



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (JGAAP)

July 31, 2023

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 Scheduled date for dividend payment: —
 Preparation of supplemental explanatory materials: No
 Results briefing to be held: No

1. Consolidated financial results for the first quarter of the fiscal year ending March 31, 2024 (April 1, 2023, to June 30, 2023)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Quarterly profit attributable to owners of parent	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
First quarter, year ending March 31, 2024	28,128	14.3%	698	—	673	—	448	—
First quarter, year ended March 31, 2023	24,609	(0.9%)	(202)	—	(109)	—	(147)	—

Note: Comprehensive income was 943 million yen (—%) in first quarter of year ending March 31, 2024; (100) million yen (—%) in first quarter of year ended March 31, 2023.

	Earnings per share (yen)	Diluted earnings per share (yen)
First quarter, year ending March 31, 2024	25.01	—
First quarter, year ended March 31, 2023	(8.30)	—

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' equity ratio	Net assets per share (yen)
First quarter, year ending March 31, 2024	80,405	35,547	43.8%	1,961.25
Year ended March 31, 2023	83,207	35,387	42.0%	1,950.05

Reference: Shareholders' equity at first quarter, year ending March 31, 2024; 35,201 million yen; in year ended March 31, 2023; 34,945 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, 2023	—	25.00	—	36.00	61.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (forecast)		38.00	—	38.00	76.00

Note:

1.Revisions to most recent dividend forecast: None

2.The interim dividend for the year ended March 31, 2023 included a commemorative dividend of 2.0 yen per share to celebrate 90th Anniversary of its founding.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023, to March 31, 2024)

% 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	126,500	2.1%	5,300	3.6%	5,250	(2.0%)	4,450	26.4%	247.97

Note: Revisions to most recent earnings forecast: None

*Notes

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

Newly added ___ companies (names)

No longer consolidated ___ companies (names)

(2) Special accounting methods used in preparation of quarterly consolidated financial statements: Yes

Note: For details, please refer to Attachment page 14: "2. Consolidated financial statements and notes (3)

Notes to quarterly consolidated financial statements (Application of special accounting methods in the preparation of quarterly 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: None

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)	First quarter, year ending March 31, 2024	20,177,894	Year ended March 31, 2023	20,177,894
2. Number of shares at year end (treasury stock)	First quarter, year ending March 31, 2024	2,229,287	Year ended March 31, 2023	2,257,664
3. Average number of shares over the period	First quarter, year ending March 31, 2024	17,936,655	First quarter, year ended March 31, 2023	17,737,271

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (0 in first quarter, year ending March 2024; 13,300 in year ended March 2023), Directors' Compensation Board Incentive Plan (BIP) trust account (290,547 in first quarter, year ending March 2024; 290,547 in year ended March 2023); and Stock-grant ESOP trust account (405,758 in first quarter, year ending March 2024; 420,865 in year ended March 2023).

*The financial information in this quarterly report is 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.

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1. Qualitative information on quarterly results

(1) Earnings

In the first quarter of the fiscal year ending March 31, 2024, the Japanese economy gradually recovered, supported by improvements in the employment and wage conditions, among other factors. However, a sluggish global economy against the backdrop of monetary policy tightening posed risk to the domestic economy, and rising prices and fluctuations in the financial and capital markets continued to warrant caution.

In the information and communications service industry to which the Group belongs, capital investments in ICT continued to grow, driven by the acceleration of digital transformation initiatives of companies. In the electronic devices industry, while the supply and demand balance of semiconductors moved toward normalization, the market growth slowed due to changes in the environment, including a decline in personal consumption caused by rising prices globally.

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 quarter of the fiscal year ending March 31, 2024—the first year of the current medium-term management plan, net sales amounted to ¥ 28,128 million (up 14.3% year on year), operating income ¥698 million (operating loss of ¥202 million in the same period of the previous fiscal year), ordinary income ¥673 million (ordinary loss of ¥109 million in the same period of the previous fiscal year), and profit attributable to owners of parent ¥448 million (loss attributable to owners of parent of ¥147 million in the same period of the previous fiscal year).

In the Information Network Solution segment, orders fell below the year-ago level due to a decline in large orders for equipment, but net sales increased year-on-year, on the back of steady sales booking in the equipment and service businesses, including sales from orders received in the previous fiscal year, and robust performance of the development and construction business. Profit increased, moving into the black in the first quarter, owing to sharp growth in sales and the success of various measures to improve the cost of sales and curb SG&A expenses.

In the Electronic Devices segment, while the shortage of semiconductors, with some exceptions, began to improve and customers' advanced order arrangements ran their course, sales of electronic parts, including semiconductors, and power semiconductors for decarbonization and energy conservation-related applications were robust, thanks to steady production at customers in the key industries of factory automation, industrial equipment, and automotive devices. As a result, while orders were down year-on-year, net sales exceeded the year-ago level. Profit also grew year-on-year, as sales growth offset higher SG&A expenses.

The following section discusses earnings by segment in the first quarter.

*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

Information Network Solutions

In the first quarter of the fiscal year ending March 31, 2024, orders were ¥24,271 million (down 8.8% year on year), net sales were ¥20,445 million (up 14.5% year on year), and operating income was ¥472 million (operating loss of ¥392 million in the same period of the previous fiscal year). While orders were down year-on-year, net sales and operating income surpassed the year-ago results.

Results by business model

Equipment: Orders declined year-on-year due to the falloff of orders for large projects acquired in the same period of the previous fiscal year. Still, net sales were buoyed by increased sales of application licenses in the service and finance industries and PCs to wholesalers and public institutions. As a result, while orders were down to ¥8,576 million (down 26.3% year on year), net sales expanded to ¥7,172 million (up 29.5% year on year). The Company recorded net sales from the order backlog accumulated since the previous fiscal year, but order backlog nevertheless remained above the year-ago level at ¥18,846 million (up 14.9% year on year).

Development and construction: Orders for system development and infrastructure construction projects grew sharply, and net sales from network and security system building projects held firm. As a result, orders amounted to ¥3,797 million (up 31.8% year on year) and net sales ¥2,687 million (up 4.3% year on year). Order backlog was ¥5,780 million (up 21.0% year on year), owing to the buildup of orders in the first quarter of the fiscal year under review.

Service: Orders for system and infrastructure maintenance and operation services grew, but overall orders declined due to the downsizing of the large order for operation services received in the same period of the previous fiscal year. Net sales benefited from growth in maintenance services driven by increased equipment sales, including applications and PCs, as well as increased sales of the cloud-based PBX services, including TCV(TCloud for Voice). As a result, orders were down to ¥11,896 million (down 1.7% year on year), but net sales rose to ¥10,584 million (up 8.7% year on year). The Company recorded sales from a substantial portion of the order backlog accumulated since the end of the previous fiscal year in the first quarter under review, but order backlog nevertheless remained above the year-ago level at ¥5,056 million (up 4.1% year on year).

Profit increased, moving into the black in the first quarter under review, owing to substantial growth in sales, improved cost of sales in equipment, development and construction, and service businesses on steady implementation of the medium-term management plan, and a decline in personnel and other SG&A expenses.

Electronic Devices

In the first quarter of the fiscal year ending March 31, 2024, orders were ¥8,428 million (down 20.5% year on year), net sales were ¥7,683 million (up 13.7% year on year), and operating profit was ¥216 million (up 20.8% year on year). While orders declined year-on-year, sales and operating profit exceeded the year-ago levels.

In the devices business, while advanced order placement by clients, a trend that had continued since the previous fiscal year, had wound down, sales in the factory automation, industrial equipment, air conditioning equipment, and electric vehicle markets continued to hold firm, with sales of semiconductors, such as ASIC, and power semiconductors for use in energy conservation-related devices also growing. As a result, while orders fell below the year-ago level, net sales rose year-on-year.

In the systems business, while semiconductor shortages continued to be improved, prices dropped in the memory market due to excess supply and system demand for consumer equipment applications declined. Meanwhile, increased demand for LCD panels for use in on-board automotive information devices backed by recovery in automobile production and the expansion of embedded devices for industrial equipment contributed to sales growth. As a result, both orders and net sales exceeded year-ago levels.

Profit increased year-on-year driven by sales growth, despite higher expenses to secure personnel for the expansion of existing businesses and the establishment of new business models.

The following tables show sales and orders by segment in the first quarter of the fiscal year ending March, 2024.

(1) Net sales by segment (millions of yen)

	First quarter, year ended March 2023	First quarter, year ending March 2024		
			Versus first quarter of previous year	
Information Network Solutions	17,851	20,445	2,594	114.5%
Equipment	5,540	7,172	1,632	129.5%
Development and construction	2,576	2,687	111	104.3%
Service	9,734	10,584	850	108.7%
Electronic Devices	6,758	7,683	924	113.7%
Total	24,609	28,128	3,519	114.3%

Note: Inter-segment transactions are offset and eliminated.

(2) Orders by segment (millions of yen)

	First quarter, year ended March 2023	First quarter, year ending March 2024		
			Versus first quarter of previous year	
Information Network Solutions	26,620	24,271	(2,349)	91.2%
Equipment	11,630	8,576	(3,054)	73.7%
Development and construction	2,881	3,797	916	131.8%
Service	12,108	11,896	(211)	98.3%
Electronic Devices	10,596	8,428	(2,168)	79.5%
Total	37,216	32,699	(4,517)	87.9%

Note: Inter-segment transactions are offset and eliminated.

(3) Order backlog by segment (millions of yen)

	First quarter, year ended March 2023	First quarter, year ending March 2024		
			Versus first quarter of previous year	
Information Network Solutions	26,043	29,684	3,640	114.0%
Equipment	16,408	18,846	2,438	114.9%
Development and construction	4,777	5,780	1,003	121.0%
Service	4,857	5,056	199	104.1%
Electronic Devices	20,274	19,386	(888)	95.6%
Total	46,318	49,070	2,752	105.9%

Note: Inter-segment transactions are offset and eliminated.

(2) Financial position

As of the end of the first quarter under review (June 30, 2023), assets were ¥80,405 million, down ¥2,802 million from the end of the previous fiscal year (March 31, 2023). This mainly reflected a decline of ¥6,813 million in notes and accounts receivable–trade and contract assets, which was only partially offset by increases of ¥2,175 million in inventories and ¥1,112 million in cash and deposits. Liabilities were ¥44,858 million, down ¥2,962 million from the end of the previous fiscal year. The main reasons for the decline were decreases of ¥4,538 million in notes and accounts payable–trade, ¥1,318 million in provision for bonuses, and ¥554 million in income taxes payable, which more than covered for an increase of ¥4,150 million in current liabilities (other). Net assets came to ¥35,547 million, up ¥159 million versus the end of the previous fiscal year, and the equity ratio was 43.8% (versus 42.0% at the end of the previous fiscal year). This was mainly due to the recording of ¥448 million in profit attributable to owners of parent and a ¥355 million increase in valuation difference on available-for-sale securities, offsetting a decline in retained earnings due to dividend payments of ¥671 million.

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

The Company maintained its consolidated earnings forecast for the fiscal year ending March 31, 2024 (released May 12, 2023), as earnings in the first quarter 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) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	20,877	21,989
Notes and accounts receivable – trade	27,866	21,052
Electronically recorded monetary claims	4,383	4,759
Inventories	11,683	13,859
Other	2,391	2,211
Allowance for doubtful accounts	(5)	(6)
Total current assets	67,196	63,866
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,122	2,122
Accumulated depreciation	(1,003)	(1,027)
Buildings and structures (net)	1,118	1,095
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,804	1,804
Lease assets	4,367	3,637
Accumulated depreciation	(3,260)	(2,713)
Lease assets (net)	1,106	924
Construction in progress	124	145
Other	1,217	1,221
Accumulated depreciation	(868)	(895)
Other (net)	349	325
Total property, plant and equipment	4,504	4,296
Intangible assets		
Goodwill	45	22
Lease assets	632	569
Other	1,933	2,093
Total intangible assets	2,610	2,685
Investments and other assets		
Investment securities	3,471	3,985
Long-term loans receivable	28	27
Deferred tax assets	4,265	4,442
Other	1,180	1,160
Allowance for doubtful accounts	(49)	(58)
Investments and other assets	8,896	9,557
Total noncurrent assets	16,011	16,539
Total assets	83,207	80,405

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	17,144	12,605
Short-term loans payable	4,853	4,790
Current portion of long-term loans payable	141	7
Lease obligations	888	780
Income taxes payable	968	414
Provision for bonuses	2,513	1,194
Provision for loss on orders received	–	10
Other	6,550	10,700
Total current liabilities	33,060	30,505
Noncurrent liabilities		
Long-term loans payable	4,111	4,109
Lease obligations	998	843
Deferred tax liabilities	7	7
Net defined benefit liability	8,826	8,512
Long-term accounts payable – other	28	28
Provision for share awards	637	677
Other	149	174
Total noncurrent liabilities	14,760	14,353
Total liabilities	47,820	44,858
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,581
Retained earnings	25,607	25,385
Treasury stock	(1,979)	(1,942)
Total shareholders' equity	36,022	35,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,132	1,487
Deferred gains or losses on hedges	2	(33)
Foreign currency translation adjustment	193	270
Remeasurements of defined benefit plans	(2,405)	(2,360)
Total accumulated other comprehensive income	(1,076)	(634)
Noncontrolling interests	441	345
Total net assets	35,387	35,547
Total liabilities and net assets	83,207	80,405

(2) Quarterly consolidated statements of income and comprehensive income
 (Quarterly consolidated statement of income)

Consolidated income statement for the first quarter

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	24,609	28,128
Cost of sales	20,082	22,781
Gross profit	4,527	5,346
Selling, general, and administrative expenses	4,730	4,648
Operating income (loss)	(202)	698
Non-operating income		
Interest income	1	1
Dividend income	42	39
Foreign exchange gains	45	—
Other	38	13
Total non-operating income	127	55
Non-operating expenses		
Interest expenses	29	24
Facility move out expenses	—	34
Loss on termination	—	17
Other	5	3
Total non-operating expenses	34	80
Ordinary income (loss)	(109)	673
Extraordinary loss		
Loss on retirement of noncurrent assets	1	0
Total extraordinary losses	1	0
Income (loss) before income taxes and others	(111)	673
Income taxes	(13)	172
Profit (loss)	(97)	501
Profit attributable to noncontrolling interests	49	52
Profit (loss) attributable to owners of parent	(147)	448

(Quarterly consolidated statement of comprehensive income)

First quarter

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit (loss)	(97)	501
Other comprehensive income		
Valuation difference on available for sale securities	(97)	355
Deferred gains or losses on hedges	(38)	(35)
Foreign currency translation adjustment	91	77
Remeasurements of defined benefit plans	40	44
Other comprehensive income	(3)	442
Comprehensive income	(100)	943
Breakdown		
Comprehensive income attributable to owners of parent	(150)	890
Comprehensive income attributable to noncontrolling interests	49	52

(3) Notes to quarterly 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 quarterly 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 first quarter, and multiplying quarterly income before income taxes by the estimated effective tax rate.

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

(Segment and other information)

Segment information

I First quarter of previous year (April 1, 2022, to June 30, 2022)

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

(Millions of yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded in quarterly consolidated financial statements (Note 2)
	Information Network Solutions	Electronic Devices	Total		
Net sales					
Net sales from external customers	17,851	6,758	24,609	—	24,609
Intersegment net sales and transfers	1	60	62	(62)	—
Total	17,852	6,819	24,671	(62)	24,609
Segment profit (loss)	(392)	179	(212)	10	(202)

Notes:

1 Adjustments to segment profit (loss) are elimination of intersegment transactions.

2 Segment profit (loss) is adjusted with operating income (loss) in the quarterly consolidated income statements.

II First quarter in current year (April 1, 2023, to June 30, 2023)

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

(Millions of yen)

	Reporting segment			Adjustments (Note 1, 2, 3)	Amount recorded in quarterly consolidated financial statements (Note 2)
	Information Network Solutions	Electronic Devices	Total		
Net sales					
Net sales from external customers	20,445	7,683	28,128	—	28,128
Intersegment net sales and transfers	6	32	39	(39)	—
Total	20,452	7,715	28,168	(39)	28,128
Segment profit	472	216	689	9	698

Notes:

1 Adjustments to segment profit (loss) are elimination of intersegment transactions.

2 Segment profit (loss) is adjusted with operating income (loss) in the quarterly consolidated income statements.