

# Financial Results for the Second Quarter of FY 2017 [Based on the Japanese Accounting Standards] (Consolidated)

November 2, 2017

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,  
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 Registration date of quarterly report: November 9, 2017  
 Date of dividends payment: December 5, 2017

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

## 1. Consolidated Financial Results for the Second Quarter of FY 2017 (from April 1, 2017 to September 30, 2017)

### (1) Consolidated Operating Results (Cumulative) (Percent figures represent changes from the same period last year)

|                           | Net sales   |        | Operating income |        | Ordinary income |      | Quarterly net income attributable to the shareholders of the parent company |      |
|---------------------------|-------------|--------|------------------|--------|-----------------|------|---|------|
|                           | million yen | %      | million yen      | %      | million yen     | %    | million yen   | %    |
| Second quarter of FY 2017 | 9,415       | 7.2    | 211              | 66.7   | 252             | 29.0 | 123   | 60.2 |
| Second quarter of FY 2016 | 8,780       | (15.6) | 126              | (47.6) | 196             | 10.8 | 77  | -    |

Note: Comprehensive income: 328 million yen —% for the second quarter of FY 2017  
 (227) million yen —% for the second quarter of FY 2016

|                           | Quarterly net income per share | Fully diluted quarterly net income per share |
|---------------------------|--------------------------------|--|
| Second quarter of FY 2017 | 13.23 yen                      | 13.22 yen                                    |
| Second quarter of FY 2016 | 8.10                           | -  |

### (2) Consolidated Financial Position

|                           | Total assets       | Net assets         | Equity ratio | Net assets per share |
|---------------------------|--------------------|--------------------|--------------|----------------------|
| Second quarter of FY 2017 | 18,485 million yen | 14,051 million yen | 76.0%        | 1,503.80 yen         |
| FY 2016                   | 18,561             | 13,834             | 74.5         | 1,480.61             |

Reference: Owner's equity: 14,042 million yen for the second quarter of FY 2017  
 13,825 million yen for FY 2016

## 2. Dividends

|                  | Annual cash dividends per share |                    |                    |                    |           |
|------------------|---------------------------------|--------------------|--------------------|--------------------|-----------|
|                  | At 1st quarter end              | At 2nd quarter end | At 3rd quarter end | At fiscal year end | Total     |
| FY 2016          | -                               | 12.00 yen          | -                  | 12.00 yen          | 24.00 yen |
| FY 2017          | -                               | 12.00              | -                  | 12.00              | 24.00     |
| FY 2017 forecast | -                               | -                  | -                  | 12.00              | 24.00     |

Note: Revisions to the most recently disclosed dividend forecasts: None

## 3. Forecast of Consolidated Operating Results for FY 2017 (from April 1, 2017 to March 31, 2018)

(Percent figures represent year-on-year changes)

|         | Net sales   |      | Operating income |      | Ordinary income |      | Net income attributable to the shareholders of the parent company |       | Net income per share |
|---------|-------------|------|------------------|------|-----------------|------|---|-------|----------------------|
|         | million yen | %    | million yen      | %    | million yen     | %    | million yen   | %     | yen                  |
| FY 2017 | 21,000      | 10.3 | 1,000            | 99.8 | 1,000           | 42.8 | 650   | 132.4 | 69.61                |

Note: Revisions to the most recently disclosed forecast of operating results: None

\* Notes:

- (1) Changes to principal subsidiaries for the current consolidated cumulative quarter (changes to specified subsidiary companies accompanying changes to the scope of consolidation): None
- (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies and estimates, and retrospective restatement:
  - (i) Changes in accounting policies due to amendments of accounting standards: None
  - (ii) Changes in accounting policies other than (i) above: None
  - (iii) Changes in accounting estimates: None
  - (iv) Retrospective restatement: None

(4) Number of shares issued (common stock)

- (i) Number of shares issued at the end of the period (including treasury shares)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares issued during the period (QTD)

|            |            |            |            |
|------------|------------|------------|------------|
| FY 2017 2Q | 10,171,800 | FY 2016    | 10,171,800 |
| FY 2017 2Q | 833,957    | FY 2016    | 833,957    |
| FY 2017 2Q | 9,337,843  | FY 2016 2Q | 9,524,970  |

\* This quarterly financial summary is not subject to audit quarter review.

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

(Notes to the forecasts)

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.

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## 1. Qualitative information on financial results for the current quarter

### (1) Explanation of Operating Results

For the current consolidated cumulative second quarter, the economy in Japan showed a continuing recovery trend with an increasing trend in exports and improvement in capital investment. It also experienced a gradual recovery in consumer spending backed by steady improvement in the employment/income environment.

For the outlook, amid the continuing improvement trend in the employment/income environment, the economy is expected to recover gradually due to various economic countermeasures. But it is necessary to note the overseas situations, such as geopolitical risk, BREXIT, and the operation of economic policies in the United States.

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, we have made efforts to increase the added value of our flagship products, Electronic Article Surveillance Systems and Access Control Systems, to develop new markets for RFID Systems, Retail Security Solutions, and Cloud-based Wireless LAN Systems, and to expand the Fire Protection System Business, which is operated in Thailand and the ASEAN region.

In the Device Segment Semiconductor Business, we have promoted sales in the telecom infrastructure area and increasing added value, such as unique board designs using a variety of semiconductors. In the Industrial Systems Business, we have focused on sales of Mechanical Components for residential equipment in North America, the ASEAN region and China, in addition to conventional sales of Mechanical Components for ATMs, as well as the development of the automobile interior components market in Japan and overseas.

For operating results in the current consolidated cumulative second quarter, sales increased by 7.2 percent YOY to 9,415 million yen due to solid performance in the System Segment despite weak performance in the Device Segment. In terms of profit/loss status, operating income increased 66.7 percent YOY to 211 million yen due to a 92 million yen decrease in selling, general and administrative expenses. Ordinary income increased 29.0 percent YOY to 252 million yen. Quarterly net income attributable to owners of parent increased 60.2 percent YOY to 123 million yen.

The Operating results of each Segment are as follows:

#### (System Segment)

System Segment sales increased 17.5 percent YOY to 5,893 million yen and operating income increased 221 million yen YOY to 226 million yen.

For Security Solution Products, sales increased 22.2 percent YOY to 3,806 million yen, with a sales increase resulting from obtaining replacement demand for the Electronic Article Surveillance Systems, solid sales of the Display Security Systems for major cellphone carriers and the Access Control Systems for foreign companies, and a YOY sales increase of the Fire Protection Systems in Thailand.

For Other System Solution Products, sales increased 12.7 percent YOY to 734 million yen due to solid sales in cloud-based wireless LAN Systems and RFID tags.

For Customer Service Products, sales increased 8.5 percent YOY to 1,351 million yen due to an increase in revenues from installation and maintenance services associated with a sales increase in retail security products and business solution products.

#### (Device Segment)

Device Segment sales decreased 6.5 percent YOY to 3,521 million yen and operating income decreased 140 million yen YOY, resulting in a loss of 17 million yen.

For Semiconductor products, sales increased 3.8% YOY to 1,581 million yen due to solid sales of electronic parts for semiconductor manufacturing equipment and IP-PBX (Private Branch eXchange), despite weak sales of products for the amusement market, smartphones and digital cameras.

For Mechanical component products, sales decreased 13.4 percent YOY to 1,940 million yen due to weak sales of products for the ATM and amusement markets, despite solid sales of products for office furniture and residential equipment.

(2) Explanation of Financial Position

Total assets as of the end of the current consolidated cumulative second quarter decreased 75 million yen from the end of the previous consolidated fiscal year to 18,485 million yen. This is because securities decreased by 500 million yen due to cancellation of a certificate of deposit while investment securities and cash and deposits increased 402 million yen and 167 million yen.

Liabilities decreased 292 million yen from the end of the previous consolidated fiscal year to 4,433 million yen. This is because notes and accounts payable – trade and income taxes payable decreased 206 million yen and 61 million yen, respectively.

Net assets increased 217 million yen from the end of the previous consolidated fiscal year to 14,051 million yen. This is because quarterly net income attributable to owners of parent amounted to 123 million yen, while the valuation difference on available-for-sale securities increased 122 million yen. The equity ratio increased 1.5 percent from the end of the previous consolidated fiscal year to 76.0 percent.

(3) Explanation of the Future Outlook, including Forecast of Consolidated Operating Results

Consolidated operating result forecasts for the full year published in the summary of financial statements for the fiscal year ended March 2017 on May 10, 2017, are unchanged.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Unit : Millions of yen)

|                                       | Previous consolidated<br>fiscal year<br>(as of March 31, 2017) | Second quarter of the current<br>consolidated fiscal year<br>(as of September 30, 2017) |
|---------------------------------------|--|---|
| <b>Assets</b>                         |  |   |
| Current assets                        |  |   |
| Cash and deposits                     | 6,163  | 6,331   |
| Notes and accounts receivable - trade | 5,989  | 5,954   |
| Securities                            | 500  | —   |
| Merchandise and finished goods        | 2,330  | 2,370   |
| Raw materials                         | 80   | 87  |
| Other                                 | 642  | 619   |
| Allowance for doubtful accounts       | (7)  | (17)  |
| Total current assets                  | 15,699   | 15,347  |
| Non-current assets                    |  |   |
| Property, plant and equipment         | 304  | 304   |
| Intangible assets                     |  |   |
| Goodwill                              | 1,058  | 1,002   |
| Other                                 | 88   | 79  |
| Total intangible assets               | 1,147  | 1,081   |
| Investments and other assets          |  |   |
| Investment securities                 | 835  | 1,238   |
| Other                                 | 574  | 514   |
| Allowance for doubtful accounts       | (0)  | (1)   |
| Total investments and other assets    | 1,409  | 1,751   |
| Total non-current assets              | 2,861  | 3,137   |
| Total assets                          | 18,561   | 18,485  |

(Unit : Millions of yen)

|   | Previous consolidated<br>fiscal year<br>(as of March 31, 2017) | Second quarter of the current<br>consolidated fiscal year<br>(as of September 30, 2017) |
|---|--|---|
| <b>Liabilities</b>                                    |  |   |
| Current liabilities                                   |  |   |
| Notes and accounts payable - trade                    | 2,749  | 2,543   |
| Income taxes payable                                  | 193  | 132   |
| Provision for bonuses                                 | 245  | 238   |
| Provision for directors' bonuses                      | 11   | 12  |
| Other   | 834  | 803   |
| Total current liabilities                             | 4,034  | 3,729   |
| Non-current liabilities                               |  |   |
| Net defined benefit liability                         | 631  | 643   |
| Other   | 60   | 61  |
| Total non-current liabilities                         | 691  | 704   |
| <b>Total liabilities</b>                              | <b>4,726</b>   | <b>4,433</b>  |
| Net assets  |  |   |
| Shareholders' equity                                  |  |   |
| Capital stock   | 1,209  | 1,209   |
| Capital surplus                                       | 1,170  | 1,170   |
| Retained earnings                                     | 12,237   | 12,249  |
| Treasury shares                                       | (783)  | (783)   |
| Total shareholders' equity                            | 13,833   | 13,844  |
| Accumulated other comprehensive income                |  |   |
| Valuation difference on available-for-sale securities | 219  | 341   |
| Foreign currency translation adjustment               | (210)  | (129)   |
| Remeasurements of defined benefit plans               | (16)   | (14)  |
| Total accumulated other comprehensive income          | (7)  | 197   |
| Subscription rights to shares                         | 8  | 9   |
| Non-controlling interests                             | 0  | 0   |
| Total net assets                                      | 13,834   | 14,051  |
| <b>Total liabilities and net assets</b>               | <b>18,561</b>  | <b>18,485</b>   |

(2) Quarterly Consolidated Income Statements and Statements of Comprehensive Income  
(Quarterly Consolidated Income Statement)  
(Consolidated cumulative second quarter)

(Unit : Millions of yen)

|  | Previous consolidated<br>cumulative second quarter<br>(From April 1, 2016 to<br>September 30, 2016) | Current consolidated<br>cumulative second quarter<br>(From April 1, 2017 to<br>September 30, 2017) |
|--|---|--|
| Net sales  | 8,780   | 9,415  |
| Cost of sales  | 6,474   | 7,118  |
| Gross profit   | 2,305   | 2,297  |
| Selling, general and administrative expenses                     | 2,178   | 2,085  |
| Operating profit   | 126   | 211  |
| Non-operating income   |   |  |
| Interest income  | 0   | 0  |
| Dividend income  | 8   | 8  |
| Foreign exchange gains   | 31  | 22   |
| Insurance income   | 2   | 0  |
| Share of profit of entities accounted for using equity<br>method | 0   | 0  |
| Gain on adjustment of account payable                            | 25  | —  |
| Other  | 3   | 10   |
| Total non-operating income                                       | 71  | 43   |
| Non-operating expenses   |   |  |
| Interest expenses  | 1   | 0  |
| Other  | 1   | 1  |
| Total non-operating expenses                                     | 2   | 1  |
| Ordinary profit  | 196   | 252  |
| Extraordinary income   |   |  |
| Gain on sales of investment securities                           | 0   | —  |
| Gain on reversal of subscription rights to shares                | 11  | —  |
| Total extraordinary income                                       | 11  | —  |
| Extraordinary losses   |   |  |
| Loss on retirement of non-current assets                         | —   | 1  |
| Total extraordinary losses                                       | —   | 1  |
| Profit before income taxes                                       | 207   | 251  |
| Income taxes - current   | 129   | 122  |
| Income taxes - deferred  | 0   | 5  |
| Total income taxes   | 130   | 128  |
| Profit   | 77  | 123  |
| Profit attributable to owners of parent                          | 77  | 123  |



(Quarterly Consolidated Statements of Comprehensive Income)  
(Consolidated cumulative second quarter)

(Unit : Millions of yen)

|  | Previous consolidated<br>cumulative second quarter<br>(From April 1, 2016 to<br>September 30, 2016) | Current consolidated<br>cumulative second quarter<br>(From April 1, 2017 to<br>September 30, 2017) |
|--|---|--|
| Profit   | 77  | 123  |
| Other comprehensive income                               |   |  |
| Valuation difference on available-for-sale securities    | (0)   | 122  |
| Foreign currency translation adjustment                  | (307)   | 81   |
| Remeasurements of defined benefit plans, net of tax      | 3   | 1  |
| Total other comprehensive income                         | (304)   | 205  |
| Comprehensive income                                     | (227)   | 328  |
| (Breakdown)  |   |  |
| Comprehensive income attributable to owners of<br>parent | (227)   | 328  |

(3) Notes on the quarterly consolidated financial statements

(Note on going-concern assumption)

Not applicable

(Note in case of remarkable changes in amount of shareholders' equity)

No changes in the applicable matter

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative second quarter (From April 1, 2016 to September 30, 2016)

Information concerning amounts of sales and profit or loss for each reporting segment

(Unit : Millions of yen)

|  | System | Device | Total | Adjustments<br>(Note) 1 | Amount stated<br>on the quarterly<br>consolidated<br>income<br>statements<br>(Note) 2 |
|--|--------|--------|-------|-------------------------|---|
| Sales  |        |        |       |                         |   |
| Sales to external customers                      | 5,014  | 3,765  | 8,780 | —                       | 8,780   |
| Internal sales and transfers<br>between segments | —      | —      | —     | —                       | —   |
| Total  | 5,014  | 3,765  | 8,780 | —                       | 8,780   |
| Segment profit                                   | 5      | 123    | 129   | (2)                     | 126   |

(Notes) 1. Adjustments to segment profit or loss of (2) million yen are consolidated adjustments.

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

II Current consolidated cumulative second quarter (From April 1, 2017 to September 30, 2017)

1. Information concerning amounts of sales and profit or loss for each reporting segment

(Unit : Millions of yen)

|  | System | Device | Total | Adjustments<br>(Note) 1 | Amount stated<br>on the quarterly<br>consolidated<br>income<br>statements<br>(Note) 2 |
|--|--------|--------|-------|-------------------------|---|
| Sales  |        |        |       |                         |   |
| Sales to external customers                      | 5,893  | 3,521  | 9,415 | —                       | 9,415   |
| Internal sales and transfers<br>between segments | —      | —      | —     | —                       | —   |
| Total  | 5,893  | 3,521  | 9,415 | —                       | 9,415   |
| Segment profit(loss)                             | 226    | (17)   | 209   | 2                       | 211   |

(Notes) 1. Adjustments to segment profit or loss of 2 million yen are consolidated adjustments.

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

4. Supplementary Information

Actual results of sales

(Unit : Millions of yen)

| Segment   | Previous quarter<br>(Second quarter of FY 2016) | Current quarter<br>(Second quarter of FY 2017) |
|---|---|--|
| Security Solution Products                      | 3,116   | 3,806  |
| Other System Solution Products                  | 652   | 734  |
| Customer Service Products                       | 1,245   | 1,351  |
| System <span style="float: right;">Total</span> | 5,014   | 5,893  |
| Semiconductors Products                         | 1,524   | 1,581  |
| Mechanical Component Products                   | 2,240   | 1,940  |
| Device <span style="float: right;">Total</span> | 3,765   | 3,521  |
| Total   | 8,780   | 9,415  |