

# Financial Results for the Second Quarter of FY 2020 [Based on the Japanese Accounting Standards] (Consolidated)

November 6, 2020

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>  
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 Registration date of quarterly report: November 11, 2020  
 Date of dividends payment: December 4, 2020

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

## 1. Consolidated Financial Results for the Second Quarter of FY 2020 (from April 1, 2020 to September 30, 2020)

### (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 2020	9,273	(8.8)	218	(42.6)	177	(59.7)	60	(79.6)
Second quarter of FY 2019	10,173	11.6	381	32.6	439	25.6	298	57.5

Note: Comprehensive income: 93million yen (-70.6%) for the second quarter of FY 2020  
 319million yen (24.1%) for the second quarter of FY 2019

	Quarterly net income per share	Fully diluted quarterly net income per share
	yen	yen
Second quarter of FY 2020	6.85	-
Second quarter of FY 2019	33.54	-

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Second quarter of FY 2020	18,032	13,570	75.2	1,522.82
FY 2019	18,556	13,584	73.2	1,524.28

Reference: Owner's equity: 13,561 million yen for the second quarter of FY 2020  
 13,574 million yen for FY 2019

## 2. Dividends

	Annual cash dividends per share				
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2019	-	12.00	-	12.00	24.00
FY 2020	-	12.00	-	-	-
FY 2020 forecast	-	-	-	-	-

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

Our dividend policy is to have a consolidated payout ratio of 40% or more, with a stable dividend amount (24 yen per year) as the lower limit. In accordance with this policy, the dividend amount is undecided at this time, but for the fiscal year ending March 2021, we are planning for the dividend at the end of the second quarter to be 12 yen, and the year-end dividend will be the annual dividend with a consolidated payout ratio of 40% or more. Therefore, the year-end dividend and annual dividend are indicated as "-".

3. Forecast of Consolidated Operating Results for FY 2020 (from April 1, 2020 to March 31, 2021)

(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 2020	20,100	(2.5)	750	(4.8)	700	(20.9)	390	104.6	43.79

Note: Revisions to the most recently disclosed forecast of operating results: Yes

We have not announced the consolidated earnings forecast for the fiscal year ending March 2021 because it is difficult to calculate a rational business forecast due to the impact of COVID-19. However, based on the earnings trend for the second quarter of the current consolidated cumulative period, we have calculated the earnings forecast using information currently available.

\* 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 2020 2Q	10,171,800	FY 2019	10,171,800
FY 2020 2Q	1,266,078	FY 2019	1,266,058
FY 2020 2Q	8,905,742	FY 2019 2Q	8,905,759

\* 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

The Japanese economy during the second quarter of the current consolidated cumulative period is still in a severe situation due to COVID-19, but it is showing movements of picking up.

As for the outlook, the economy is expected to show movements of picking up, supported by the effects of the policies and improvement in overseas economies while the socio-economic activities will be resumed with taking measures to prevent the spread of infectious diseases. However, attention should be given to situation in domestic and overseas infections and the effects of fluctuations in the financial and capital markets.

Although the market environment for our Group remains harsh due to increasingly fierce competition, we are striving to strengthen competitiveness and improve profitability through added value to achieve further growth and create revenue bases by expanding our global business and new business.

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. We are promoting sales for Cloud-based Wireless LAN Systems and Remote access products for telework and are developing new markets for RFID Systems and Retail Solutions related to labor saving systems. We are expanding the Advanced Fire Protection System Business, which is operated in Thailand and the ASEAN region.

In the Device Segment, we have promoted sales mainly in the telecom infrastructure area and the automotive area in the Semiconductor Business. 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 and the development of the automobile interior components market in Japan and overseas.

Amid these circumstances, operating results in the current consolidated cumulative second quarter show a decrease in net sales of 8.8 percent YOY to 9,273 million yen.

This is due to the fact that business activities are being hindered by decreased demand in the markets to which we are committed, such as the domestic and overseas retail, manufacturing, construction industries, etc., as well as due to movement restrictions caused by the spread of COVID-19.

For the above reasons, in terms of profit and loss, operating income decreased by 42.6 percent YOY to 218 million yen. Ordinary income decreased by 59.7 percent YOY to 177 million yen

Net income attributable to shareholders of the parent company decreased by 79.6 percent YOY to 60 million yen.

The Operating results of each Segment are as follows:

(System Segment)

System Segment sales decreased by 15.5 percent YOY to 5,314 million yen and operating income decreased by 71.7 percent YOY to 65 million yen.

For Retail Solution Products, sales increased by 1.0 percent YOY to 1,783 million yen. Sales of Electronic Article Surveillance Systems were sluggish due to the impact of retail closures to prevent the spread of COVID-19, while sales of CCTV and facial recognition systems were strong.

For Office Solution Products, sales decreased by 20.8 percent YOY to 1,470 million yen. Sales of remote access products were strong due to increased telework, but sales of access control systems decreased.

For Global Products, sales of advanced fire protection systems in Thailand slowed down due to the slow construction of new plants resulting from continued sluggish crude oil prices and the spread of COVID-19. For this reason, sales decreased by 33.1 percent YOY to 1,130 million yen.

For Service & Support Products, sales decreased by 4.8 percent YOY to 930 million yen.

(Device Segment)

Device Segment sales increased by 1.9 percent YOY to 3,959 million yen and operating income increased by 2.4 percent YOY to 153 million yen. For Semiconductor products, sales increased by 12.6 percent YOY to 2,083 million yen due to strong sales of electronic parts for the communication equipment market and personal computers market resulting from increased telework. For Mechanical Component Products, sales decreased by 7.8 percent YOY to 1,875 million yen due to the slowdown in sales of mechanical parts to the copier and office furniture markets, etc.

(2) Explanation of Financial Position

Total assets as of the end of the current consolidated cumulative second quarter decreased by 523 million yen from the end of the previous consolidated fiscal year to 18,032 million yen. This was mainly due to an increase of 388 million yen in fixed assets and 370 million yen in commodities and products, with a decrease of 951 million yen in cash and deposits and 537 million yen in notes and accounts receivable. Liabilities decreased by 509 million yen YOY to 4,461 million yen. This was mainly due to a decrease of 230 million yen in income taxes payable and a 180 million yen decrease in notes and accounts payable. Net assets decreased by 13 million yen YOY to 13,570 million yen. The equity ratio increased by 2.0 points from the end of the previous consolidated fiscal year to 75.2 percent.

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

The consolidated earnings forecast for the fiscal year ending March 2021 was undecided because it was difficult to reasonably calculate the impact of the spread of COVID-19, and it was calculated based on information and forecasts available at this time.

2. Quarterly Consolidated Financial Statements  
 (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2020)	Second quarter of the current consolidated fiscal year (as of September 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	6,199	5,248
Notes and accounts receivable - trade	6,720	6,182
Merchandise and finished goods	2,597	2,968
Raw materials	108	144
Other	732	902
Allowance for doubtful accounts	(122)	(121)
Total current assets	16,236	15,323
Non-current assets		
Property, plant and equipment	299	606
Intangible assets	147	257
Investments and other assets		
Investment securities	925	1,215
Other	947	629
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,872	1,844
Total non-current assets	2,319	2,708
Total assets	18,556	18,032

(Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2020)	Second quarter of the current consolidated fiscal year (as of September 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,591	2,411
Income taxes payable	241	11
Provision for bonuses	235	203
Provision for bonuses for directors (and other officers)	1	-
Reserve for head office relocation costs	82	-
Other	1,021	1,031
<b>Total current liabilities</b>	<b>4,174</b>	<b>3,657</b>
Non-current liabilities		
Long-term accounts payable	35	48
Retirement benefit liability	729	720
Other	31	34
<b>Total non-current liabilities</b>	<b>797</b>	<b>804</b>
<b>Total liabilities</b>	<b>4,971</b>	<b>4,461</b>
Net assets		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus	1,172	1,172
Retained earnings	12,388	12,342
Treasury shares	(1,231)	(1,231)
<b>Total shareholders' equity</b>	<b>13,537</b>	<b>13,492</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	204	234
Foreign currency translation adjustment	(165)	(165)
Remeasurements of defined benefit plans	(2)	0
<b>Total accumulated other comprehensive income</b>	<b>36</b>	<b>69</b>
Share acquisition rights	9	8
Non-controlling interests	0	0
<b>Total net assets</b>	<b>13,584</b>	<b>13,570</b>
<b>Total liabilities and net assets</b>	<b>18,556</b>	<b>18,032</b>

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

(Millions of yen)

	Previous consolidated cumulative second quarter (From April 1, 2019 to September 30, 2019)	Current consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)
Net sales	10,173	9,273
Cost of sales	7,666	7,076
Gross profit	2,507	2,197
Selling, general and administrative expenses	2,125	1,978
Operating profit	381	218
Non-operating income		
Interest income	0	0
Dividend income	13	9
Foreign exchange gains	19	-
Insurance claim income	18	5
Grant income	-	3
Share of profit of entities accounted for using equity method	1	-
Other	6	4
Total non-operating income	59	24
Non-operating expenses		
Interest expenses	0	0
Equity method investment loss	-	1
Commission expenses	0	0
Investment business association investment loss	-	51
Exchange loss	-	11
Other	0	0
Total non-operating expenses	1	65
Ordinary profit	439	177
Extraordinary income		
Gain on sales of investment securities	67	-
Gain on reversal of share acquisition rights	0	4
Total extraordinary income	67	4
Extraordinary losses		
Impairment loss	※ 10	-
Loss on retirement of fixed assets	-	0
Total extraordinary losses	10	0
Profit before income taxes	497	181
Income taxes - current	195	64
Income taxes - deferred	3	55
Total income taxes	198	120
Profit	298	60
Profit attributable to owners of parent	298	60



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

(Millions of yen)

	Previous consolidated cumulative second quarter (From April 1, 2019 to September 30, 2019)	Current consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)
Profit	298	60
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	30
Foreign currency translation adjustment	22	(0)
Remeasurements of defined benefit plans, net of tax	3	3
Total other comprehensive income	20	32
Comprehensive income	319	93
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	319	93

(3) Notes on the quarterly consolidated financial statements

(Note on going-concern assumption)

Not applicable

(Notes when the amount of shareholders' equity fluctuates significantly)

There is no change in the applicable items.

(Change in scope of consolidation or scope of equity method)

As of July 1, 2020, TK Communication Technology Co., Ltd., which was a consolidated subsidiary of Takachiho Koheki Co., Ltd., was merged with Takachiho Koheki Co., Ltd. as the surviving company.

Since it has disappeared, it has been excluded from the scope of consolidation from the current second quarter consolidated accounting period.

(Quarterly Consolidated Income Statements)

※ Impairment loss

For the previous consolidated cumulative second quarter, our Group posted an impairment loss for the following asset group:

Previous consolidated cumulative second quarter (From April 1, 2019 to September 30, 2019)

Location	Use	Type
Tsumagoi-mura, Agatsuma-gun, Gunma Prefecture, and five other places	Idle assets	Land

Our Group fundamentally groups business assets by type of business and idle assets by each asset.

For the previous consolidated cumulative second quarter, regarding the asset group with the recoverable amount being remarkably lower than book value of idle assets not used for business, an impairment loss of 10 million yen was recorded. Idle assets are related to land. The recoverable amount of idle assets is measured by the net selling value and is calculated based on the real estate appraisal value and rationally adjusted using the fixed asset appraisal value.

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative second quarter (From April 1, 2019 to September 30, 2019)

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

(Unit : Millions of yen)

	System	Device	Total	Adjustments	Amount stated on the quarterly consolidated income statements
Sales					
Sales to external customers	6,287	3,885	10,173	—	10,173
Internal sales and transfers between segments	—	—	—	—	—
Total	6,287	3,885	10,173	—	10,173
Segment profit	231	149	381	—	381

2. Information on fixed assets impairment loss or goodwill by reporting segment

(Significant impairment loss on fixed assets)

Impairment losses on land classified as idle assets are recorded as corporate assets that are not allocated to each reporting segment. The impairment loss of 10 million yen was recorded in the current consolidated cumulative second quarter.

II Current consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)

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

(Unit : Millions of yen)

	System	Device	Total	Adjustments	Amount stated on the quarterly consolidated income statements
Sales					
Sales to external customers	5,314	3,959	9,273	—	9,273
Internal sales and transfers between segments	—	—	—	—	—
Total	5,314	3,959	9,273	—	9,273
Segment profit	65	153	218	—	218

### 3. Supplementary Information

#### Actual results of sales

(Unit : Millions of yen)

Segment	Previous consolidated cumulative second quarter (From April 1, 2019 to September 30, 2019)	Current consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)
Retail Solution Products	1,766	1,783
Office Solution Products	1,855	1,470
Global Products	1,689	1,130
Service & Support Products	976	930
System Total	6,287	5,314
Semiconductor Products	1,850	2,083
Mechanical Component Products	2,035	1,875
Device Total	3,885	3,959
Total	10,173	9,273