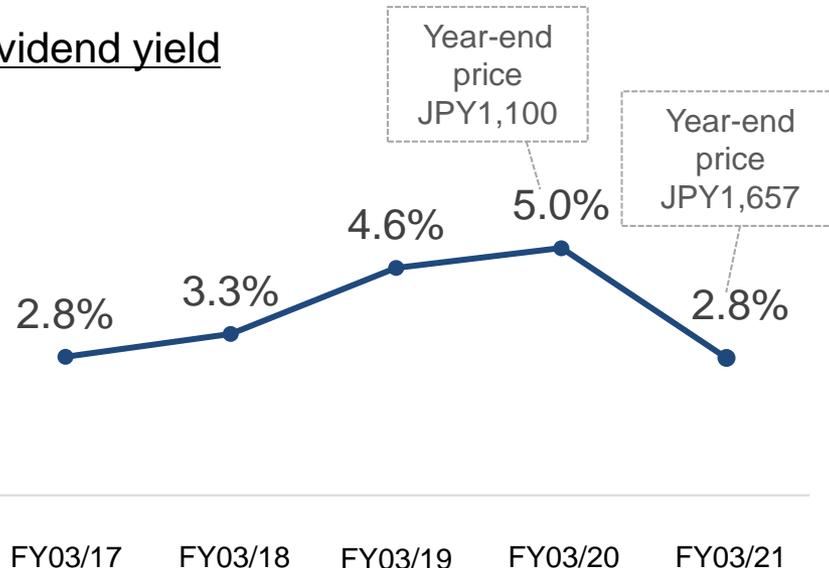
Shareholder Return

Interim dividend: JPY23
 Total annual dividend: JPY47 (expected dividend payout ratio of 30.6%)

Dividend per share and payout ratio



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
Over 100 shares, but less than 1,000 shares	JPY1,000 worth of food items	JPY1,000
Over 1,000 shares	JPY3,000 worth of food items	JPY3,000

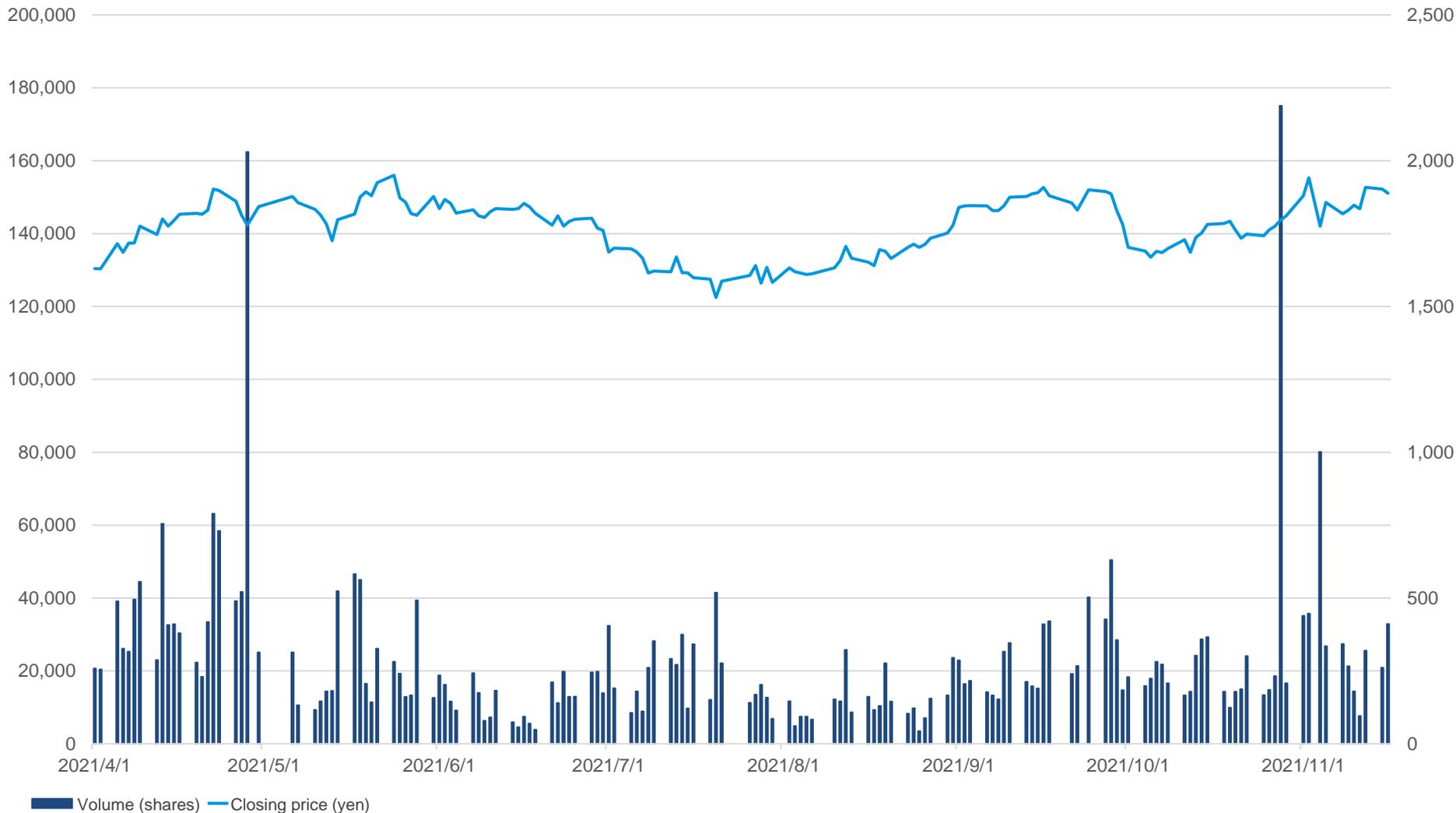
Press Releases

No.	Date	Content
1	2021/11/11	Tsuzuki Denki and JIG-SAW conclude business alliance agreement
2	2021/11/09	Started providing storage function of electronic contract service DagreeX
3	2021/11/09	CT-e1/SaaS integrates with AITalk® to provide text to speech guidance creation function
4	2021/11/09	Began providing real-time sentence recognition feature as part of the CT-e1/SaaS speech recognition service
5	2021/11/09	CT-e1/SaaS integrates with Advanced Media's speech recognition API
6	2021/10/14	Launched electronic contract service, DagreeX.
7	2021/10/08	21 employees received the highest level of DX certification, the "DX Professional Level"
8	2021/10/07	Launched cloud PBX service, TCloud for Voice
9	2021/10/05	Revamped service framework to help customers achieve digital transformation (DX)
10	2021/08/10	Completely renovated corporate headquarters
11	2021/07/12	Notice regarding compliance with continued listing requirements for the Prime Market of Tokyo Stock Exchange's new market segments
12	2021/06/08	Implemented Avaya OneCloud™ Custom for the first time in Japan at Belluna

Stock Price History (as of November 16, 2021)

(Volume: Shares)

(Stock price: Yen)



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