Tsuzuki Denki Co., Ltd.

Q&A Session at Financial Results Briefing for the Fiscal Year Ended March 31, 2024, held on May 22, 2024 (Summary)

Q1: Regarding your projections, you mentioned that you expect to reach a record profit for the Information Network Solutions business. Do you foresee any issues with the levels of orders and order backlog?

A1: Orders and order backlog for FY03/24 were down compared to FY03/23, but we do not see this as a major problem. Over the past several years, we experienced delivery delays due to the COVID-19 pandemic and semiconductor shortages, which prevented us from making deliveries (sales) as expected while orders piled up. Our performance reflects the resolution of these issues and the steady progress of sales over the past year.
Although orders for FY03/24 appear somewhat weak, coming in about 3pp below the five-year average, we are not too concerned, as this was partially due to the fact that we received some orders expected for FY03/24 ahead of schedule in FY03/23.
As for order backlog, the backlog in FY03/24 appears much lower compared to FY03/23, but it was about 99% of the five-year average. Since the market environment is not bad, we will focus on efforts to win orders in 1H FY03/25.
The Japan Electronics and Information Technology Industries Association (JEITA) announced domestic PC shipment figures for April 2024, showing a 14.1% year-on-year increase in shipments and a 20.4% increase in value, marking the third consecutive month of growth. In addition, companies have recently unveiled AI PCs, which are expected to dramatically change the PC market by enabling edge (device) computing for tasks that were previously not possible. We would like to take advantage of business opportunities like this.

Q2: The cost ratio has been improving over the past few years. Will it improve again in FY03/25?

A2: We have reported improvements in the cost ratio at each of our financial results briefings, and we have received some comments suggesting that this improvement may come to a halt. We have been striving to reduce procurement costs to date, but we are also focusing on optimizing selling prices as part of pricing management under our business strategy in the current medium-term management plan. Sales have grown due to optimized selling prices, and profit margins have also improved. In FY03/24, our cost ratio improved by 0.8pp from FY03/23 as a result of both lowering procurement costs and optimizing selling prices. We believe we can further improve our cost ratio by continuing to thoroughly implement pricing management in FY03/25.