



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

January 31, 2024

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 Scheduled date for dividend payment: —
 Preparation of supplemental explanatory materials: None
 Results briefing to be held: None

1. Consolidated financial results for the Third quarter of the fiscal year ending March 31, 2024 (April 1, 2023, to December 31, 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
Third quarter, year ending March 31, 2024	93,013	12.7 %	3,938	179.8 %	3,992	143.1 %	4,187	330.1 %
Third quarter, year ended March 31, 2023	82,545	2.0 %	1,407	5.1 %	1,642	6.3 %	973	3.4 %

Note: Comprehensive income was 5,086 million yen (+277.3 %) in the third quarter of year ending March 31, 2024; 1,348 million yen (+10.6%) in third quarter of year ended March 31, 2023.

	Earnings per share (yen)	Diluted earnings per share (yen)
Third quarter, year ending March 31, 2024	233.19	—
Third quarter, year ended March 31, 2023	54.68	—

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' equity ratio	Net assets per share (yen)
Third quarter, year ending March 31, 2024	81,365	39,046	47.5 %	2,143.82
Year ended March 31, 2023	83,207	35,387	42.0 %	1,950.05

Reference: Shareholders' equity at the third quarter of year ending March 31, 2024; 38,617 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	—	38.00			
Year ending March 31, 2024 (forecast)			—	51.00	89.00

Note: 1.Revisions to most recent dividend forecast: Yes

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	124,000	0.1%	6,000	17.2%	6,000	12.0%	4,800	36.3%	267.09

Note: Revisions to most recent earnings forecast: Yes

*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)	Third 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)	Third quarter, year ending March 31, 2024	2,164,582	Year ended March 31, 2023	2,257,664
3. Average number of shares over the period	Third quarter, year ending March 31, 2024	17,957,690	Third quarter, year ended March 31, 2023	17,803,153

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (0 in the third quarter of year ending March 2024; 13,300 in year ended March 2023), Directors' Compensation Board Incentive Plan (BIP) trust account (420,447 in the third quarter of year ending March 2024; 290,547 in year ended March 2023); and Stock-grant ESOP trust account (340,979 in the third quarter of 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 make. 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 second half of the fiscal year ending March 2024, the Japanese economy showed signs of a gradual recovery as economic and social activities began to return to normal. However, the risk of a downturn in overseas economies due to global monetary tightening and other factors exerted downward pressure on Japan's economy. This, combined with the effects of rising prices, supply-side constraints, and fluctuations in financial and capital markets, among other issues, rendered the outlook uncertain.

In the information and communications services industry, to which the Group belongs, companies' appetite for investment remained strong, mainly for the maintenance and renewal of aging facilities, which had been restrained by the pandemic. The trend of expanding ICT capital investment continued, including the promotion of digital transformation (DX), which has become increasingly important in recent years. As for the electronic device industry, while the supply-demand balance for semiconductors was moving toward normalization, there was a slowdown in market growth due to uncertainty about the future, including a decline in personal consumption due to rising global prices and geopolitical risks associated with the prolonged Russia–Ukraine conflict.

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. Based on this strategy, the Company decided to transfer all shares of four Group companies engaged in business in the Electronic Devices segment to Restar Holdings Corporation on January 9, 2024. Going forward, we will concentrate our management resources on the Information Network Solutions segment, which operates in growth areas, to achieve sustainable growth and further enhancement of the Group's corporate value.

During the first nine months of the first year of the medium-term management plan, net sales amounted to ¥93,013 million (up 12.7% year on year), operating income was ¥3,938 million (up 179.8% year on year), ordinary income totaled ¥3,992 million (up 143.1% year on year), and quarterly profit attributable to owners of the parent was ¥4,187 million (up 330.1% year on year).

In the Information Network Solutions segment, orders fell below the year-earlier level mainly due to a decline in large orders for equipment. However, net sales increased from the year-earlier level on contributions mainly from mobile PC sales and network equipment sales and construction projects. Profits reached a record high for the first nine months of a fiscal year owing to substantial growth in sales and an improvement in the cost ratio, even despite higher SG&A expenses stemming from stepped-up investments in HR development and other aspects of human capital and costs associated with in-house system upgrades.

In the Electronic Devices segment, demand for semiconductors and power semiconductors weakened due to customer production adjustments in the factory automation/industrial equipment sector and customer inventory adjustments for air conditioners, even though sales of LCD panels for in-vehicle information equipment, among others, increased as the shortage of semiconductors came to an end. As a result, orders decreased, but net sales were up year on year. Profits were lower year on year due to an increase in SG&A expenses.

In the second quarter, for the purposes of effective utilization of management resources and improvement of asset efficiency, the Company transferred fixed assets held by our company and a consolidated subsidiary. As a result of this transfer, the Company posted extraordinary income of ¥1,854 million, and quarterly profit attributable to owners of parent increased significantly year-on-year.

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

*Note regarding quarterly earnings for the Group

Many of the Group's customers have business years from April through March of 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 nine months of the fiscal year ending March 31, 2024, orders totaled ¥68,534 million (down 8.9% year on year), net sales were ¥70,679 million (up 16.9% year on year), and operating income was ¥3,423 million (up 434.8% year on year). Orders declined but both net sales and operating income were up year on year.

Results by business model

Equipment: Orders dropped below the year-earlier level due chiefly to a decrease in large-scale projects, but net sales remained brisk by virtue of the continued adoption of mobile PCs by mainly public sector and real estate industry customers, as well as sales of server and network equipment. As a result, orders were ¥26,255 million (down 18.9% year on year) and net sales were ¥29,107 million (up 39.1% year on year).

Development and construction: Owing to the continued strong performance of network construction services to a wide range of customers, particularly those in the manufacturing and transportation sectors, as well as steadily increasing sales from small and mid-sized system developments and infrastructure construction projects, both orders and sales increased year on year, with orders of ¥10,348 million (up 0.4% year on year) and net sales of ¥10,415 million (up 18.6% year on year).

Service: Orders declined slightly on the impact of operational services expiring for some customers in the first quarter, but net sales of cloud services in general and operational services were firm. As a result, orders came to ¥31,931 million (down 2.0% year on year) and net sales were ¥31,156 million (up 1.3% year on year).

Profits increased year on year due to higher sales and an improved cost ratio, in spite of higher SG&A expenses.

Electronic Devices

In the first nine months of the fiscal year ending March 31, 2024, orders were ¥19,474 million (down 23.1% year on year), net sales totaled 22,333 million (up 1.1% year on year), and operating income was ¥487 million (down 34.2% year on year).

In the devices business, whilst the production of automotive equipment at customers stabilized in line with the recovery in semiconductor supply, sales of power semiconductors and electronic components were dented by reduced production output by customers in the factory automation/industrial equipment sector due to weaker personal consumption and a slowing Chinese market caused by inflation. As a result, both orders and net sales decreased year on year.

In the systems business, prices dropped in the memory market due to inventory adjustments, reflecting the recovery in semiconductor supply, while demand for consumer equipment applications weakened. On the other hand, the automotive market remains firm and sales were thus boosted by growing demand for LCD panels for in-vehicle information equipment and embedded devices for industrial equipment. As a result, even though orders fell below the year-earlier level, net sales rose year on year.

Profits declined year on year as a result of higher SG&A expenses due to such factors as securing personnel for expanding existing businesses and building new business models.

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

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

	Third quarter, year ended March 2023	Third quarter, year ending March 2024		
			Versus third quarter of previous year	
Information Network Solutions	60,454	70,679	10,225	116.9%
Equipment	20,922	29,107	8,185	139.1%
Development and construction	8,781	10,415	1,634	118.6%
Service	30,750	31,156	405	101.3%
Electronic Devices	22,091	22,333	241	101.1%
Total	82,545	93,013	10,467	112.7%

Note: Inter-segment transactions are offset and eliminated.

(2) Orders by segment (millions of yen)

	Third quarter, year ended March 2023	Third quarter, year ending March 2024		
			Versus third quarter of previous year	
Information Network Solutions	75,244	68,534	(6,709)	91.1%
Equipment	32,359	26,255	(6,104)	81.1%
Development and construction	10,306	10,348	41	100.4%
Service	32,578	31,931	(647)	98.0%
Electronic Devices	25,331	19,474	(5,857)	76.9%
Total	100,576	88,009	(12,567)	87.5%

Note: Inter-segment transactions are offset and eliminated.

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

	Third quarter, year ended March 2023	Third quarter, year ending March 2024		
			Versus third quarter of previous year	
Information Network Solutions	32,064	23,713	(8,351)	74.0%
Equipment	21,755	14,590	(7,164)	67.1%
Development and construction	5,997	4,603	(1,393)	76.8%
Service	4,312	4,519	207	104.8%
Electronic Devices	19,676	15,782	(3,894)	80.2%
Total	51,741	39,496	(12,245)	76.3%

Note: 1. Inter-segment transactions are offset and eliminated.

2. In January 9, 2024, the company had resolved to transfer all of the outstanding shares in its consolidated subsidiaries of the Electronic Devices business segment, Tsuzuki Embedded Solutions Co., Ltd., Tsuzuki Densan Trading (Shanghai) Co., Ltd., Tsuzuki Densan Hong Kong Co., Ltd., and Tsuzuki Densan Singapore Pte. Ltd. to the corporate group consisting of Restar Holdings Corporation.

(2) Financial position

Assets totaled ¥81,365 million at the end of the quarter under review, down by ¥1,841 million from the end of the previous fiscal year. The main factors of decrease were a ¥4,874 million decrease in notes and accounts receivable–trade and contract assets and a ¥1,588 million decrease in land, while the main factors of increase were a ¥2,826 million increase in cash and deposits and a ¥1,878 million increase in inventories.

Liabilities totaled ¥42,319 million at the end of the quarter, down by ¥5,501 million from the end of the previous year. The main factors of decrease were a ¥4,377 million decline in notes and accounts payable–trade and a ¥1,269 million decline in provision for bonuses.

Net assets totaled ¥39,046 million at the end of the quarter, up by ¥3,659 million from the end of the previous year, and the shareholders' equity ratio was 47.5% (42.0% at the end of the previous year). The main factors of increase were an increase in retained earnings owing to the booking of ¥4,187 million in profit attributable to owners of parent and a ¥573 million increase in valuation difference on available-for-sale securities, while the main factor of decrease was a decline in retained earnings due to the ¥1,379 million payment of dividends from surplus.

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

As announced in a press release titled “Notice of Change in Consolidated Subsidiaries (Share Transfer)” as of September 29, 2023, on January 9, 2024, we removed four Group companies operating in the Electronic Devices segment from the scope of consolidation. This resulted in a lower-than-expected net sales forecast. On the other hand, profits exceeded our forecasts because of strong earnings in the Information Network Solutions segment centering on the business for customers in the manufacturing industry and the public sector, as well as steady progress being made on expanding growth areas and improving the profitability of existing businesses as part of the Transformation 2026 medium-term management plan that kicked off this fiscal year.

For details, please refer to “Revisions to Full-Year Consolidated Earnings Forecasts and Planned Dividends” disclosed on January 31, 2024.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	20,877	23,703
Notes and accounts receivable – trade and contract assets	27,866	22,992
Electronically recorded monetary claims	4,383	4,547
Inventories	11,683	13,562
Other	2,391	2,356
Allowance for doubtful accounts	(5)	(11)
Total current assets	67,196	67,150
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,122	1,586
Accumulated depreciation	(1,003)	(697)
Buildings and structures (net)	1,118	888
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,804	215
Lease assets	4,367	2,953
Accumulated depreciation	(3,260)	(2,122)
Lease assets (net)	1,106	831
Construction in progress	124	59
Other	1,217	1,318
Accumulated depreciation	(868)	(931)
Other (net)	349	387
Total property, plant and equipment	4,504	2,384
Intangible assets		
Goodwill	45	—
Lease assets	632	589
Other	1,933	2,239
Total intangible assets	2,610	2,828
Investments and other assets		
Investment securities	3,471	3,909
Long-term loans receivable	28	21
Deferred tax assets	4,265	3,941
Other	1,180	1,172
Allowance for doubtful accounts	(49)	(43)
Investments and other assets	8,896	9,001
Total noncurrent assets	16,011	14,215
Total assets	83,207	81,365

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	17,144	12,766
Short-term loans payable	4,853	4,747
Current portion of long-term loans payable	141	7
Lease obligations	888	685
Income taxes payable	968	814
Provision for bonuses	2,513	1,243
Other	6,550	8,052
Total current liabilities	33,060	28,318
Noncurrent liabilities		
Long-term loans payable	4,111	4,106
Lease obligations	998	854
Deferred tax liabilities	7	6
Net defined benefit liability	8,826	8,183
Long-term accounts payable – other	28	28
Provision for share awards	637	627
Other	149	195
Total noncurrent liabilities	14,760	14,001
Total liabilities	47,820	42,319
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,756
Retained earnings	25,607	28,415
Treasury stock	(1,979)	(2,052)
Total shareholders' equity	36,022	38,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,132	1,705
Deferred gains or losses on hedges	2	3
Foreign currency translation adjustment	193	246
Remeasurements of defined benefit plans	(2,405)	(2,270)
Total accumulated other comprehensive income	(1,076)	(315)
Noncontrolling interests	441	429
Total net assets	35,387	39,046
Total liabilities and net assets	83,207	81,365

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	82,545	93,013
Cost of sales	66,934	74,703
Gross profit	15,610	18,309
Selling, general, and administrative expenses	14,203	14,371
Operating income	1,407	3,938
Non-operating income		
Interest income	4	11
Dividend income	97	90
Foreign exchange gains	40	40
Insurance income	42	3
Dividends income of insurance	73	0
Other	78	41
Total non-operating income	336	187
Non-operating expenses		
Interest expenses	87	69
Facility move out expenses	—	34
Other	13	30
Total non-operating expenses	101	133
Ordinary income	1,642	3,992
Extraordinary income		
Gain on sale of non-current assets	—	1,854
Gain on sales of investment securities	0	6
Total extraordinary income	0	1,860
Extraordinary loss		
Loss on retirement of noncurrent assets	4	16
Loss on valuation of investment securities	—	33
Loss on valuation of golf club membership	—	1
Total extraordinary losses	4	51
Income before income taxes and others	1,638	5,801
Income taxes	506	1,477
Net income	1,132	4,324
Profit attributable to noncontrolling interests	158	136
Profit attributable to owners of parent	973	4,187

(Quarterly consolidated statement of comprehensive income)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	1,132	4,324
Other comprehensive income		
Valuation difference on available for sale securities	(7)	573
Deferred gains or losses on hedges	74	0
Foreign currency translation adjustment	27	52
Remeasurements of defined benefit plans	121	134
Other comprehensive income	215	761
Comprehensive income	1,348	5,086
Breakdown		
Comprehensive income attributable to owners of parent	1,189	4,949
Comprehensive income attributable to noncontrolling interests	158	136

(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 third 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 Third quarter of previous year (April 1, 2022, to December 31, 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	60,454	22,091	82,545	—	82,545
Intersegment net sales and transfers	19	140	160	(160)	—
Total	60,473	22,232	82,705	(160)	82,545
Segment profit	640	740	1,380	26	1,407

Notes:

1 Adjustments to segment profit are elimination of intersegment transactions.

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

II Third quarter in current year (April 1, 2023, to December 31, 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	70,679	22,333	93,013	—	93,013
Intersegment net sales and transfers	24	93	118	(118)	—
Total	70,704	22,427	93,131	(118)	93,013
Segment profit	3,423	487	3,910	27	3,938

Notes:

1 Adjustments to segment profit are elimination of intersegment transactions.

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