

Financial Results for the First Half of the Fiscal Year Ending March 31, 2025



November 19, 2024
Tsuzuki Denki Co., Ltd.





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Financial Results for 1H FY03/25

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Progress of the Medium-Term Management Plan, Transformation 2026

Highlights

■ Decline from 1H FY03/24 due to the concentration of management resources in the Information Network Solutions business and the absence of the large-scale, one-time demand observed during the same period in the previous fiscal year. Meanwhile, progress is steady in the six growth areas, including security and managed services

■ For the full year, progress is in line with the initial plan, and the earnings forecast remains unchanged

(Millions of yen)

	FY03/24 Interim period	FY03/25 Interim period	Change (amount)	Change (YoY)
Net sales	60,887	41,842	-19,044	68.7%
Gross profit	11,782	9,527	-2,255	80.9%
(Cost ratio)	(80.6%)	(77.2%)	(-3.4pt)	—
SG&A expenses	9,441	8,133	-1,307	86.1%
Operating income	2,341	1,394	-947	59.5%
(Operating margin)	(3.8%)	(3.3%)	(-0.5pt)	—
Profit attributable to owners of parent	2,906	1,036	-1,869	35.7%
Orders	62,816	49,283	-13,533	78.5%
Order backlog	46,429	25,335	-21,093	54.6%

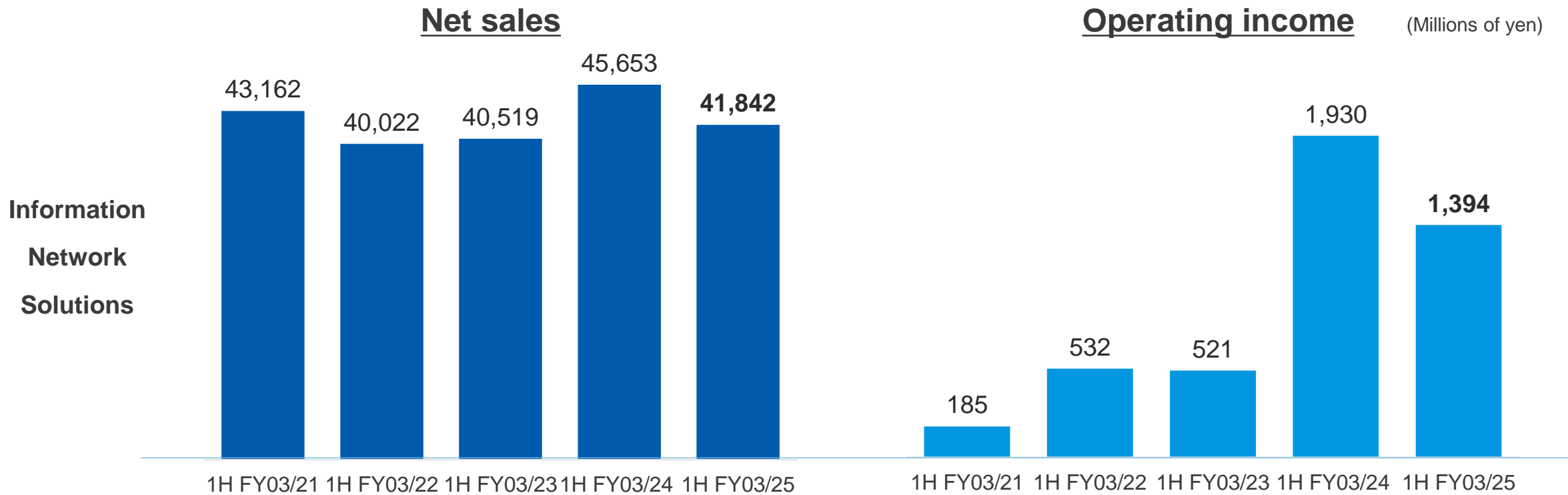
(Reference)

- Electronic Devices segment 1H FY03/24 results: Net sales JPY15,233mn, operating income JPY392mn, and orders JPY14,582mn
- Information Network business* 1H FY03/24 results: Net sales JPY45,653mn, operating income JPY1,930mn, and orders JPY48,233mn
- Results for the six growth areas: Total sales of about JPY5.7bn (+7% YoY)

Information Network Business: 1H Results for the Past Five Fiscal Years

FY03/25

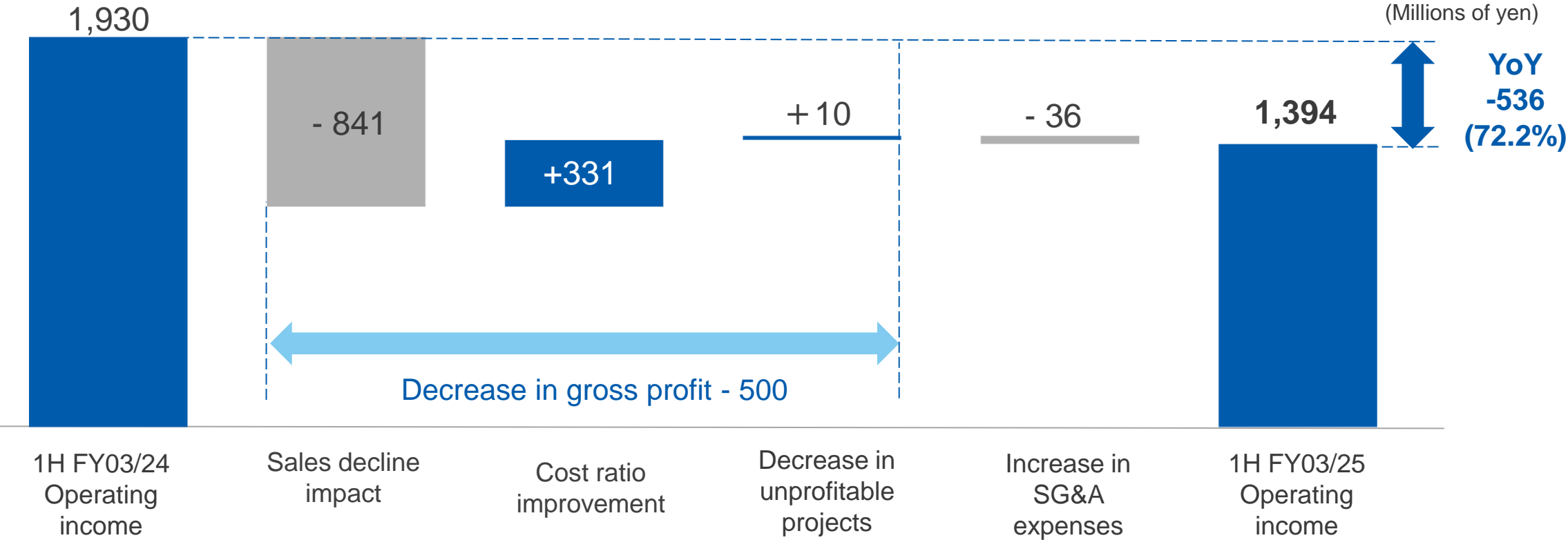
- Net sales: Remained consistent when excluding the impact of large-scale, one-time demand projects in FY03/21 and FY03/24
- Operating income: Profitability improved by focusing on pricing management



Information Network Business:

Factors affecting operating income

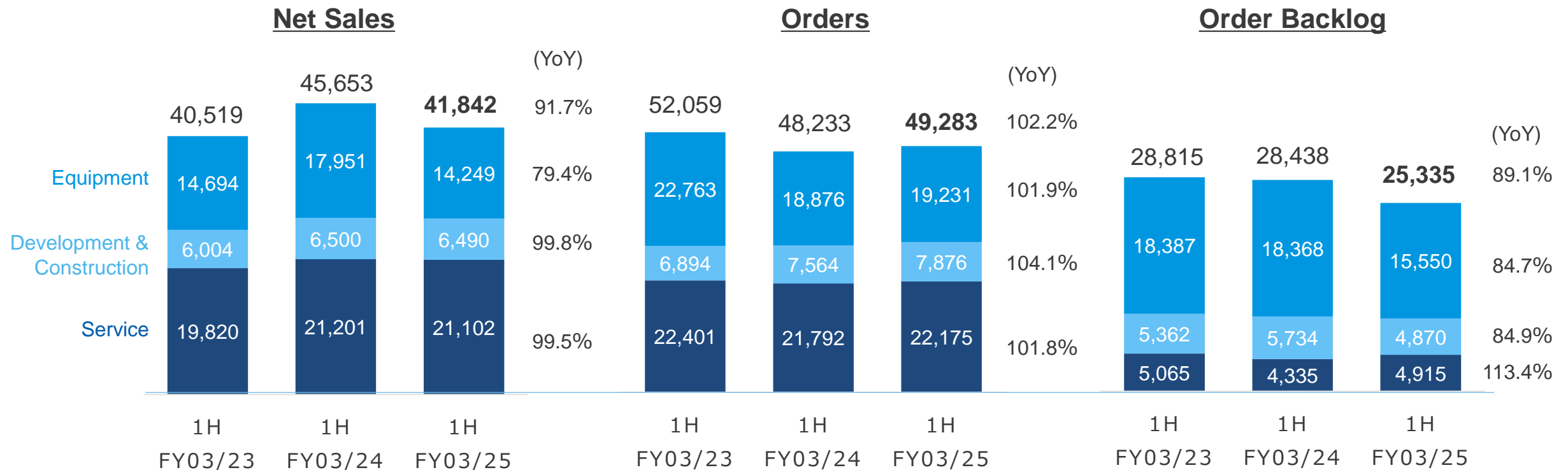
■ <u>Negative</u>	Sales decline impact	(-JPY841mn)	: Decline in the system equipment business (a reactionary decrease from special demand in FY03/24)
	Increase in SG&A expenses	(-JPY36mn)	: Increased growth investments in improving employee treatment, R&D, advertising, etc.
■ <u>Positive</u>	Cost ratio improvement	(+JPY331mn)	: Increased sales and cost reductions through pricing management
	Decrease in unprofitable projects	(+JPY10mn)	: None (one project in 1H FY03/24)



Results by Business Model (Information Network Solutions)

- **Equipment** : Orders were up YoY due to the growth of mobile work systems, but sales declined due to the absence of large-scale, one-time demand projects
- **Development & Construction** : Orders increased due to steady PBX installation projects for the financial industry and network installation projects for the manufacturing industry, while sales remained at the same level YoY
- **Service** : Although the six growth areas, including security, expanded, maintenance service sales decreased YoY due to the impact of the decline in the equipment business

(Millions of yen)



FY03/25 Consolidated Earnings Forecast

■ 1H results generally in line with initial plan. Expect to achieve record-high profit in Information Network business through the following initiatives:

- Sales acquisition through leveraging opportunities from intensified EOS-related deals* * Mobile work due to the end of support for Windows 10 (EOS), AI PC negotiations
- Strengthen focus on growth areas and thoroughly implement strategies to improve profitability centered on pricing management

■ Profit attributable to owners of parent declined in reaction to the extraordinary gains recorded in FY03/24

(Millions of yen)

	FY03/24 results	FY03/25 forecast	Change (amount)	Change (YoY)
Net sales	102,523 (124,856)	103,000	476 (-21,856)	+0.5% (-17.5%)
Operating income	5,925 (6,439)	6,250	324 (-189)	+5.5% (-2.9%)
Operating margin	5.8% (5.2%)	6.1%	—	+0.3pp (+0.9pp)
Profit attributable to owners of parent	5,477	4,100	-1,377	-25.1%

*The upper figures in each cell are for the Information Network Solutions business only, and the lower figures in parentheses include the Electronic Devices business.

Shareholder Return

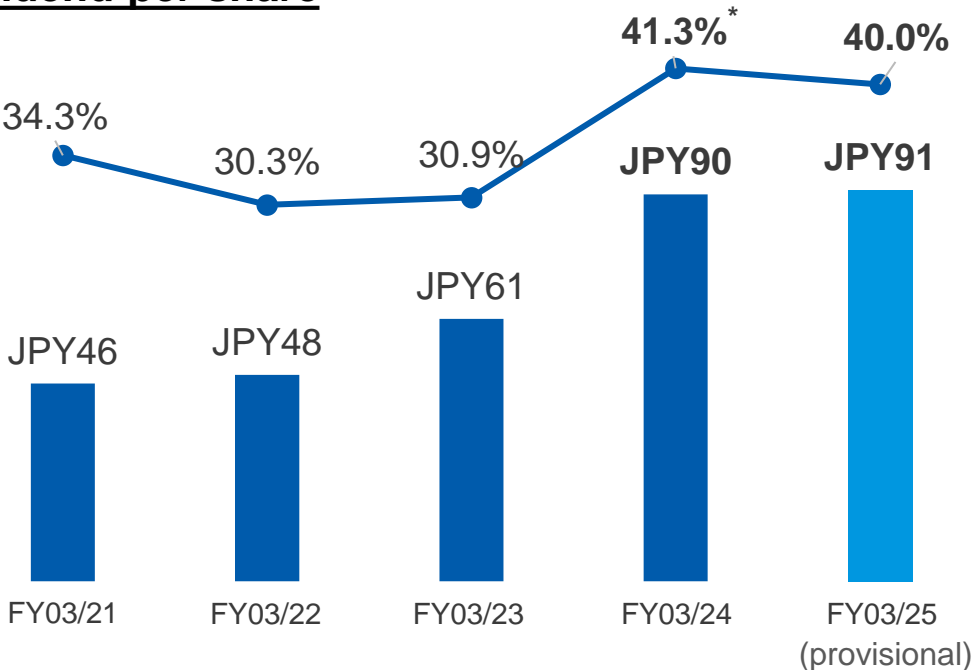
Achieved a major dividend increase

Dividend policy: Target dividend payout ratio of 40%, with a minimum DOE of 3.5%

(Profit attributable to owners of parent used for dividend calculation is based on profit from business activities, excluding extraordinary gains/losses, etc.)

Interim dividend: 45 yen; Year-end dividend: 46 yen
(provisional)

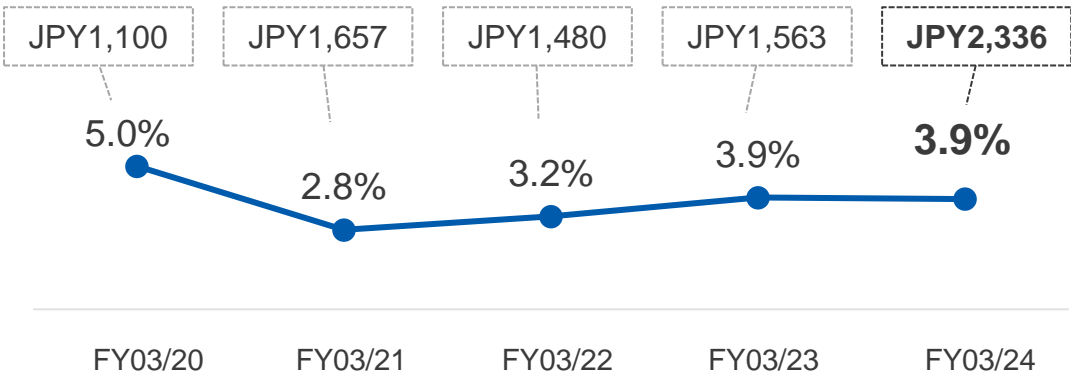
Dividend per share



*Based on profit from business activities. Dividend payout ratio is 29.5% based on reported profit attributable to owners of parent

Dividend yield

Year-end share price



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

Shareholder benefits

Number of shares held \ Number of years held	Products (including QUO Cards, 13 types in different price ranges)	
	Less than 3 years	More than 3 years
100 shares to less than 300 shares	JPY1,000 worth	JPY2,000 worth
300 shares to less than 1,000 shares	JPY2,000 worth	JPY4,000 worth
1,000 shares or more	JPY3,000 worth	JPY6,000 worth

*If 1,000 shares or more but less than 3 years (worth 3,000 yen) and 300 shares to less than 1,000 shares for more than 3 years (worth 4,000 yen) both apply, it will be treated as 300 shares to less than 1,000 shares for more than 3 years (worth 4,000 yen).



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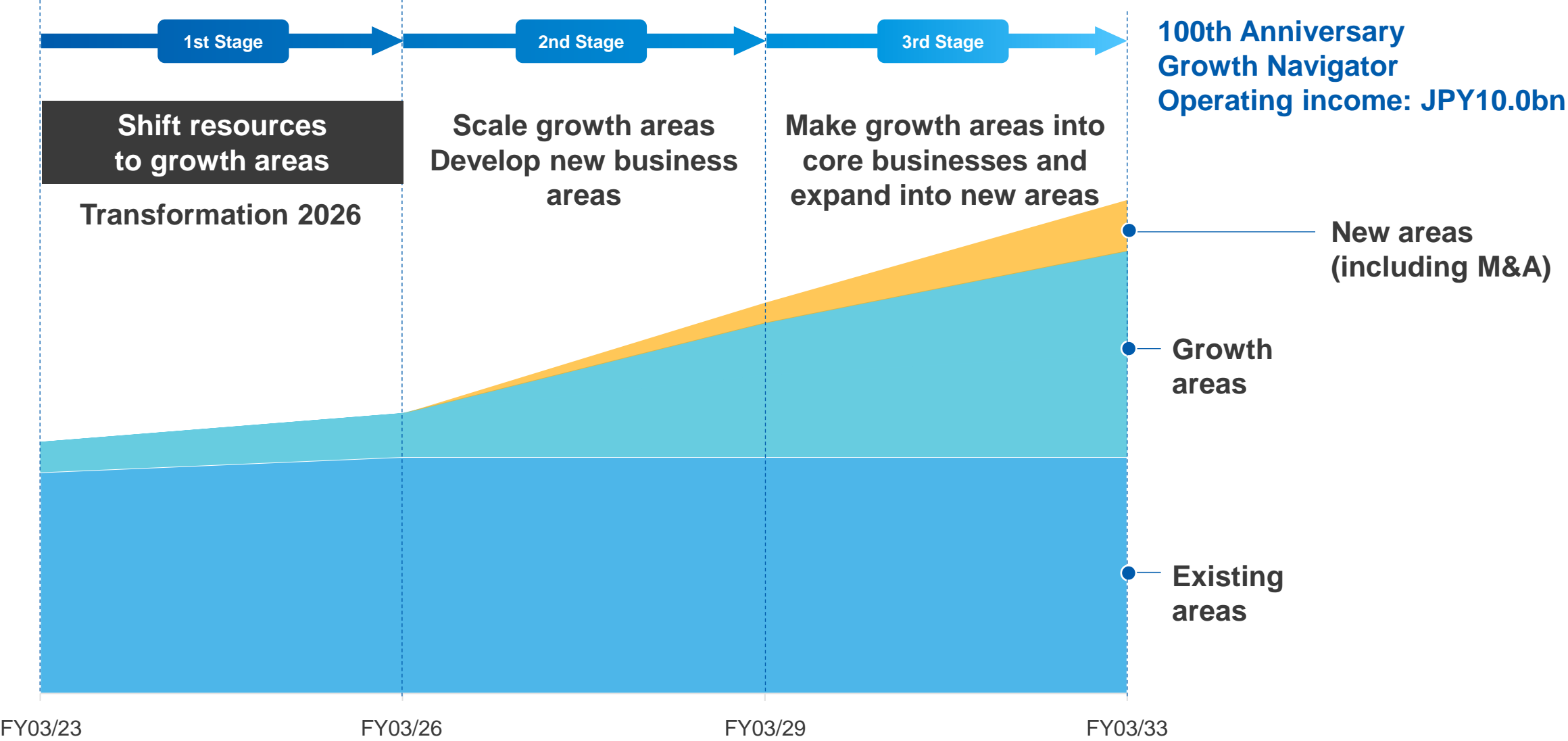
Financial Results for 1H FY03/25

2

Progress of the Medium-Term Management Plan, Transformation 2026

Positioning of the Medium-term Management Plan

First stage: Shift resources and put growing businesses on track to achieve our long-term vision



Overview of the Medium-term Management Plan

Transformation 2026 ~ Shift resources to growth areas

FY03/23 results		FY03/26 targets (vs. FY03/23)
Net sales JPY123.8bn	1. Business strategies	Net sales JPY130.0bn (+5.0%)
Operating income JPY5.1bn	2. Financial strategies	Operating income JPY6.5bn (+27.5%)
ROE 10.4%	3. Management base reinforcement	ROE Over 10%
CO2 emissions Scope1+2 1,681t-CO2		CO2 emissions Scope1+2 1,468t-CO2 (-12.7%)

Summary of Progress of the Medium-Term Management Plan

Steady progress in shifting resources to growth areas

1. Business strategy

Steady progress in shifting to growth areas and improving profitability

- Six growth areas: Enhance functions, accelerate collaboration with partners ➡ **Sales expansion (107% YoY)**
- Existing areas: Thoroughly implement profitability improvement measures such as pricing management ➡ **Cost ratio reduction (-3.4pp YoY)**
- Restructure business portfolio and Group companies: Merged two software development subsidiaries to promote synergy and efficiency
- M&A/Business tie-ups: Consideration and implementation of specific projects

Concluded a business alliance agreement with Daiwabo Information System

2. Financial strategy

Manage finances while being mindful of the cost of capital

- Operation of the Budget Committee: Promote profitable businesses that exceed the hurdle rate of 7%
- Investments for growth: ERP system update, improvement of employee treatment, human resource development, etc. as planned

3. Management base reinforcement

Laying the foundation for growth

- Strengthening digital transformation (DX) human resource development: 252 DX associate certifications achieved surpassing the medium-term plan target of 240 ahead of schedule
- Improvement of work environment: The rate of male employees utilizing childcare leave has improved to 94% (of which 68% took at least one month of leave). Commenced the payment of workplace support benefits for childcare leave and other purposes and obtained Kurumin certification.
- Strengthening sustainability efforts: Set and disclose materiality KPIs

Progress of Business Strategy:

(1) Expand the six growth areas

Steady growth driven by security and managed services, contributing to improved profitability

Area	Net sales (1H)	YoY	Progress in 1H FY03/25
Contact Center System	2.4 billion yen	103%	<ul style="list-style-type: none">· AVAYA CTI: Newly introduced to a major mail-order company· Our proprietary Ct-e1/SaaS integrates with OpenAI's speech recognition model and Salesforce's Service Cloud Voice, enhancing competitiveness
Cloud Communication	0.7 billion yen	85%	<ul style="list-style-type: none">· Number of contract IDs increased by approx. 6,000, and recurring sales progressed steadily· Sales decreased due to the absence of initial construction work for large-scale projects· Focus on strengthening functions and expanding resale channels
Managed Services	1.8 billion yen	125%	<ul style="list-style-type: none">· Commenced new services such as AI chatbot service· Strengthen assessment (evaluation) services and security operation services to further expand sales
Security	0.6 billion yen	162%	<ul style="list-style-type: none">· In response to the growing risk caused by ransomware, etc., discussions on solutions such as zero trust have gained momentum· Strengthen consulting services with the aim of generating more business opportunities
DX Consulting	0.12 billion yen	179%	<ul style="list-style-type: none">· Acquired many data analysis services and generative AI advisory services
Market-specific DX Services	0.04 billion yen	91%	<ul style="list-style-type: none">· DX in the logistics industry is seeing strong demand, while progress in solutions for the fruit and vegetable wholesale industry has been delayed
Total	5.7 billion yen	107%	

Progress of Business Strategy:

(2) Improve profitability in existing areas

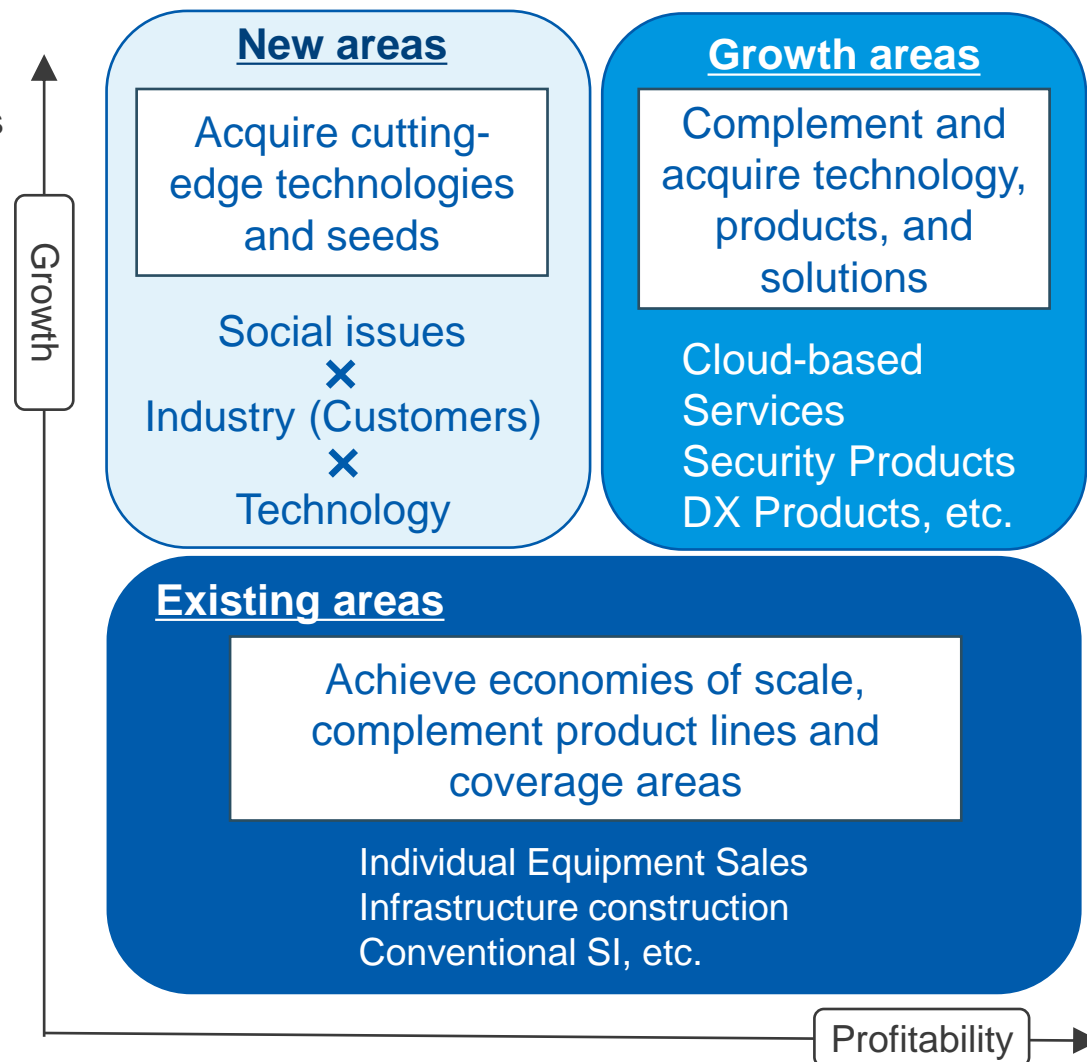
The activities carried out since FY03/24 have permeated the entire Company and are producing results.

Measure	Progress in 1H FY03/25
1. Further improve profitability and productivity (1) Pricing management (2) Improve productivity in the sales division (3) Utilize generative AI in the development process	<ul style="list-style-type: none">· Increase sales and improve gross margin by emphasizing customer value Increase sales by setting prices that reflect the added value of the development and construction business Increase recurring sales through affordable maintenance services· Set a productivity indicator target (ROI) for each organization and ensure that activities are conducted with an awareness of costs and profit· Educate all engineers on the key points of using generative AI to improve quality and productivity
2. Development of solution service packages* * A service that provides customers with packages tailored to specific needs and industries	<ul style="list-style-type: none">· Plan and develop proposal-based services mainly targeting medium-sized companies Scheduled to be released sequentially from Q3 onward
3. Capture EOS special demand for system equipment	<ul style="list-style-type: none">· Improve profitability by adding managed services and security services Progress exceeded the plan thanks to rigorous company-wide project management Successfully expanded the scale of large-scale projects for local governments and acquired new business opportunities in the construction industry, etc.

Progress of Business Strategy:

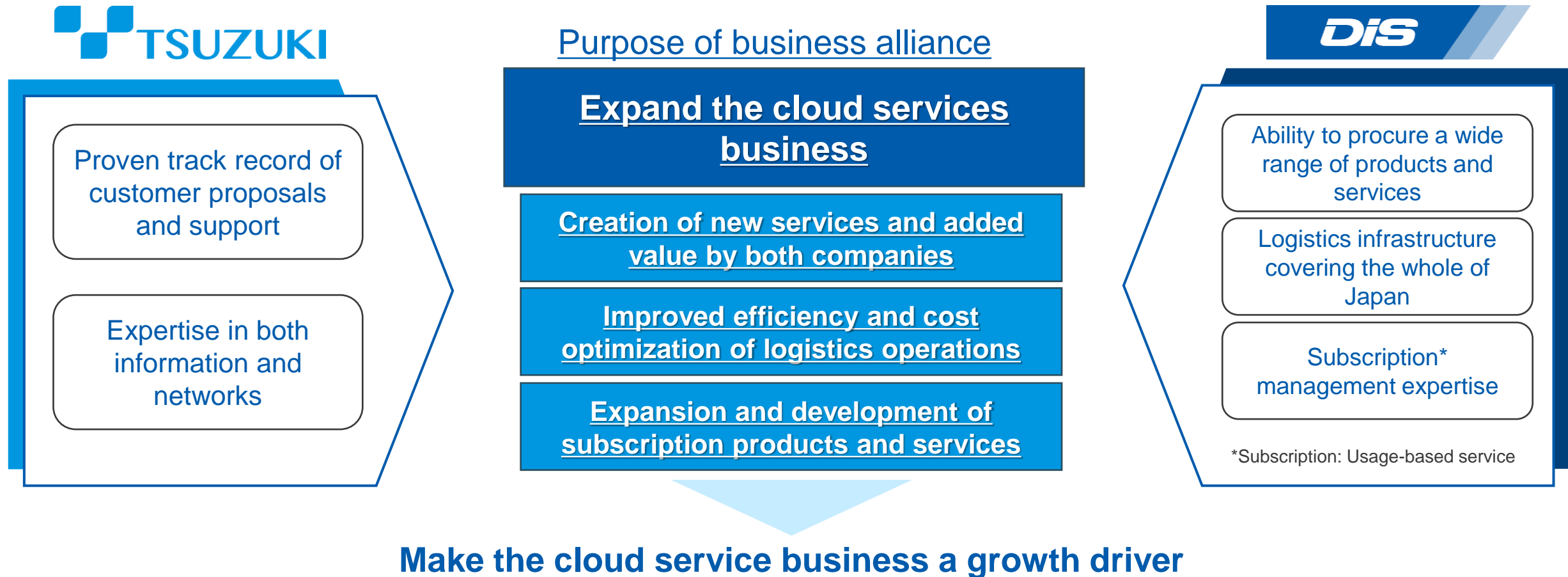
(3) Medium- to long-term growth strategy (M&A/Business tie-ups)

For existing, growth, and new areas, identified specific capabilities to be acquired and evaluated targeted measures for each. In October 2024, entered into a business alliance with Daiwabo Information System to strengthen efforts in existing and growth areas.



Overview of the Business Alliance With Daiwabo Information System (DIS)

Through our partnership with DIS, which aims to shift to a cloud-centric business model, we aim to establish a presence in the cloud market



In Conclusion

We will **pursue growth in sales and profits by transforming our business model**

We will **strive to improve return on capital through strategic capital control**

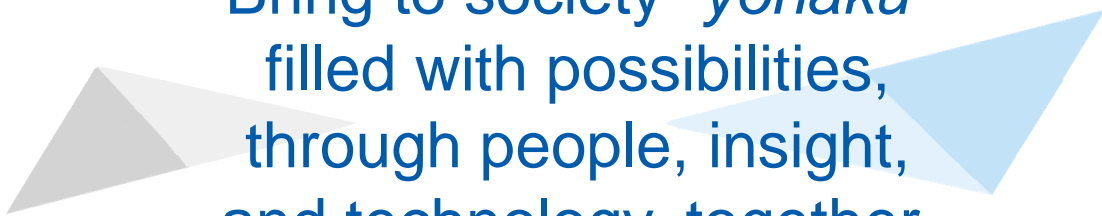
We will continue to **invest in our people**, the source of our growth, and **enhance our human capital**

We will strive to **further enhance our corporate value through dialogue with our stakeholders**

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The text is centered and flanked by two abstract geometric shapes. On the left is a grey triangle pointing right, and on the right is a light blue triangle pointing left. They overlap slightly in the center.

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