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Consolidated Financial Results for the Six Months Ended September 30, 2024(Under Japanese GAAP)



October 31, 2024

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Scheduled date to file semi-annual securities report: November 7, 2024
 Scheduled date for dividend payment: November 29, 2024
 Preparation of supplemental explanatory materials: Yes
 Results briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results

Millions of yen (rounded down), % figures are year-on-year change

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six Months Ended September 30, 2024	41,842	(31.3%)	1,394	(40.5%)	1,488	(37.0%)	1,036	(64.3%)
Six Months Ended September 30, 2023	60,887	10.6%	2,341	129.3%	2,361	104.6%	2,906	314.8%

Note: Comprehensive income was 1,134 million yen (-69.2%) in Six Months Ended September 30, 2024; 3,685 million yen (380.6%) in Six Months Ended September 30, 2023.

	Earnings per share (yen)	Diluted earnings per share (yen)
Six Months Ended September 30, 2024	57.38	—
Six Months Ended September 30, 2023	161.94	—

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' equity ratio	Net assets per share (yen)
As of September 30, 2024	75,067	41,022	54.1%	2,243.31
As of March 31, 2024	81,066	40,864	49.8%	2,241.85

Reference: Shareholders' equity as of September 30, 2024: 40,623 million yen, as of March 31, 2024: 40,401 million yen.

2. Dividends

	Dividends per share for the fiscal year (yen)				
	End of first quarter	End of second quarter	End of third quarter	Year- end	Total
Year ended March 31, 2024	—	38.00	—	52.00	90.00
Year ending March 31, 2025	—	45.00			
Year ending March 31, 2025 (forecast)			—	46.00	91.00

Note:

1.Revisions to most recent dividend forecast: None

**3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025
(from April 1, 2024, to March 31, 2025)**

% figures are year-on-year change

	Net sales (millions of yen)		Operating income (millions of yen)		Ordinary income (millions of yen)		Profit attributable to owners of parent (millions of yen)		Earnings per share (yen)
Full year	103,000	(17.5%)	6,250	(2.9%)	6,250	(3.7%)	4,100	(25.1%)	226.67

Note: Revisions to most recent earnings forecast: None

*Notes

(1) Changes in significant subsidiaries (which affected scope of consolidation) during the period: None

Newly added ____ companies (names)

No longer consolidated ____ companies (names)

(2) Special accounting methods used in preparation of semi-annual consolidated financial statements: Yes

Note: For details, please refer to Attachment page 15: "2. Consolidated financial statements and notes (4)

Notes to semi-annual consolidated financial statements (Application of special accounting methods in the preparation of semi-annual consolidated financial statements) "

(3) Changes in accounting policies, changes in accounting estimates, and restatements

1. Changes in accounting policies due to changes in accounting standards: Yes

2. Changes in accounting policies not due to changes in accounting standards: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding at year end (including treasury stock)	As of September 30, 2024	20,177,894	As of March 31, 2024	20,177,894
2. Number of shares at year end (treasury stock)	As of September 30, 2024	2,068,916	As of March 31, 2024	2,156,334
3. Average number of shares over the period	Six Months Ended September 30, 2024	18,067,249	Six Months Ended September 30, 2023	17,945,147

Note: Directors' Compensation Board Incentive Plan (BIP) trust account (356,831 in Six Months Ended September 30, 2024; 420,447 in year ended March 2024); and Stock-grant ESOP trust account (308,722 in Six Months Ended September 30, 2024; 332,632 in year ended March 2024).

*Semi-annual financial results reports are not subject to review by certified public accountants or auditing firms.

*Appropriate use of earnings forecast and other special notes.

(Note on forward-looking statements)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will achieve. Actual results may vary materially from forecasts due to a variety of factors.

(How to obtain supplementary explanatory materials for financial results and results briefing materials.)

The supplementary document on earnings is disclosed on the same day as the financial results, and it is made available on the Company's website.

The Company plans to hold a results briefing for institutional investors and analysts on Wednesday, November 19, 2024. The briefing materials will be posted on the Company's website promptly after the briefing.

Content of attachment

1. Qualitative information on six-months results.....5

(1) Earnings5

(2) Financial position8

(3) Consolidated earnings forecasts and other information concerning the outlook8

2. Consolidated financial statements and notes9

(1) Semi-annual consolidated balance sheet9

(2) Consolidated statements of income and comprehensive income11

(3) Semi-annual consolidated statement of cash flows.....13

(4) Notes to semi-annual consolidated financial statements.....15

 (Notes on premise of going concern).....15

 (Notes on significant changes in the amount of shareholders equity).....15

 (Application of special accounting methods in the preparation of semi-annual consolidated financial statements)15

 (Changes in accounting policies)15

 (Segment and other information).....16

1. Qualitative information on six-months results

(1) Earnings

In the first six months of the fiscal year ending March 2025, the Japanese economy showed signs of a gradual recovery, supported by improvements in the employment and income conditions. However, against a backdrop of risks weighing on the domestic economy, including persistently high interest rates in Europe and the US and the uncertain outlook for the Chinese economy, there is an ongoing need to closely monitor the impact of rising prices and fluctuations in the financial and capital markets.

The information and communications services industry, where the Group belongs, continued to expand, driven by the acceleration of digital transformation (DX) initiatives by corporations and the development of generative AI technology.

Under these circumstances, the Group established a long-term vision spanning 10 years from the current fiscal year, and we are currently in the middle of a three-year medium-term management plan, “Transformation 2026,” toward achieving the long-term vision. In 10 years’ time, we envision ourselves to be Growth Navigator, an organization that navigates growth and creates together with stakeholders, including customers. We aim to be a company that continues to be chosen by customers as an organization that leads the way for growth. Having positioned the next three years as the first stage toward realizing this goal, we will concentrate and transfer resources to growth areas and strive to bolster our earnings capability. Further, to enhance corporate value, the most important theme for the Group, we will promote integrated measures spanning all aspects of business, finance, and non-finance, including management mindful of the cost of capital and strengthening of personnel capital.

In the first six months of the fiscal year under review, which corresponds to the second year of the medium-term management plan, net sales were 41,842 million yen (down 31.3% year-on-year), operating income was 1,394 million yen (down 40.5% year-on-year), ordinary income was 1,488 million yen (down 37.0% year-on-year), and profit attributable to owners of parent was 1,036 million yen (down 64.3% year-on-year).

Following the sale of the Electronic Devices business in the previous fiscal year, the Group now operates in a single segment—the Information Network Solutions business. Despite growth in services within the six growth domains, including security and managed services, orders and net sales declined year-on-year, partly due to the sale of the Electronic Devices business. Additionally, lower orders and net sales in the equipment business, resulting from the absence of large, one-off projects that had boosted performance in the same period of the previous fiscal year, led to the decline. Profits also fell year-on-year, as the impact of reduced sales outweighed the positive effects of lower SG&A expenses related to the Electronic Devices business. Profit attributable to owners of parent was down sharply year-on-year, as the Company had recorded an extraordinary gain of 1,854 million yen in the same period of the previous fiscal year on the sale of noncurrent assets held by the Company and consolidated subsidiaries to enhance the effective utilization of management resources and asset efficiency. In the Information Network Solutions segment, orders increased 2.2% year-on-year, while net sales and operating income decreased by 8.3% and 27.8%, respectively.

Results by business model for under review were as follows.

*Note regarding quarterly earnings for the Group

Many of the Group's customers have business years from April through March the following year. Further, fulfilment obligations for many transactions are judged to be satisfied at a certain point, so the Group's sales and profit tend to be concentrated in September and March, the halfway and endpoints of the fiscal year.

Results by business model

Equipment:

Orders totaled 19,231 million yen, up 1.9% year-on-year, while net sales were 14,249 million yen, down 20.6% year-on-year. While an increasing number of customers in industries such as construction, finance, and public institutions adopted the Company's mobile work systems, sales were negatively affected by the absence of large, one-off projects that had buoyed results in the same period of the previous fiscal year.

Development and construction:

Orders amounted to 7,876 million yen, up 4.1% year-on-year, while net sales were 6,490 million yen, down 0.2% year-on-year. Although system development projects decreased year-on-year, orders remained solid for projects such as PBX construction for the financial industry and network construction for the manufacturing industry.

Service:

Orders totaled 22,175 million yen, up 1.8% year-on-year, while net sales were 21,102 million yen, down 0.5% year-on-year. Orders and sales in the six growth domains, a key focus of the medium-term management plan, remained firm, particularly in security and managed services. However, equipment maintenance fees decreased year-on-year due to a decline in equipment business sales.

The following tables show sales and orders by business model in the first six months of the fiscal year. Net sales and orders for the Electronic Devices segment for the first six months of the fiscal year ended March 31, 2024, have been omitted, as the Company has transitioned to a single-segment business structure and now operates solely in the Information Network Solutions segment.

(1) Net sales (millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024		
			Versus six months of previous year	
Information Network Solutions	45,653	41,842	(3,811)	91.7%
Equipment	17,951	14,249	(3,701)	79.4%
Development and construction	6,500	6,490	(10)	99.8%
Service	21,201	21,102	(98)	99.5%

(2) Orders (millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024		
			Versus six months of previous year	
Information Network Solutions	48,233	49,283	1,049	102.2%
Equipment	18,876	19,231	354	101.9%
Development and construction	7,564	7,876	311	104.1%
Service	21,792	22,175	383	101.8%

(3) Order backlog (millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024		
			Versus six months of previous year	
Information Network Solutions	28,438	25,335	(3,102)	89.1%
Equipment	18,368	15,550	(2,818)	84.7%
Development and construction	5,734	4,870	(864)	84.9%
Service	4,335	4,915	579	113.4%

(2) Financial position

As of September 30, 2024, total assets were 75,067 million yen, down 5,999 million yen from March 31, 2024. This mainly reflected declines of 5,390 million yen in notes and accounts receivable—trade and contract assets and 2,368 million yen in cash and deposits, partially offset by an increase of 1,432 million yen in inventories.

Liabilities were 34,045 million yen, down 6,157 million yen from March 31, 2024. This was primarily due to declines of 2,028 million yen in other current liabilities, 2,005 million yen in notes and accounts payable—trade, and 1,087 million yen in income taxes payable.

Net assets were 41,022 million yen, up 157 million yen from March 31, 2024, and the equity ratio was 54.1% (compared to 49.8% as of March 31, 2024). This mainly reflected an increase in retained earnings due to the recording of 1,036 million yen in profit attributable to owners of parent. These factors offset the decline in retained earnings due to dividend payments of 976 million yen.

(3) Consolidated earnings forecasts and other information concerning the outlook

The Company maintained its consolidated earnings forecast for the fiscal year ending March 31, 2025 (released May 13, 2024), as earnings for the six months under review were in line with the initial plan. However, in case matters arise that require public disclosure due to changes in the operating environment, etc., the Company will promptly make an announcement.

2. Consolidated financial statements and notes

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	38,696	36,328
Notes and accounts receivable – trade	21,038	15,648
Electronically recorded monetary claims	541	626
Inventories	3,649	5,081
Other	2,005	2,100
Allowance for doubtful accounts	(2)	(2)
Total current assets	65,929	59,781
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,580	1,593
Accumulated depreciation	(706)	(744)
Buildings and structures (net)	874	848
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	215	215
Lease assets	2,343	1,960
Accumulated depreciation	(1,634)	(1,318)
Lease assets (net)	708	641
Construction in progress	17	42
Other	1,235	1,264
Accumulated depreciation	(865)	(912)
Other (net)	369	351
Total property, plant and equipment	2,187	2,101
Intangible assets		
Lease assets	521	409
Other	1,765	2,054
Total intangible assets	2,286	2,463
Investments and other assets		
Investment securities	4,092	4,064
Long-term loans receivable	20	16
Retirement benefit asset	2,221	2,341
Deferred tax assets	3,450	3,497
Other	917	838
Allowance for doubtful accounts	(39)	(39)
Investments and other assets	10,663	10,720
Total noncurrent assets	15,137	15,285
Total assets	81,066	75,067

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	11,637	9,631
Short-term loans payable	4,747	4,747
Current portion of long-term loans payable	7	2,907
Lease obligations	605	526
Income taxes payable	1,726	638
Provision for bonuses	2,416	2,122
Other	7,321	5,293
Total current liabilities	28,462	25,867
Noncurrent liabilities		
Long-term loans payable	4,104	1,200
Lease obligations	726	609
Retirement benefit liability	5,563	5,072
Long-term accounts payable – other	535	454
Provision for share based remuneration	617	613
Other	192	228
Total noncurrent liabilities	11,739	8,177
Total liabilities	40,202	34,045
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,756	2,756
Retained earnings	29,705	29,765
Treasury stock	(2,043)	(1,924)
Total shareholders' equity	40,230	40,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,944	1,949
Remeasurements of defined benefit plans	(1,773)	(1,734)
Total accumulated other comprehensive income	171	214
Noncontrolling interests	462	398
Total net assets	40,864	41,022
Total liabilities and net assets	81,066	75,067

(2) Consolidated statements of income and comprehensive income
Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	60,887	41,842
Cost of sales	49,104	32,315
Gross profit	11,782	9,527
Selling, general, and administrative expenses	9,441	8,133
Operating income	2,341	1,394
Non-operating income		
Interest income	9	3
Dividend income	43	50
Foreign exchange gains	44	4
Insurance income	3	54
Other	25	49
Total non-operating income	125	161
Non-operating expenses		
Interest expenses	47	44
Facility move out expenses	34	—
Corporate funeral costs	—	17
Other	24	6
Total non-operating expenses	105	67
Ordinary income	2,361	1,488
Extraordinary income		
Gain on sales of noncurrent assets	1,854	—
Gain on sale of investment securities	—	31
Total extraordinary income	1,854	31
Extraordinary loss		
Loss on retirement of noncurrent assets	3	6
Loss on valuation of investment securities	33	—
Loss on valuation of golf club membership	1	—
Total extraordinary losses	38	6
Income before income taxes and others	4,177	1,512
Income taxes	1,172	421
Profit	3,005	1,091
Profit attributable to noncontrolling interests	99	54
Profit attributable to owners of parent	2,906	1,036

semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	3,005	1,091
Other comprehensive income		
Valuation difference on available for sale securities	494	4
Deferred gains or losses on hedges	(15)	—
Foreign currency translation adjustment	111	—
Remeasurements of defined benefit plans	89	38
Other comprehensive income	680	42
Comprehensive income	3,685	1,134
Breakdown		
Comprehensive income attributable to owners of parent	3,586	1,079
Comprehensive income attributable to noncontrolling interests	99	54

(3) Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Income before income taxes and others	4,177	1,512
Depreciation and amortization	778	689
Goodwill amortization	45	—
Increase (decrease) in provision for doubtful accounts	12	(0)
Increase (decrease) in provision for bonuses	(214)	(293)
Increase decrease in net defined benefit liability and asset	(420)	(572)
Increase decrease in provision for share based remuneration	46	(4)
Increase decrease in provision for loss on order received	10	—
Interest and dividend income	(52)	(53)
Interest expenses	47	44
Loss gain on sales and retirement of noncurrent assets	(1,854)	—
Loss on retirement of non-current assets	3	6
Loss (gain) on sale of investment securities	—	(31)
Loss gain on valuation of investment securities	33	—
Other non-operating loss (gain)	36	(84)
Decrease (increase) in trade receivables	3,484	5,305
Decrease (increase) in inventories	(2,912)	(1,432)
Decrease (increase) in other assets	129	(17)
Increase (decrease) in notes and accounts payable – trade	(415)	(2,005)
Increase (decrease) in accrued consumption taxes	(128)	(1,281)
Increase (decrease) in long-term accounts payable - other	—	(80)
Increase (decrease) in other liabilities	1,034	(927)
Subtotal	3,842	774
Interest and dividends received	52	53
Interest paid	(47)	(44)
Other	(36)	84
Income taxes paid	(849)	(1,446)
Refund of income taxes	21	22
Cash flows from operating activities	2,983	(556)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	(190)	(121)
Proceeds from sale of property, plant and equipment	3,674	27
Purchase of intangible assets	(604)	(560)
Proceeds from sale of intangible assets	1	14
Purchase of investment securities	(157)	(6)
Proceeds from sale of investment securities	500	76
Proceeds from collection of loans receivable	1	3
Proceeds from withdrawal of time deposits	—	2
Other	(9)	80
Cash flows from investing activities	3,216	(485)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(112)	—
Repayment of finance lease obligations	(503)	(342)
Repayment of long-term borrowings	(136)	(4)
Acquisition of treasury stock	(0)	(0)
Proceeds from disposal of treasury stock	45	119
Dividend payments	(671)	(976)
Dividends paid to noncontrolling interests	(149)	(119)
Cash flows from financing activities	(1,527)	(1,324)
Effect of exchange rate changes on cash and cash equivalents	58	—
Net increase (decrease) in cash and cash equivalents	4,730	(2,366)
Cash and cash equivalents at beginning of the period	20,845	38,684
Cash and cash equivalents at end of the period	25,575	36,318

(4) Notes to semi-annual consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders equity)

Not applicable.

(Application of special accounting methods in the preparation of semi-annual consolidated financial statements)

(Calculation of tax expense)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year, including the semi-annual consolidated accounting period, and multiplying income before income taxes by the estimated effective tax rate.

Note: Income taxes – deferred are included in income taxes.

(Changes in accounting policies)

(Application of “Accounting Standard for Corporate, Inhabitant and Enterprise Taxes,” etc.)

From the beginning of the semi-annual consolidated fiscal year under review, we have applied the “Accounting Standard for Corporate, Inhabitant and Enterprise Taxes” (ASBJ Statement No. 27, October 28, 2022; hereafter the “2022 Revised Accounting Standard”).

For revisions related to the classification of corporate taxes (taxes on other comprehensive income), we are complying with the transitional measures prescribed in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022). This change in accounting policy has no impact on semi-annual consolidated financial statement.

Further, we have also applied the 2020 Revised Accounting Standard from the semi-annual consolidated fiscal year under review for revisions related to the treatment in the consolidated financial statements of gains or losses from the sale of shares in subsidiaries, etc. resulting from intra-group transactions, where such gains or losses can be deferred for tax purposes. This change in accounting policy has been applied retrospectively to the semi-annual and full-year consolidated financial statements for the previous semi-annual and the previous consolidated fiscal year. This change, however, has no impact on the semi-annual and full-year consolidated financial statements for the previous fiscal year.

(Segment and other information)

Segment information

I Semi-annual consolidated accounting period of previous year (from April 1, 2023, to September 30, 2023)

1. Information on net sales and profit or loss by reporting segment

(Millions of yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded in semi-annual consolidated financial statements (Note 2)
	Information Network Solutions	Electronic Devices	Total		
Net sales					
Net sales from external customers	45,653	15,233	60,887	—	60,887
Intersegment net sales and transfers	19	58	77	(77)	—
Total	45,673	15,291	60,964	(77)	60,887
Segment profit	1,930	392	2,323	18	2,341

Notes:

1 Adjustments to segment profit are elimination of intersegment transactions.

2 Segment profit is adjusted with operating income in the Semi-annual consolidated statement of income.

II Semi-annual consolidated accounting period in current year (from April 1, 2024, to September 30, 2024)

Segment information has been omitted because the Group operates in a single segment.

(Matters relating to changes in reportable segments)

Previously, the Group reported its earnings results in two reportable segments: Information Network Solutions and Electronic Devices. However, after the transfer of all shares in the four group companies operating the Electronic Devices segment on January 9, 2024, we now operate in the single segment of Information Network solutions.

Because the Group operates in a single segment due to this change, we have omitted segment information for the first six months of the and current consolidated fiscal years.