

**Financial Results for the Year Ended March 2016 [Based on the Japanese Accounting Standards]
(Consolidated)**

May 11, 2016

Name of the company: Takachiho Koheki Co., Ltd.

Stock market: Tokyo Stock Exchange First Section

Code No.: 2676

URL: <http://www.takachiho-kk.co.jp>

Representative (job title): Hideo Toda (President and CEO)

Contact person (job title): Masazumi Uematsu (Director, Executive Officer,

General Manager of the Corporate Management Division)

TEL: 03-3355-1111

Date of the shareholder's meeting: June 28, 2016

Date of dividends payment: June 29, 2016

Registration date of annual securities report: June 29, 2016

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Year ended March 2015 (from April 1, 2015 to March 31, 2016)

(1) Consolidated Operating Results

(Percent figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2015	19,986	6.3	436	(36.5)	410	(52.5)	103	(82.5)
FY 2014	18,809	(3.9)	688	(33.2)	865	(23.6)	589	4.3

Note: Comprehensive income: (433) million yen (- %) for FY 2015

748 million yen 13.0% for FY 2014

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
FY 2015	10.79	10.77	0.7	2.2	2.2
FY 2014	60.13	59.96	4.0	4.4	3.7

Reference: Equity in earnings (losses) of affiliates: 0 million yen for FY 2015

0 million yen for FY 2014

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY 2015	18,253	13,844	75.8	1,449.95
FY 2014	19,839	14,947	75.0	1,515.65

Reference: Owner's equity: 13,827 million yen for FY 2015

14,879 million yen for FY 2014

(3) Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investment	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY 2015	371	349	(591)	5,158
FY 2014	1,255	(2,650)	(230)	4,887

2. Dividends

	Annual cash dividends per share					Total cash dividends (Annual) million yen	Payout ratio (Consolidated) %	Dividends to net assets (Consolidated) %
	At 1st quarter end yen	At 2nd quarter end yen	At 3rd quarter end yen	At fiscal year end yen	Total yen			
FY 2014	—	12.00	—	12.00	24.00	235	39.9	1.6
FY 2015	—	12.00	—	12.00	24.00	232	222.4	1.6
FY 2016 forecast	—	12.00	—	12.00	24.00		57.2	

3. Forecast of Consolidated Operating Results for FY 2015 (from April 1, 2015 to March 31, 2016)

(Percent figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY 2016 1st half	10,510	1.0	240	(1.0)	240	35.6	70	—	7.34
FY 2016	22,280	11.5	800	83.2	800	94.7	400	287.5	41.94

* Notes:

(1) Changes to principal subsidiaries during the period (changes to specified subsidiary companies accompanying a change to the scope of consolidation): None

(2) Changes in accounting policies and estimates, and retrospective restatement:

(i) Changes in accounting policies due to amendments of accounting standards, etc.: Applicable

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

Note: For details, see P.24 of the attached material, "5. Consolidated Financial Statements (7) Changes in Accounting Policies."

(3) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury shares)

FY 2015	10,170,300	FY 2014	10,167,300
FY 2015	633,857	FY 2014	349,807
FY 2015	9,568,238	FY 2014	9,810,963

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares issued during the period

Reference: Nonconsolidated Financial Results

Nonconsolidated Financial Results for FY 2015 (from April 1, 2015 to March 31, 2016)

(1) Nonconsolidated Operating Results

(Percent figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2015	14,702	(0.1)	597	(19.4)	620	(42.7)	410	(53.9)
FY 2014	14,710	(0.5)	741	1.9	1,083	15.9	890	41.3

	Net income per share	Fully diluted net income per share
	yen	yen
FY 2015	42.86	42.77
FY 2014	90.73	90.48

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2015	17,398	13,952	80.1	1,461.31
FY 2014	17,682	14,211	80.3	1,445.95

Reference: Owner's equity: 13,935 million yen for FY 2015, 14,195 million yen for FY 2014

* Implementation status of financial audit:

This report on financial results is exempt from audit procedures under the Financial Instruments and Exchange Act of Japan. As of the release of this report, an audit of consolidated financial statements pursuant to the law is in progress.

* Appropriate use of forecasts and other items warranting special mention:

(Note on the forecasts, etc.)

The operating result forecast and other forward-looking statements contained in this report are based on the information currently available to the Company and certain assumptions the Company considers reasonable, and the Company by no means guarantees such achievement. In addition, final results may differ significantly from forecasts due to a variety of factors. With regard to the assumptions for result forecasts, see P. 5 of the attached material, "1. Analysis of Operating Results/Financial Position (1) Analysis of Operating Results."

(How to obtain supplementary materials for financial results)

The Company is scheduled to hold the meeting for results briefing for institutional investors and analysts on Tuesday, May 24, 2016.

Supplementary materials for financial results to be delivered at such meeting are going to be posted on the website of the Company promptly after the meeting.

○Table of Contents to the Attached Materials

1. Analysis of Operating Results/Financial Position.....	P.5
(1) Analysis of Operating Results	P.5
(2) Analysis of Financial Position	P.6
(3) Basic Policy for profit sharing and dividends for the current and next fiscal years.....	P.7
2. Corporate Group	P.8
3. Management Policies.....	P.12
(1) Basic management policies of the Company.....	P.12
(2) Targeted management indexes.....	P.12
(3) Medium to long-term management strategies of the Company.....	P.12
(4) Issues facing the Company.....	P.13
4. Basic stance relating to the selection of accounting standards.....	P.14
5. Consolidated Financial Statements.....	P.15
(1) Consolidated Balance Sheet.....	P.15
(2) Consolidated Income Statements and Statements of Comprehensive Income.....	P.17
Consolidated Income Statements.....	P.17
Consolidated Statements of Comprehensive Income.....	P.18
(3) Consolidated Statements of Changes in Net Assets.....	P.19
(4) Consolidated Statements of Cash Flow	P.21
(5) Note on going-concern assumption	P.22
(6) Significant matters constituting the basis for the preparation of consolidated financial statements.....	P.22
(7) Changes in Accounting Policies.....	P.25
(8) Notes on Consolidated Financial statements.....	P.25
(Consolidated Balance Sheet).....	P.25
(Consolidated Income Statements).....	P.25
(Consolidated Statements of Comprehensive Income).....	P.26
(Consolidated Statements of Changes in Net Assets).....	P.27
(Consolidated Cash Flow Statements)	P.29
(Segment Information, etc.).....	P.30
(Per Share Information)	P.33
6. Non-consolidated Financial Statements.....	P.34
(1) Balance sheet	P.34
(2) Income statements.....	P.36
(3) Statements of Changes in Net Assets.....	P.37
7. Other	P.39
(1) Purchases, orders received and sales	P.39

1. Analysis of Operating Results/Financial Position

(1) Analysis of Operating Results

(i) Operating Results for current consolidated fiscal year

For the current consolidated fiscal year, the economy remained flat in Japan as there was weakness in exports and production, etc., mainly due to a slowdown in emerging countries and a pause in consumer sentiment, as well as terms of consumer spending. But capital investment remained solid amid continuing improvement in corporate earnings. The economy generally showed a gradual recovery trend. Amid a continuing improvement trend in the employment/income environment, the economy is expected to recover gradually mainly due to various economic countermeasures, but there is fear that aspects in the external environment such as a downturn in overseas economies including slower economic growth in China and lower crude oil prices will depress the Japanese economy.

Although the market environment for our Group remains harsh due to increasingly fierce competition, we are striving to improve profitability by creating original added value to achieve further growth and expand our global business by entering growing markets primarily in Asia.

In the System Segment, by increasing the added value of our flagship products - Electronic Article Surveillance Systems and Access Control Systems, developing new markets for RFID Systems, Retail Security Solutions, Cloud-based Wireless LAN Systems - and establishing the Fire Protection System Business conducted in Thailand by Takachiho Fire, Security & Services (Thailand) Ltd. as a core business by expanding to the ASEAN region through the acquisition of Guardfire, we have endeavored to expand our global business. In the Device Segment Semiconductor Business, we have promoted the sale of new telecom-related products and enhancing board design proposals using a variety of semiconductors. In the Industrial Systems Business, we have focused on sales promotions in global markets by promoting the sale of Electronic Lock for overseas ATMs and establishing new sales channels for Mechanical Components in the U.S.

For operating results in the current consolidated fiscal year, sales increased 6.3 percent YOY to 19,986 million yen mainly due to the consolidation of Guardfire's income statement and a recovery in System Segment sales.

In terms of profit/loss status, increased merchandise procurement costs caused by the depreciation of the yen and decreased selling prices arising from increasingly fierce competition resulted in a decreased gross margin, and operating income decreased 36.5 percent YOY to 436 million yen. Ordinary income decreased by 52.5 percent YOY to 410 million yen mainly due to an exchange loss of 75 million yen. Net income attributable to owners of parent decreased to 103 million yen, down 82.5 percent from the previous year when income taxes were low due to transfers of assets.

The operating results of each Segment are as follows:

(System Segment)

System Segment sales increased 19.4 percent YOY to 11,184 million yen and operating income increased 278.3 percent to 83 million yen as the decreased ratio of gross profit margin was covered by increased sales.

For Security Solution Products, sales increased 25.6 percent YOY to 6,994 million yen due to the consolidation of Guardfire's income statement from the current consolidated fiscal year and solid sales of IP Cameras for apparel retailers and GMSs (general merchandise store) and the Electronic Article Surveillance System for DIY stores.

For Other System Solution Products, sales increased 11.7 percent YOY to 1,658 million yen as large deals were recorded for mailing equipment for sending documents related to the Social Security and Tax Number System despite weak growth in sales of RFID systems mainly resulting from a delay in large deals

For Customer Service Products, sales increased 9.2 percent YOY to 2,531 million yen mainly due to increased installation fees arising from increased sales volume in the aforementioned Retail Security Products and Other System Solution Products.

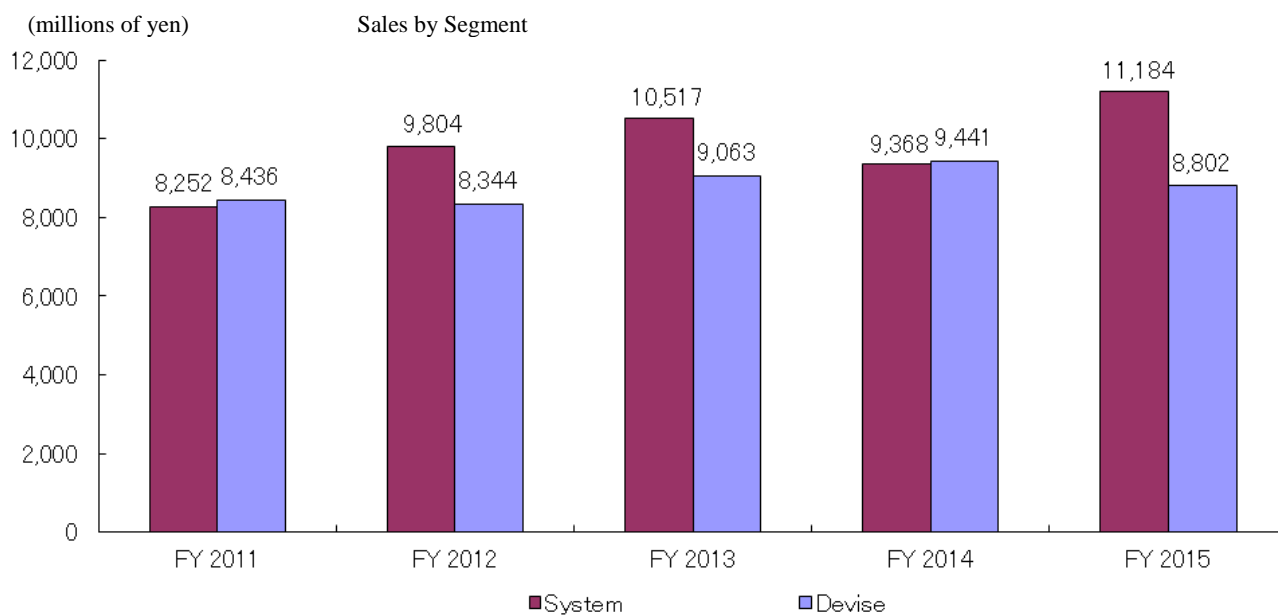
(Device Segment)

Device Segment sales decreased 6.8 percent YOY to 8,802 million yen and operating income decreased 47.0 percent YOY to 348 million yen mainly due to the depreciation of the yen and increasingly fierce competition.

For Semiconductor Products, sales decreased 7.1 percent YOY to 3,448 million yen mainly due to weak sales of products for game machines and the amusement market and weaker demand for PCs despite sales expansion of semiconductors for IP-PBX in the telecommunications market.

For Mechanical Component Products, sales decreased 6.5 percent YOY to 5,353 million yen mainly due to shrinkage of the amusement market and a delay in large deals despite solid sales of Mechanical Components including slide rails and electronic locks for Japanese manufactures' overseas ATM and dampers for car accessory.

* Starting from the current consolidated fiscal year, the classification of reportable segments has been changed. For the previous consolidated fiscal year, values have been reclassified pursuant to the changed reportable segment classification for comparison. The details are as described in "5. Consolidated Financial Statements (8) Notes on Consolidated Financial Statements (Segment Information, etc.)." As a result of this, "Customer Service Segment" is included in "System Segment" and sales and operating income of "System Segment" for the previous consolidated fiscal year increased 2,317 million yen and 247 million yen, respectively.



(ii) Forecast for the next fiscal year

Amid a continuing improvement trend in the employment/income environment, the Japanese economy is expected to recover gradually due to the impact of various economic countermeasures, continuing financial easing and growth in advanced countries, but there is fear that aspects in the external environment such as a downturn in overseas economies including slower economic growth in China and lower crude oil prices will depress the Japanese economy.

Under such circumstances, our Group will strive to achieve further business growth by conducting the medium-term management plan with the slogan of "Challenges toward 2018 - beyond Boundaries -."

Specifically, in the System Segment, we will strive to promote the sales of the composite solution for drug stores, which combines the image recognition with the Electronic Article Surveillance System, RFID systems primarily in apparel market and cloud-based wireless LAN where the market is rapidly growing. As for global business, newly developed distinctive RFID tag (linen tag) will be launched in the Europe and U.S. and the efforts will be made to win deals of the fire protection system for power plants which is expected to enjoy the expansion of demand in ASEAN region. With regard to Device Segment, we will strive to develop industrial equipment area, primarily in telecommunications infrastructure market in Semiconductor Business, and enter into U.S. market through Takachiho America, Inc., a company established last year, in Industrial Systems Business.

For the result forecast for the next fiscal year, we expect net sales to be 22,280 million yen, ordinary income to be 800 million yen and net income attributable to the shareholders of the parent company to be 400 million yen.

Sales forecasts by Segment are as follows:

	System	Device	Total
Net sales (million yen)	13,170	9,110	22,280
Rate of increase compared to FY 2015 (%)	17.8	3.5	11.5

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total assets as of the end of the current consolidated fiscal year decreased 1,585 million yen YOY to 18,253 million yen. This is because while cash and deposits increased 121 million yen and raw materials increased 109 million yen, goodwill, notes and accounts receivable-trade and investment securities decreased 748 million yen, 745 million yen and 239 million yen, respectively, and securities decreased 200 million yen due to redemption of government bonds.

Liabilities decreased 482 million yen YOY to 4,409 million yen. This is because while income taxes payable increased 206 million yen, notes and accounts payable-trade decreased 662 million yen.

Net assets decreased 112 million yen YOY to 13,844 million yen. This is because the foreign currency translation adjustment decreased 357 million yen mainly due to translation of goodwill, etc., retained earnings decreased 306 million yen for acquisition of treasury stock and 211 million yen for payment of dividend and the valuation difference on available-for-sale securities decreased 135 million yen. The Equity ratio increased 0.8 percent from the end of the previous consolidated fiscal year to 75.8 percent.

(ii) Cash flow

Cash and cash equivalents as of the end of the current consolidated fiscal year increased 271 million yen (5.5 %) YOY to 5,158 million yen

(Cash flow from operating activities)

Cash flow from operating activities during the current consolidated fiscal year decreased 884 million yen (70.5 %) YOY to 371 million yen. This is mainly because net income before taxes and minority interests amounted to 448 million yen with accounts payable-trade decreasing 549 million yen, income taxes paid being 156 million yen and inventory assets increasing 109 million yen, whereas amortization of goodwill amounted to 434 million yen, accounts receivable-trade decreased 272 million yen and depreciation amounted to 166 million yen.

(Cash flow from investment)

Cash flow from investment during the current consolidated fiscal year increased 3,000 million yen YOY to 349 million yen. This is mainly because redemption of securities amounted to 200 million yen, withdrawal of term deposits amounted to 150 million yen and sale of investment securities amounted to 101 million yen.

(Cash flow from financing activities)

Cash flow from financing activities during the current consolidated fiscal year decreased 361 million yen YOY to - 591 million yen. This is mainly due to the expenditure for acquisition of treasury stock of 312 million yen and dividend payment of 232 million yen.

Index	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Equity ratio (%)	73.1	74.2	73.9	75.0	75.8
Capital adequacy ratio based on current market value (%)	47.9	47.3	54.4	50.3	47.5
Interest coverage ratio	1,145.2	464.2	262.3	937.1	154.8

Note: The above indexes are calculated according to the following formula:

Equity ratio = Shareholder's equity ÷ Total assets

Capital adequacy ratio based on the current market value = Market capitalization ÷ Total assets

Interest coverage ratio = Operating cash flow ÷ Interest expenses paid

1. Each index is calculated based on the consolidated financial numerical values.
2. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares issued at the end of the fiscal year (after deduction of treasury shares).
3. Operating cash flow represents cash flow from operating activities. Interest expenses paid represent the relevant amount paid in the Consolidated Cash Flow Statements.

(3) Basic Policy for profit sharing and dividends for the current and next fiscal years:

The Company makes it its basic policy to pay dividends in a stable manner and considers it an important business challenge to return profits to our shareholders and to stably and continuously pay dividends. At the same time, we have focused on investment for future growth and through retained earnings for business expansion.

The year-end dividend for the current fiscal year will be 12 yen per share. Since we distributed an interim dividend of 12 yen per share, the total annual dividend will be 24 yen per share. We also plan to continue paying dividends twice a year with the record dates being September 30 and March 31 in the next fiscal year.

2. Corporate Group

Our Group consists of 14 companies, namely, the Company, 10 consolidated subsidiaries, 1 affiliated company, and 2 nonconsolidated subsidiaries. The Group carries out a variety of business operations, and is engaged in export, import and sale of products, and the provision of services such as installation, maintenance, system design and system operation subcontracting by seeking and securing high-tech electronics products from outstanding overseas manufacturers.

The Products currently handled by us are security systems, other system equipment, application software, semiconductor/electronic parts, mechanical components, etc.

The Positioning of products and the correlation between segments and products in our business is as follows:

<System Segment>

(Security Solution Products)

Our Group is engaged in consulting and designing systems in the security of electronic article surveillance/video monitoring, etc., and selling electronic article surveillance systems, access control systems, surveillance cameras, monitoring video recording apparatuses and retail security equipment, such as security tags, as well as store management equipment, such as customer traffic counters and operational support services. The Group conducts sales to a wide variety of customers in the retail and distribution industries, ranging from large-scale stores such as shopping centers to small stores such as drugstores. We are also engaged in designing/establishing Fire Protection Systems for the POG* Business and selling related equipment for office buildings, commercial facilities, power-generating energy-related plants, natural gas/petrochemical plants, etc.

S-Cube k.k. develops and sells self-alarming tag systems for electronic article surveillance and carries out transactions with various customers, including hardware stores and electronic retail stores.

Takachiho Fire, Security & Services (Thailand) Ltd. of Thailand is engaged in consulting and designing systems in the security of electronic article surveillance/video monitoring, etc., and selling electronic article surveillance systems, access control systems, surveillance cameras, Fire Protection Systems, etc.

Guardfire Limited and Guardfire Singapore Pte. Ltd. are engaged in the system design and sale of fire protection systems for the POG* Business in Southeast Asia.

*Fire protection systems for the oil, gas, petrochemical and power generation industries.

(Other System Solution Products)

Our Group is also engaged in designing/establishing cutting-edge electronics technology systems and selling related equipment, such as network system equipment, RFID library systems using IC tags, RFID tags for logistics/inventory control systems, etc., related peripheral equipment and automated postal mail inserters (folding and inserting machines) capable of enclosing postal mail, printing addresses, sorting postal mail, etc.

TK Communication Technology co., Ltd is engaged in consulting and designing systems in enclosing postal mail, printing addresses, sorting postal mail, etc., and selling automated postal mail inserters (folding and inserting machines) and Inkjet Printing Systems and comprehensive management systems for enclosing and sealing operations.

Mighty Card Corporation, as the leading RFID technology company in Japan, is engaged in the system development, sales, etc., of RFID Tags (contactless IC chips) and peripheral equipment (Reader/writer).

(Customer Service Products)

Our Group is engaged in system design, delivery and installation, maintenance, subcontracting of system operations and operational surveillance services for various products handled in the System Segment.

To enhance customer satisfaction through a prompt response, we also offer services 24 hours a day, 365 days a year and from 300 service bases throughout Japan.

TK Communication Technology co., Ltd. is engaged in providing support services for delivery, installation, maintenance, etc., of postal mailing products and improving systems.

<Device Segment>

(Semiconductors Products)

Our group is engaged in sales and consulting (design support for electronic equipment) of various types of semiconductors as represented by analog IC, sensors such as silicon microphone and electronic parts. These products are used in various areas, such as industrial electronics equipment, IP-PBX (private branch exchange) and information-telecommunications equipment including smartphones.

TAKACHIHO KOHEKI (H.K.) Ltd. and TAKACHIHO TRADING (SHANGHAI) Co., Ltd. are engaged in selling the above-mentioned products in China and Southeast Asia.

(Mechanical Component Products)

Our Group is engaged in selling and consulting in mechanical components that enhance safety, convenience and comfort, such as slide rails, gas springs and lifting systems. These products are used for opening and closing/withdrawal/safety mechanism (slide rails/gas springs/cylinder lock systems) of ATMs, etc., at financial institutions and convenience stores, withdrawal/lifting mechanism (slide rails/lifting systems) of built-in kitchen systems, paper feeding mechanism (slide rails/dampers) of copiers, etc.

TAKACHIHO KOHEKI (H.K.) Ltd. and TAKACHIHO TRADING (SHANGHAI) CO., Ltd. are engaged in selling the above-mentioned products in China and Southeast Asia.

Correlation between Segment and Products:

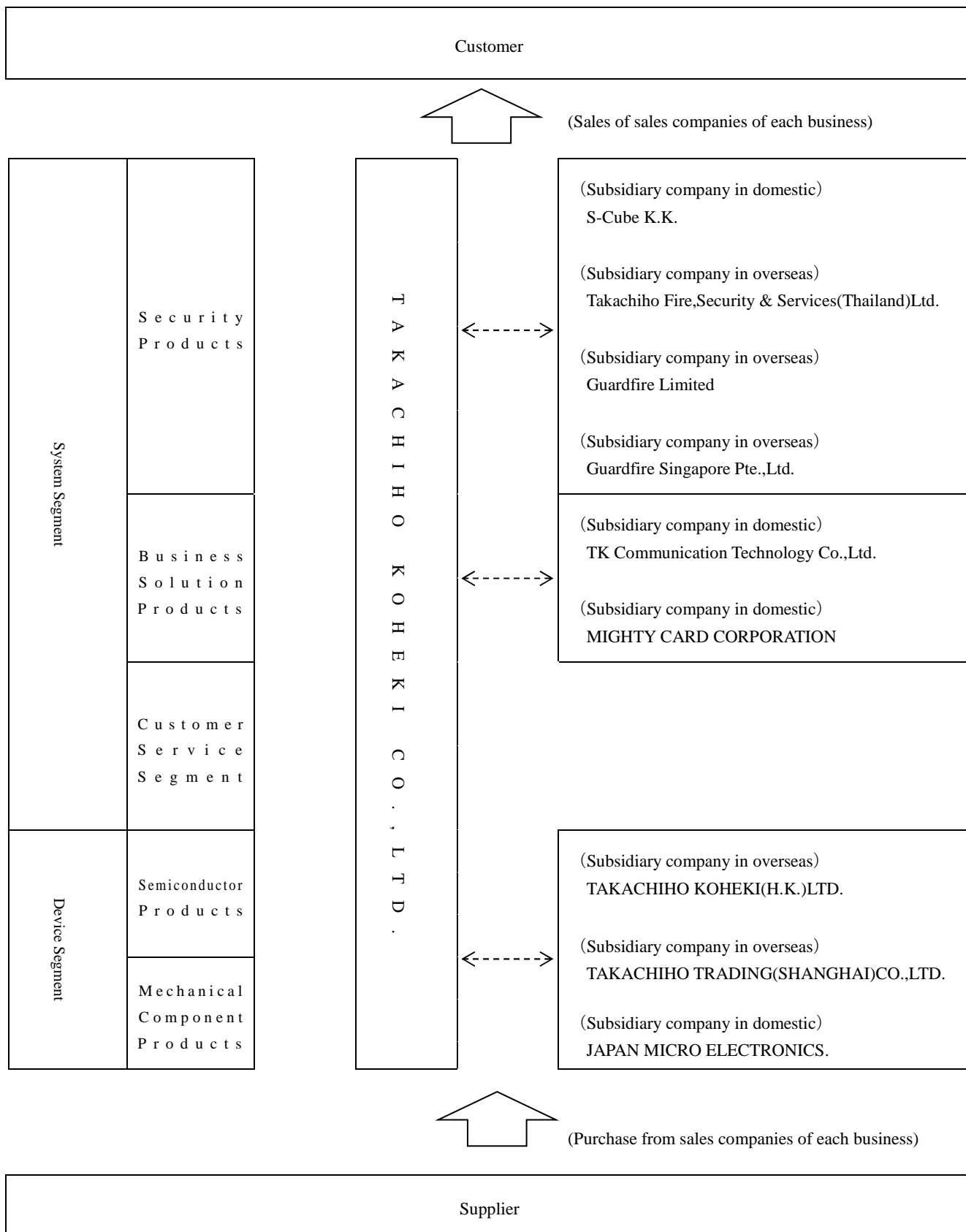
Segment	Contents of main businesses	Principal companies
Systems		
Security Solution Products	Sales and designing/establishment of various types of systems, such as electronic article surveillance systems (shoplifting prevention devices, sensor cable type alarm units, security tags, etc.), video monitoring systems, access control systems and fire protection systems for POG* Business *Fire protection systems for the oil, gas, petrochemical and power generation industries.	TAKACHIHO KOHEKI CO., LTD.
		S-Cube k.k.
		Takachiho Fire, Security & Services (Thailand) Ltd.
		Guardfire Limited
Other System Solution Products	Sales and designing/establishment of various types of systems, such as network system equipment, RFID library systems, RFID tags for logistics/inventory control systems, etc., related peripheral equipment and automated insertion systems (enclosing/sealing machines), etc.	TAKACHIHO KOHEKI CO., LTD.
		Mighty Card Corporation
		TK Communication Technology co., Ltd
Customer Service Products	System design, installation and maintenance, subcontracting of system operations and operational surveillance services for various products in the System Segment.	TAKACHIHO KOHEKI CO., LTD.
		TK Communication Technology co., Ltd
Devices		
Semiconductor Products	Sales of various types of semiconductors (analog ICs, etc.), sensors (silicon microphones, etc.) and electronic parts	TAKACHIHO KOHEKI CO., LTD.
		TAKACHIHO KOHEKI (H.K.) Ltd.
		TAKACHIHO TRADING (SHANGHAI) CO., Ltd.
		Japan Micro Electronics Note 1
Mechanical Component Products	Sales of mechanical components, etc., for safety/labor saving, such as slide rails, gas springs, cylinder lock systems, dampers and lifting systems	TAKACHIHO KOHEKI CO., LTD.
		TAKACHIHO KOHEKI (H.K.) Ltd.
		TAKACHIHO TRADING (SHANGHAI) CO., Ltd.

Notes: 1. Japan Micro Electronics is an equity method affiliate.

2. Terms such as product names and technical terminology:

- (1) Security Tags: Special tags attached to products that enable shoplifting prevention devices to work.
- (2) RFID Library systems: Systems that speed up lending/receiving operations, and automate and improve the efficiency of inventory control by attaching IC chips to books.
- (3) RFID Tags: Special tags with micro IC chips having product information and antennas built in.
- (4) Mail inserters (folding and inserting machines): Automated equipment for selection/enclosing and sealing operations of postal mail
- (5) Slide Rails: Metallic rails with ball bearings built in that enable the easy pulling of heavy loads or drawers.
- (6) Gas Springs: Using nitrogen gas, these springs enable heavy doors to be easily pulled upward or downward through the repulsion force of the gas (e.g., used to open/close the hatchback door of a car).
- (7) Dampers: Cushioning mechanisms that make use of oil viscosity resistance to absorb shock when opening or closing a drawer.

The overview of the Group's business is as follows:



Note: Dotted lines represent transactions within the Group.

3. Management Policies

(1) Basic management policies of the Company

The Company promotes its management based on the corporate philosophy of *creation* at the heart of our business activities and through its technological expertise. As a technology trading company, the company will pursue 3 principal goals: 1. Enhance customer satisfaction; 2. Gain worldwide trust by enhancing our technological expertise, skills and humanity; 3. Contribute to society by making concerted efforts for paving the way to a bright future.

Our group conducts business activities by maintaining Safety/Security/Comfort as a core mission. As a technology trading company, by leveraging our extensive track record and experience and providing highly-specialized solutions, we intend to enhance customer corporate value.

In recognizing our CSR (Corporate Social Responsibility) as a corporate citizen and through the implementation of responsible, sincere and transparent business activities, our Group will promote management that can be trusted by all stakeholders and maintain and improve company's value.

(2) Targeted management indexes

The following are indexes in the medium-term management plan for the final fiscal year of FY2018:

Sales target: 25,500 million yen, Ordinary income target: 1,500 million yen

(3) Medium to long term management strategies of the Company

Our group conducts business in various industries such as finance, manufacturing, retail and information, telecommunications and construction of large plant. Facing rapid changes in the economic environment, our management strategies also need to change correspondingly.

Being confident that satisfying our customers through high-value added proposals is essential to our sustainable growth, we will promote the development of unique products and services by utilizing the creativity at the heart of our business activities.

Our group has established the three-year medium-term management plan with the final fiscal year of FY2018.

(i) Recognition of business environment

Amid the stagnation in the real economy due to the weak growth in the Japanese economy and the instability of overseas economies, in our business areas, the following are expected: the expansion of needs for security arising from a global increase in terrorism and crimes, the expansion of demand for electric power in the Asian region, demand from the Olympic Games ,emergence of new markets such as IoT, cloud for IT and telecommunication and also the expansion of the RFID market. The Company will make efforts for further growth by getting market opportunities.

(ii) Medium-term management policy

Our medium-term management policy is the "Achievement of profit growth through the creation of original solutions and the global businesses expansion" and is designed to build a business foundation which allows us to achieve a V-shaped recovery of profit for attaining ordinary income of 2,000 million yen in FY2020.

For this, we try to create a new market by using our Group strength such like specialized technology and products , regions, customers and experience in our business areas operates in Japan and overseas, with the following challenges under the medium- to long-term slogan "Challenges toward 2018 -Beyond Boundaries-."

Boundary 1: Beyond the boundary between organizations

By integrating the technology and sales networks of each company operating specialized businesses within the Group and we will establish the uniqueness to increase competitiveness.

Boundary 2: Beyond geographical boundaries

Accelerate entries into expanding overseas markets to strengthen growth of the Group.

Boundary 3: Challenge to boundaries of business domain

Build the cycle for boosting revenues by adding new business domains for the Group through the challenges toward the new emergence market.

(iii) Management Strategy

(A). Boost revenues and profit from existing businesses

- a. Strengthen competitiveness through unique system solutions where the strengths of the Group are integrated
- b. Device solutions to increase the value of clients' products through original customization
- c. Strengthen sales/technical support seeking customer satisfaction

(B). Expand our global business

- a. Expand Fire Protection System Business in South East Asia
- b. Accelerate overseas expansion of Industrial mechanical components Business
- c. Promote sales of security business in China and South East Asia
- d. Sell special RFID tags in overseas markets

(C). Create new business

- a. Expand RFID business by developing new markets and solutions
- b. Develop/expand new businesses in growing areas (including EC business, video cloud business and water environment business)

(D). Business management

- a. Realize organizational scheme and globalization, development of human resources to strengthen competitiveness and improvement of employee education system to achieve the medium-term management plan.
- b. Strengthen risk management system corresponding to globalization and expansion of group management
- c. Continuously strengthen the governance system across the Group

(E). Dividend policy

- a. Maintain the basic policy of paying stable dividends and consider stability and continuity, as well as profit return to shareholders as a managerially significant issue
- b. Keep internal reserves for M&As and alliances as growth investment for business expansion

Our group has strived at operating businesses at high speed and low cost by increasing productivity and efficiency. To seek the efficient management of company resources, we will continue to promote following:

- (i) Achieve low cost operation by reducing costs for procuring products and sales and administration expenses
- (ii) Strengthen salesforce through prompt business processing/sophisticated use of IT (information technology).
- (iii) Improve inventory turnover through inventory reduction

Our group will make proactive efforts for CSR activities as a corporate citizen targeting management that can be trusted by all stakeholders.

(4) Issues facing the Company

Aiming for further growth, our Group has lowered the breakeven point through increased gross profits on sales and reduced SG&A expenses, and has also expanded existing and new businesses through enhanced added value and promoted global business. Compared with the plan, ordinary income sharply decreased mainly due to a decline in gross profit margin resulting from increased purchase costs caused by the depreciation of the yen last year and increasingly fierce price competition, a postponement of the construction of oil and gas plants in South East Asia arising from falling crude oil prices and a decline in the global share of Japanese manufacturing.

Under such circumstances, under the slogan of "Challenges toward 2018 -Beyond Boundaries-," our Group will strive for the strategy specifically stated in the aforementioned "(3) Medium- to long-term management strategies of the Company, (iii) Management Strategy" to achieve further growth.

The issues to be solved for that purpose are as follows:

- (i) Boost revenues from existing businesses;
- (ii) Expand our global business
- (iii) Create new business
- (iv) Strengthen the organization and training for human resources
- (v) Strengthen group management and businesses operations

4. Basic stance relating to the selection of accounting standards

Most stakeholders of the Group are domestic shareholders, creditors, and business partners. In addition to considering the fact with the rare need for overseas financing and some burden, etc., from developing a system for preparing consolidated financial statements based on International Accounting Standards, it is our principle for the time being to prepare consolidated financial statements based on the Japanese Accounting Standards.

Furthermore, taking into account the trend of foreign ownership and the trend of the application of International Accounting Standards by other domestic companies in the same industry, etc., we intend to consider applying the International Accounting Standards.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2015)	Current consolidated fiscal year (as of March 31, 2016)
Assets		
Current assets		
Cash and deposits	5,637	5,758
Notes and accounts receivable - trade	6,608	5,863
Securities	700	500
Merchandise and finished goods	2,202	2,218
Raw materials	—	109
Deferred tax assets	124	133
Other	358	421
Allowance for doubtful accounts	(20)	(12)
Total current assets	15,609	14,992
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23	21
Land	166	140
Other, net	170	144
Total property, plant and equipment	※1 360	※1 306
Intangible assets		
Goodwill	2,213	1,465
Other	136	122
Total intangible assets	2,350	1,587
Investments and other assets		
Investment securities	※2 1,012	※2 772
Deferred tax assets	86	172
Other	420	423
Allowance for doubtful accounts	—	(0)
Total investments and other assets	1,519	1,367
Total non-current assets	4,229	3,261
Current assets	19,839	18,253

(Unit: Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2015)	Current consolidated fiscal year (as of March 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,128	2,466
Income taxes payable	70	277
Provision for bonuses	281	244
Provision for directors' bonuses	14	3
Other	750	701
Total current liabilities	4,245	3,693
Non-current liabilities		
Long-term accounts payable - other	26	26
Net defined benefit liability	579	645
Other	41	44
Total non-current liabilities	646	716
Total liabilities	4,892	4,409
Net assets		
Shareholders' equity		
Capital stock	1,207	1,208
Capital surplus	1,169	1,169
Retained earnings	12,405	12,194
Treasury shares	(298)	(604)
Total shareholders' equity	14,483	13,967
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	293	158
Foreign currency translation adjustment	92	(265)
Re-measurements of defined benefit plans	9	(33)
Total accumulated other comprehensive income	396	(140)
Subscription rights to shares	15	17
Non-controlling interests	51	0
Total net assets	14,947	13,844
Total liabilities and net assets	19,839	18,253

(2) Consolidated Income Statements and Statements of Comprehensive Income
(Consolidated Income Statements)

(Unit: Millions of yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Net sales	18,809	19,986
Cost of sales	13,873	15,013
Gross profit	4,935	4,973
Selling, general and administrative expenses	※1 4,247	※1 4,536
Operating income	688	436
Non-operating income		
Interest income	2	3
Dividend income	13	16
Foreign exchange gains	121	—
Insurance income	11	0
Compensation income	20	13
Share of profit of entities accounted for using equity method	0	0
Other	11	20
Total non-operating income	181	55
Non-operating expenses		
Interest expenses	1	2
Foreign exchange losses	—	75
Commission fee	1	2
Other	1	0
Total non-operating expenses	3	80
Ordinary income	865	410
Extraordinary income		
Gain on sales of non-current assets	2	—
Gain on sales of investment securities	0	62
Gain on reversal of subscription rights to shares	12	0
Settlement received	20	—
Total extraordinary income	35	63
Extraordinary losses		
Impairment loss	—	※2 25
Total extraordinary losses	—	25
Profit before income taxes	900	448
Income taxes - current	220	355
Income taxes - deferred	85	(8)
Total income taxes	305	347
Net Income	594	101
Net Income (loss) attributable to non-controlling interests	5	(2)
Net Income attributable to owners of parent	589	103

(Consolidated Statements of Comprehensive Income)

(Unit: Millions of yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Profit(loss)	594	101
Other comprehensive income		
Valuation difference on available-for-sale securities	104	(135)
Foreign currency translation adjustment	79	(356)
Re-measurements of defined benefit plans, net of tax	(30)	(43)
Total other comprehensive income	※1 153	※1 (534)
Comprehensive income	748	(433)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	743	(431)
Comprehensive income attributable to non-controlling interests	5	(2)
Other comprehensive income		

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,197	1,160	11,960	(298)	14,020
Cumulative effects of changes in accounting policies			89		89
Restated balance	1,197	1,160	12,050	(298)	14,110
Changes of items during the period					
Issuance of new shares	9	9			19
Dividends from surplus			(235)		(235)
Profit attributable to owners of parent			589		589
Net changes of items other than shareholders' equity during the period					
Total changes of items during the period	9	9	354	—	373
Balance at the end of the period	1,207	1,169	12,405	(298)	14,483

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	189	13	40	242	27	53	14,343
Cumulative effects of changes in accounting policies							89
Restated balance	189	13	40	242	27	53	14,433
Changes of items during the period							
Issuance of new shares							19
Dividends from surplus							(235)
Profit attributable to owners of parent							589
Net changes of items other than shareholders' equity during the period	104	79	(30)	153	(11)	(1)	140
Total changes of items during the period	104	79	(30)	153	(11)	(1)	513
Balance at the end of the period	293	92	9	396	15	51	14,947

Current Consolidated Fiscal Year (from April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,207	1,169	12,405	(298)	14,483
Changes of items during the period					
Issuance of new shares	1	1			2
Changes arising from changes in the accounting period of consolidated subsidiaries			(82)		(82)
Dividends from surplus			(232)		(232)
Profit attributable to owners of parent			103		103
Acquisition of Treasury Shares				(311)	(311)
Disposition of Treasury Shares		0		5	6
Interest change of a parent company concerned with the business with the non-controlling shareholders		(2)			(2)
Net changes of items other than shareholders' equity during the period					
Total changes of items during the period	1	(0)	(211)	(306)	(515)
Balance at the end of the period	1,208	1,169	12,194	(604)	13,967

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	293	92	9	396	15	51	14,947
Changes of items during the period							
Issuance of new shares							2
Changes arising from changes in the accounting period of consolidated subsidiaries							(82)
Dividends from surplus							(232)
Profit attributable to owners of parent							103
Acquisition of Treasury Shares							(311)
Disposition of Treasury Shares							6
Interest change of a parent company concerned with the business with the non-controlling shareholders							(2)
Net changes of items other than shareholders' equity during the period	(135)	(357)	(43)	(536)	1	(51)	(586)
Total changes of items during the period	(135)	(357)	(43)	(536)	1	(51)	(1,102)
Balance at the end of the period	158	(265)	(33)	(140)	17	0	13,844

(4) Consolidated Statements of Cash Flow

(Unit: millions of yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Profit before income taxes	900	448
Depreciation	136	166
Loss (gain) on sales of investment securities	(0)	(62)
Impairment loss	—	25
Gain on reversal of subscription rights to shares	(12)	(0)
Amortization of goodwill	264	434
Interest and dividend income	(15)	(19)
Interest expenses	1	2
Increase (decrease) in provision for bonuses	(18)	(31)
Increase (decrease) in provision for directors' bonuses	(6)	(10)
Increase (decrease) in allowance for doubtful accounts	3	(8)
Increase (decrease) in net defined benefit liability	(11)	77
Decrease (increase) in notes and accounts receivable - trade	517	272
Decrease (increase) in inventories	364	(109)
Increase (decrease) in notes and accounts payable - trade	(130)	(549)
Increase(decrease)in subscription rights to shares	2	2
Other, net	(137)	(202)
Subtotal	1,856	435
Interest and dividend income received	15	19
Interest expenses paid	(1)	(2)
Income taxes paid	(619)	(156)
Income taxes refund	4	74
Net cash provided by (used in) operating activities	1,255	371
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	150
Purchase of property, plant and equipment	(96)	(73)
Proceeds from sales of property, plant and equipment	170	0
Proceeds from redemption of securities	—	200
Purchase of investment securities	(23)	(0)
Proceeds from sales of investment securities	8	101
Purchase of intangible assets	(30)	(47)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,679)	—
Other, net	0	18
Net cash provided by (used in) investing activities	(2,650)	349
Cash flows from financing activities		
Cash dividends paid	(235)	(232)
Proceeds from issuance of common shares	17	2
Purchase of treasury shares	—	(312)
Repayments of lease obligations	(5)	(3)
Dividends paid to non-controlling interests	(6)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(51)
Other, net	0	5
Net cash provided by (used in) financing activities	(230)	(591)
Effect of exchange rate change on cash and cash equivalents	51	Δ84
Net increase (decrease) in cash and cash equivalents	(1,574)	45
Cash and cash equivalents at beginning of period	6,462	4,887
Increase or decrease in cash and cash equivalents due to change in fiscal period of consolidated subsidiaries	—	225
Cash and cash equivalents at end of period	※ 1 4,887	※ 1 5,158

(5) Note on going-concern assumption

Not applicable

(6) Significant matters constituting the basis for the preparation of consolidated financial statements

(i) Range of consolidation

a. Number of consolidated subsidiaries: 10 companies

Name of consolidated subsidiaries:

S-Cube k.k.

TK Communication Technology co., Ltd

TAKACHIHO KOHEKI (H.K.) Ltd.

TAKACHIHO TRADING (SHANGHAI) Co., Ltd.

Takachiho Fire, Security & Services (Thailand) Ltd.

Mighty Card Corporation

Guardfire Limited

Guardfire Singapore Pte. Ltd.

TK Thai Holdings Co., Ltd.

TK Fire Fighting Co., Ltd.

b. Non-consolidated subsidiaries

Name of non-consolidated subsidiaries:

TKTEC K.K.

Takachiho America, Inc.

They are small companies with an insignificant effect, and are unconsolidated.

(ii) Application of equity method

a. Affiliated company accounted for by the equity method

Name of affiliated company under the application of equity method:

Japan Micro Electronics K.K.

b. Non-consolidated subsidiaries not accounted for by equity method

Names of non-consolidated subsidiaries not accounted for by equity method:

TKTEC K.K.

Takachiho America, Inc.

They are small companies with an insignificant effect, and are not accounted for by the equity method.

(iii) Fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, TAKACHIHO KOHEKI (H.K.) Ltd.; TAKACHIHO TRADING (SHANGHAI) Co., Ltd. close accounts on December 31. In preparing the consolidated financial statements, their financial statements as of the same day were used. For significant transactions conducted from December 31 to the consolidated closing date, adjustments necessary for consolidation were made.

(iv) Accounting criteria

a. Criteria and methods for evaluating significant assets

(A) Securities

i. Held-to-maturity bonds

Amortized cost method (straight line method)

ii. Other securities

Those with fair market value

Market value method, based on the market price as of the last day of the consolidated fiscal year (Appraisal differences are handled by means of the direct net asset influx method and their cost is based on the gross average method)

Those without fair market value

Evaluated at cost by gross average method

(B) Inventory

Mainly the cost method based on the moving average method (balance sheet values are calculated using the book value reduction method based on a decline in profitability)

b. Depreciation method of significant depreciable assets

(A) Property, plant and equipment (excluding leased assets)

The straight line method was used for tools, furniture and fixtures of the Company and some consolidated

subsidiaries, while the declining balance method was used for buildings, structures and vehicles of the Company and property, plant and equipment of some consolidated subsidiaries.

For buildings acquired on or after April 1, 1998 (excluding building accessories), the straight line method was used.

main useful life:

Buildings and structures: 10-50 years

Tools, furniture, and fixtures: 2-20 years

With regard to property, plant, and equipment acquired on or before March 31, 2007, the method where they are equally depreciated for 5 years from the year after depreciation is completed up to upper limit of depreciable amount was used.

(B) Non-current intangible assets

The straight-line method was used.

The amortization period is the internally usable period (5 years) for software for internal use and the estimated effective life (3 years) for software for sale

(C) Leased assets

Leased assets associated with financial lease transactions that do not transfer ownership to the lessee

The straight-line method was used, assuming the lease period as the useful life and no residual value.

c. Criteria for provision of significant allowance and reserves

(A) Allowance for doubtful accounts

To prepare for credit losses, an allowance equal to the estimated amount of uncollectable claims was provided.

i. General claims

The method based on actual percentage of bad debts was used

ii. Doubtful claims, claims in bankruptcy and reorganization claims

An allowance equal to the estimated amount of uncollectable claims was provided after reviewing the collectability of each claim.

(B) Provision for bonuses

To prepare for the payment of bonuses to employees, among the estimated amount to be paid in the future, the portion attributable to the current consolidated fiscal year was provided.

(C) Provision for directors' bonuses

To prepare for the payment of bonuses to directors, among the estimated amount to be paid in the future, the portion attributable to the current consolidated fiscal year was provided.

d. Criteria for recording liabilities associated with retirement benefits

To prepare for the payment of retirement allowances to employees, based on the retirement benefit obligations and pension assets estimated at the end of the current consolidated fiscal year, the amount recognized to accrue at the end of the current consolidated fiscal year was recorded. In calculating the retirement benefit obligations, estimated retirement benefits were attributed to the period until the end of the current consolidated fiscal year, based on the benefit formula.

Actuarial differences distributed by specific years (5 years) within the average remaining service period of employees as of their occurrence were mainly expensed from the following consolidated fiscal year.

Unrecognized actuarial differences were recorded at re-measurements of defined benefit plans of accumulated other comprehensive income in the net assets after the adjustment of tax effects.

To prepare for the payment of retirement allowances to executive officers, additionally, the base amount at the end of the current consolidated fiscal year was recorded according to the internal rules on executive officers.

e. Criteria for recognizing significant revenues and expenses

Criteria for recognizing amount and cost of completed works

(A) Works that will have a certain portion completed by end of the current consolidated fiscal year are recognized

Percentage of completion basis

(B) Other works

Completion basis

f. Criteria for converting significant foreign currency assets or liabilities into Japanese yen

Foreign currency monetary claims and liabilities are converted into Japanese yen at the exchange rate at the end of the consolidated fiscal year and differences in conversion are recorded in profit or loss. Assets and liabilities and income and expenses of foreign subsidiaries are converted into Japanese yen at the rate of the closing date and differences in conversion are recorded in the foreign currency translation adjustment of the net assets

g. Amortization method and period of goodwill

Goodwill was equally amortized over its effective period (5-8 years).

h. Scope of cash in consolidated cash flow statements

Cash in the consolidated cash flow statements (cash and cash equivalents) include cash on hand, deposits that can be withdrawn at any time and liquid short-term investments with little risk of fluctuation in value with a period to maturity of 3 months or less

i. Other significant matters for the preparation of consolidated financial statements

Accounting treatment of consumption taxes

Consumption tax and local consumption tax are accounted for on a tax-excluded basis and non-deductible consumption tax and local consumption tax are accounted for as an expense in the current consolidated fiscal year.

(7) Changes in Accounting Policies

(Application of the Accounting Standards for Business Combination)

We have applied the “Accounting Standards for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), “Accounting Standards for Consolidated Financial Statements” (ASBJ Statement No. 22 of September 13, 2013) and “Accounting Standards for Business Divestitures” (ASBJ Statement No. 7 of September 13 of 2013) from the current consolidated fiscal year, and recorded as capital surplus differences arising from changes in our interests in subsidiaries when we continue to control the subsidiaries, and also changed to the method in which expenses related to acquisitions are recorded in the consolidated fiscal year when incurred. Also for business combinations to be conducted after the beginning of the current consolidated fiscal year, we have changed to the method for which the review of a distributed amount of acquisition cost resulting from the determination of interim accounting treatment is reflected in the consolidated financial statements for the consolidated fiscal year in which the date of business combination falls. In addition, the presentation of net income was changed from a minority interest to a non-controlling interest. To reflect the changes in presentation, the consolidated financial statements for the previous consolidated fiscal year were reclassified.

In the cash flow statement for the current consolidated fiscal year, cash flow related to the acquisition of shares of subsidiaries not accompanied with changes in the scope of consolidation is stated in “Cash flow from financial activities.”

The Accounting Standards for business combination, etc., are applied in accordance with the provisional treatment set out in Article 58-2 (4) of the Accounting Standards for Business Combinations, Article 44-5 (4) of the Consolidated Accounting Standards and Article 57-4 (4) of the Accounting Standards for Business Divestitures. They are applied from the beginning of the current consolidated fiscal year to the future.

They have an insignificant effect on operating income, ordinary income and net income before taxes for the current consolidated fiscal year. They also have an insignificant effect on the capital surplus at the end of the current consolidated fiscal year.

(8) Notes on Consolidated Financial Statements

(Consolidated Balance Sheet)

*1 Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (as of March 31, 2015)	Current consolidated fiscal year (as of March 31, 2016)
	787 million yen	841 million yen

*2 Item related to non-consolidated subsidiaries and affiliated companies

	Previous consolidated fiscal year (as of March 31, 2015)	Current consolidated fiscal year (as of March 31, 2016)
Investment securities(Stocks)	65 million yen	65 million yen

(Consolidated Income Statements)

*1 Major expenses and amounts of selling, general and administrative expenses

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
	million yen	million yen
Salary and allowances	1,474	Salary and allowances 1,517
Provision for bonuses	236	Provision for bonuses 204
Provision for directors' bonuses	14	Provision for directors' bonuses 3
Retirement benefit cost	47	Retirement benefit cost 108
Rent	416	Rent 427
Depreciation	108	Depreciation 138

*2 Impairment loss

For the current consolidated fiscal year, our Group posted an impairment loss for the following asset group:

Location	Use	Type
Yura, Yura-cho, Sumoto-shi, Hyogo Prefecture, Japan and other two places	Idle assets	Land

Our Group fundamentally groups business assets by type of business and idle assets by each asset. For the current consolidated fiscal year, with regard to the asset group with the collectible value being remarkably lower than book value of idle assets not used for business, an impairment loss of 25 million yen was recorded. All impairment losses are related to land.

The collectible amount is measured at net selling value, based on the real estate appraisal value.

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustment and tax effects related to other comprehensive income

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities:	million yen	million yen
Current accrued amount	144	(138)
Reclassification adjustment	—	(62)
Before adjustment of tax effect	144	(201)
Tax effects	(40)	66
Valuation difference on available-for-sale securities	104	(135)
Foreign currency translation adjustment:		
Current accrued amount	79	(356)
Re-measurements of defined benefit plans:		
Current accrued amount	(8)	(61)
Reclassification adjustment	(38)	(0)
Before adjustment of tax effect	(47)	(62)
Tax effects	17	19
Re-measurements of defined benefit plans	(30)	(43)
Total other comprehensive income	153	(534)

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Type and total number of shares issued and type and number of treasury shares

	Number of shares at the beginning of the current consolidated fiscal year (shares)	Increase in shares during the current consolidated fiscal year (shares)	Decrease in shares during the current consolidated fiscal year (shares)	Number of shares at the end of the current consolidated fiscal year (shares)
Shares issued				
Common stock (Note)	10,147,800	19,500	—	10,167,300
Total	10,147,800	19,500	—	10,167,300
Treasury shares				
Common stock	349,807	—	—	349,807
Total	349,807	—	—	349,807

(Note) 19,500 share increase in total number of issued common stock is due to the new shares issued upon exercise of subscription rights to shares

2. Subscription rights to shares and treasury subscription rights to shares

Segment	Breakdown of subscription rights to shares	Type of stock subject to subscription rights to shares	Number of shares subject to subscription rights to shares (share)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase during the current consolidated fiscal year	Decrease during the current consolidated fiscal year	End of the current consolidated fiscal year	
TAKACHIHO KOHEKI CO., LTD.	Subscription rights to shares as stock option	—	—	—	—	—	15
Total		—	—	—	—	—	15

3. Dividends

(1) Dividends paid

(Resolution)	Type of stock	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 26, 2014	Common stock	117	12.00 yen	March 31, 2014	June 27, 2014
Board of directors' meeting held on November 7, 2014	Common stock	117	12.00 yen	September 30, 2014	December 3, 2014

(2) Among dividends whose record date belongs to the current consolidated fiscal year, those whose effective date falls in the next consolidated fiscal year

(Resolution)	Type of stock	Total dividends (million yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 26, 2015	Common stock	117	Retained earnings	12.00 yen	March 31, 2015	June 29, 2015

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Type and total number of shares issued and type and number of treasury shares

	Number of shares at the beginning of the current consolidated fiscal year (shares)	Increase in shares during the current consolidated fiscal year (shares)	Decrease in shares during the current consolidated fiscal year (shares)	Number of shares at the end of the current consolidated fiscal year (shares)
Shares issued				
Common stock (Note1)	10,167,300	3,000	—	10,170,300
Total	10,167,300	3,000	—	10,170,300
Treasury shares				
Common stock (Note2,3)	349,807	290,050	6,000	633,857
Total	349,807	290,050	6,000	633,857

(Note) 1. 3,000-share increase in total number of issued common stock is due to the new shares issued upon exercise of subscription rights to shares.

2. The 290,050 share increase in common treasury stock is due to a 290,000 share increase resulting from an acquisition of treasury shares upon the resolution of the board of directors and a 50 share increase resulting from the purchase of shares less than 1 unit.

3. The 6,000 share decrease in common treasury stock is due to the exercise of subscription rights.

2. Subscription rights to shares and treasury subscription rights to shares

Segment	Breakdown of subscription rights to shares	Type of stock subject to subscription rights to shares	Number of shares subject to subscription rights to shares (share)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase during the current consolidated fiscal year	Decrease during the current consolidated fiscal year	End of the current consolidated fiscal year	
TAKACHIHO KOHEKI CO., LTD.	Subscription rights to shares as stock option	—	—	—	—	—	17
Total		—	—	—	—	—	17

3. Dividends

(1) Dividends paid

(Resolution)	Type of stock	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 26, 2015	Common stock	117	12.00 yen	March 31, 2015	June 29, 2015
Board of directors' meeting held on November 6, 2015	Common stock	114	12.00 yen	September 30, 2015	December 3, 2015

(2) Among dividends whose record date belongs to the current consolidated fiscal year, those whose effective date falls in the next consolidated fiscal year

(Resolution)	Type of stock	Total dividends (million yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 28, 2016	Common stock	114	Retained earnings	12.00 yen	March 31, 2016	June 29, 2016

(Consolidated Cash Flow Statements)

*1 Relationship between ending balance of cash and cash equivalents and amounts of accounts stated on the consolidated balance sheet

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
	million yen	million yen
Cash and deposits account	5,637	5,758
Negotiable deposits in the securities account	500	500
Fixed deposits for more than 3 months	(1,250)	(1,100)
Cash and cash equivalents	4,887	5,158

(Segment Information, etc.)

[Segment Information]

1. Summary of reporting segments

Our group's reporting segments are that among components of our group separated financial information is available, and they are regularly reviewed by the board of directors to evaluate decisions concerning the allocation of management resources and business results.

Our group establishes organizational units suited to the characteristics of products/services and prepares comprehensive strategies for Japan and overseas.

Therefore, our group is composed of segments based on the characteristics of products/services. The three reporting segments are System and Device.

The Systems segment provides consulting of system equipment and design, sale and operational services for systems, in particular security products. The Device segment sells products such as semiconductors and mechanical components and offers consulting services for these products.

(Changes in reporting segments)

From the current consolidated fiscal year, the conventional three reporting segments of system, device, and customer service changed to the two reporting segments of system and device.

This change is based on a review of the conventional segment classification after the expansion of overseas business where actual business management is presented more appropriately through the integration and management of the conventional customer service segment, which had been engaged in system design, delivery and installation, and maintenance of products from the system segment.

Segment information for the last consolidated fiscal year is based on the changed segment classification.

2. Methods for calculating amounts of sales, profit or loss, assets, liabilities and other items for each reporting segment

Reported accounting methods for business segments are almost the same as those described in the significant matters constituting the basis for the preparation of the consolidated financial statements

3. Information concerning amounts of sales, profit or loss, assets, liabilities and other items for each reporting segment

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements (Note) 2
Sales					
Sales to external customers	9,368	9,441	18,809	—	18,809
Internal sales and transfers between segments	—	—	—	—	—
Total	9,368	9,441	18,809	—	18,809
Segment profit	22	657	679	8	688
Segment assets	9,806	4,203	14,009	5,830	19,839
Other items					
Depreciation	49	25	74	61	136
Amortization of goodwill	264	—	264	—	264
Investment to entities accounted for using equity methods	—	10	10	—	10
Increases in property, plant and equipment and non- current intangible assets	29	74	103	32	136

(Note) 1. Adjustments are as follows:

(1) Adjustments to segment profit of 8 million yen are consolidation adjustments.

(2) Adjustments to segment assets of 5,830 million yen include the consolidation adjustment of 1 million yen and the whole-company assets of 5,828 million yen not allocated to reporting segments. The whole-company assets mainly represent surplus working assets (cash and securities), funds for long-term investment (investment securities) and assets related to administrative departments such as the general affairs department.

(3) Adjustments to depreciation of 61 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.

(4) Adjustments to increases in property, plant and equipment and intangible fixed assets of 32 million yen are mainly increased assets related to administrative departments such as the general affairs department.

2. Segment profit is reconciled to operating income on the consolidated income statements

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements (Note) 2
Sales					
Sales to external customers	11,184	8,802	19,986	—	19,986
Internal sales or transfers between segments	—	—	—	—	—
Total	11,184	8,802	19,986	—	19,986
Segment profit or loss	83	348	431	4	436
Segment assets	9,065	3,561	12,627	5,626	18,253
Other items					
Depreciation	60	42	102	64	166
Amortization of goodwill	434	—	434	—	434
Impairment loss	—	—	—	25	25
Investment to entities accounted for using equity methods	—	10	10	—	10
Increase in property, plant and equipment and non-current intangible assets	63	17	81	39	120

(Note) 1. Adjustments are as follows:

- (1) Adjustments to segment profit or loss of 4 million yen are consolidated adjustments.
 - (2) Adjustments to segment assets of 5,626 million yen include consolidated adjustments of 0 million yen and the whole-company assets of 5,626 million yen not attributed to reporting segments. The whole-company assets mainly represent surplus working capital (cash and securities), funds for long-term investment (investment securities) and assets related to administrative departments such as the general affairs department.
 - (3) Adjustments to depreciation of 64 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.
 - (4) Adjustments to impairment loss of 25 million yen are mainly impairment loss of idle land.
 - (5) Adjustments to increase in property, plant and equipment and non-current intangible assets of 39 million yen are mainly increases in assets related to administrative departments such as the general affairs department.
2. Segment profit or loss is reconciled to operating income on the consolidated income statements.

[Related Information]

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Information by product and service

Description is omitted because product and service segments are the same as reporting segments.

2. Information by region

(1) Sales

(Unit: millions of yen)

Japan	Asia	Other	Total
14,581	4,022	205	18,809

(Note) 1 Sales are classified by country or region, based on the location of customers.

2 Method for classifying country or region

Based on the geographic proximity

3 Major countries or regions in segments

Asia: countries in East and South East

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan is above 90% of that in the consolidated balance sheet.

3. Information by major customer

Description is omitted because among sales to external customers, there are no sales to a specific customer accounting for 10% or more of sales in the consolidated income statements.

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

1. Information by product and service

Description is omitted because product and service segments are the same as reporting segments.

2. Information by region

(1) Sales

(Unit: millions of yen)

Japan	Asia	Other	Total
14,641	4,996	348	19,986

(Note) 1 Sales are classified by country or region, based on the location of customers.

2 Method for classifying country or region

Based on the geographic proximity

3 Major countries or regions in segments

Asia: countries in East and South East

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan is above 90% of that in the consolidated balance sheet.

3. Information by major customer

Description is omitted because among sales to external customers, there are no sales to a specific customer accounting for 10% or more of sales in the consolidated income statements.

(Per Share Information)

Item	Previous consolidated fiscal year	Current consolidated fiscal year
Net assets per share	1,515.65 yen	1,449.95 yen
Net income per share	60.13 yen	10.79 yen
Fully diluted net income per share	59.96 yen	10.77 yen

(Note) 1. Basis for calculating net assets per share:

Item	Previous consolidated fiscal year year (as of March 31, 2014)	Current consolidated fiscal year year (as of March 31, 2015)
Total net assets in the consolidated balance sheet (million yen)	14,947	13,844
Net assets associated with common stock (million yen)	14,879	13,827
Major breakdown items of differences (million yen)		
Subscription rights to shares	15	17
Minority interests	51	0
Number of issued common stock (thousand shares)	10,167	10,170
Number of common stock for treasury (thousand shares)	349	633
Number of common stock used to calculate net assets per share (thousand shares)	9,817	9,536

2. Basis for calculating net income per share and fully diluted net income per share:

Item	Previous consolidated fiscal year fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year fiscal year (from April 1, 2015 to March 31, 2016)
Net income in the consolidated income statements (million yen)	589	103
Net income associated with common stock (million yen)	589	103
Amount not attributable to common stockholders (million yen)	—	—
Average number of common stock during the period (thousand shares)	9,810	9,568
Fully diluted net income per share		
Adjustments to net income (million yen)	—	—
Increases in common stock used to calculate fully diluted net income per share (thousand shares)	27	21
Subscription rights to shares		
Summary of dilutive shares not included to calculate fully diluted net income per share because of no dilutive effect	—	Stock options granted by a resolution of the board of directors on July 17, 2015 (Subscription rights to shares: 58 units) Common stock: 87,000 shares

(Significant Subsequent Event)

Not applicable

6. Non-consolidated Financial Statements

(1) Balance sheet

(Unit: millions of yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	3,539	3,694
Notes receivable - trade	672	493
Electronically recorded monetary claims - operating	301	308
Accounts receivable - trade	3,214	3,139
Securities	700	500
Merchandise and finished goods	1,305	1,430
Short-term loans receivable	841	300
Deferred tax assets	92	82
Other	362	345
Allowance for doubtful accounts	(16)	(0)
Total current assets	11,012	10,296
Non-current assets		
Property, plant and equipment		
Buildings, net	10	9
Tools, furniture and fixtures, net	136	119
Land	166	140
Other, net	7	5
Total property, plant and equipment	320	275
Intangible assets	95	65
Investments and other assets		
Investment securities	946	706
Shares of subsidiaries and associates	4,569	5,647
Deferred tax assets	73	129
Other	664	277
Allowance for doubtful accounts	(0)	—
Total investments and other assets	6,254	6,761
Total non-current assets	6,670	7,102
Total assets	17,682	17,398

(Unit: millions of yen)

	Previous consolidated fiscal year (As of March 31, 2015)	Current consolidated fiscal year (As of March 31, 2016)
Liabilities		
Current liabilities		
Notes payable - trade	103	93
Electronically recorded obligations - operating	449	280
Accounts payable - trade	1,661	1,643
Income taxes payable	9	179
Provision for bonuses	209	182
Provision for directors' bonuses	9	—
Other	521	553
Total current liabilities	2,964	2,932
Non-current liabilities		
Long-term accounts payable - other	26	26
Provision for retirement benefits	462	469
Other	17	17
Total non-current liabilities	506	512
Total liabilities	3,470	3,445
Net assets		
Shareholders' equity		
Capital stock	1,207	1,208
Capital surplus		
Legal capital surplus	1,169	1,170
Other capital surplus	0	0
Total capital surpluses	1,169	1,171
Retained earnings		
Legal retained earnings	198	198
Other retained earnings		
General reserve	9,395	9,395
Retained earnings brought forward	2,229	2,407
Total retained earnings	11,823	12,001
Treasury shares	(298)	(604)
Total shareholders' equity	13,901	13,776
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	293	158
Total valuation and translation adjustments	293	158
Subscription rights to shares	15	17
Total net assets	14,211	13,952
Total liabilities and net assets	17,682	17,398

(2) Income Statements

(Unit: millions of yen)

	Previous consolidated fiscal year (from March 31, 2014 to March 31, 2015)	Current consolidated fiscal year (from March 31, 2015 to March 31, 2016)
Net sales	14,710	14,702
Cost of sales	11,222	11,378
Gross profit	3,487	3,323
Selling, general and administrative expenses	2,746	2,725
Operating income	741	597
Non-operating income		
Interest income	27	37
Dividend income	174	50
Foreign exchange gains	127	—
Insurance income	11	0
Other	3	8
Total non-operating income	345	97
Non-operating expenses		
Interest expenses	1	2
Commission fee	1	2
Foreign exchange losses	—	69
Other	0	0
Total non-operating expenses	3	74
Ordinary income	1,083	620
Extraordinary income		
Gain on sales of non-current assets	2	—
Gain on sales of investment securities	0	62
Gain on sales of shares of subsidiaries	1	—
Gain on reversal of subscription rights to shares	12	0
Total extraordinary income	17	63
Extraordinary losses		
Impairment loss	—	25
Total extraordinary losses	—	25
Profit before income taxes	1,100	658
Income taxes - current	130	227
Income taxes - deferred	79	20
Total income taxes	210	248
Profit	890	410

(3) Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at the beginning of the period	1,197	1,159	0	1,160	198	9,395	1,485	11,078
Cumulative effects of changes in accounting policies							89	89
Restated balance	1,197	1,159	0	1,160	198	9,395	1,574	11,168
Changes of items during the period								
Issuance of new shares	9	9		9				
Dividends from surplus							(235)	(235)
Net income							890	890
Net changes of items other than shareholders' equity during the period								
Total changes of items during the period	9	9	—	9	—	—	654	654
Balance at the end of the period	1,207	1,169	0	1,169	198	9,395	2,229	11,823

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of the period	(298)	13,138	189	189	27	13,354
Cumulative effects of changes in accounting policies		89				89
Restated balance	(298)	13,227	189	189	27	13,444
Changes of items during the period						
Issuance of new shares		19				19
Dividends from surplus		(235)				(235)
Net income		890				890
Net changes of items other than shareholders' equity during the period			104	104	(11)	92
Total changes of items during the period	—	673	104	104	(11)	766
Balance at the end of the period	(298)	13,901	293	293	15	14,211

Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at the beginning of the period	1,207	1,169	0	1,169	198	9,395	2,229	11,823
Changes of items during the period								
Issuance of new shares	1	1		1				
Dividends from surplus							(232)	(232)
Net income							410	410
Acquisition of Treasury Shares								
Disposition of Treasury Shares			0	0				
Net changes of items other than shareholders' equity during the period								
Total changes of items during the period	1	1	0	1	—	—	177	177
Balance at the end of the period	1,208	1,170	0	1,171	198	9,395	2,407	12,001

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of the period	(298)	13,901	293	293	15	14,211
Changes of items during the period						
Issuance of new shares		2				2
Dividends from surplus		(232)				(232)
Net income		410				410
Acquisition of Treasury Shares	(311)	(311)				(298)
Disposition of Treasury Shares	5	6				6
Net changes of items other than shareholders' equity during the period			(135)	(135)	1	(133)
Total changes of items during the period	(306)	(124)	(135)	(135)	1	(258)
Balance at the end of the period	(604)	13,776	158	158	17	13,952

7. Other

(1) Purchases, orders received and sales

(i) Actual results of purchases

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
System	5,656	7,508
Device	7,272	6,855
Total	12,928	14,363

(ii) Actual results of orders received

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)		Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)	
	Orders received	Backlog of orders	Orders received	Backlog of orders
System	9,335	3,200	10,854	3,077
Device	9,531	1,514	8,706	1,418
Total	18,866	4,715	19,560	4,496

(iii) Actual results of sales

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)
Security Solution Products	5,566	6,994
Other System Solution Products	1,484	1,658
Customer Service Products	2,317	2,531
System Total	7,050	11,184
Semiconductors Products	3,712	3,448
Mechanical Component Products	5,728	5,353
Device Total	9,441	8,802
Total	18,809	19,986

(Note) From the consolidated fiscal year, the three segment classification of “System,” “Device” and “Customer Service” has been changed to the two segment classification of “System” and “Device.”

“Customer Service Segment” is included in “System Segment” and the segment information for the previous consolidated fiscal year is based on the changed classification method.