

# Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024

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TAKACHIHO KOHEKI CO.,LTD. (TSE Code: 2676)

February 6, 2024



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2. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024
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[Reference Material] Medium-Term Management Plan 2022-2024

[https://www.takachiho-kk.co.jp/pdf/plan\\_pdf/plan2022-2024\(en\).pdf](https://www.takachiho-kk.co.jp/pdf/plan_pdf/plan2022-2024(en).pdf)

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## ■ FY3/24 Q3 <Results>

**Sales and profits increased YoY.** The three main points are as follows.

1. Electronics (**Devices**): Sales significantly increased due to the steady delivery of order backlogs and the effect of new distributor contracts (+).
2. Cloud Service (**Cloud Services & Support**): Subscription revenue increased due to an increase in the number of licenses for MSP services and strong sales of other cloud services.
3. In addition to the above, net income increased by 198 million yen from the initial plan, reflecting the foreign exchange gains on foreign currency transactions.

## ■ FY3/24 Full-year <Plan>

- The full-year forecasts remain unchanged from the previous plan, and the annual dividend is expected to be **137** yen (year-end dividend of **84** yen).
- Aim to recover operating profit thanks to the large-scale project to be booked in the Systems segment in Q4.

	FY3/23 Q3 Results	FY3/24 Q3 Results	Change	FY3/24 Full Year Plan	Rate of progress
Net sales	16,934	18,960	+2,025	24,800	76.5%
Operating profit	930	980	+49	1,620	60.5%
Ordinary profit	1,173	1,267	+93	1,600	79.2%
Net income	823	1,021	+198	1,249	81.8%

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# Consolidated Financial Highlights

[Millions of yen]

- **Sales and profits increased** YoY, driven by the Electronics business.
- Gross margin decreased by 1.8pt due to the impact of one-time expenses in the fire protection systems business.
- **Net income progressed steadily compared to the plan** due to the contribution of foreign exchange gains and gains on sales of investment securities.

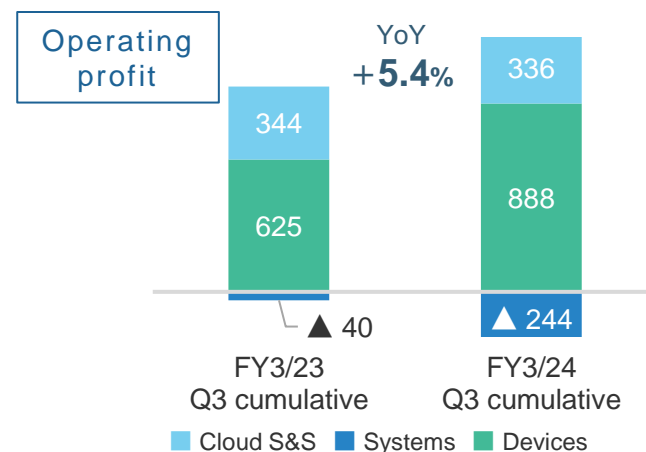
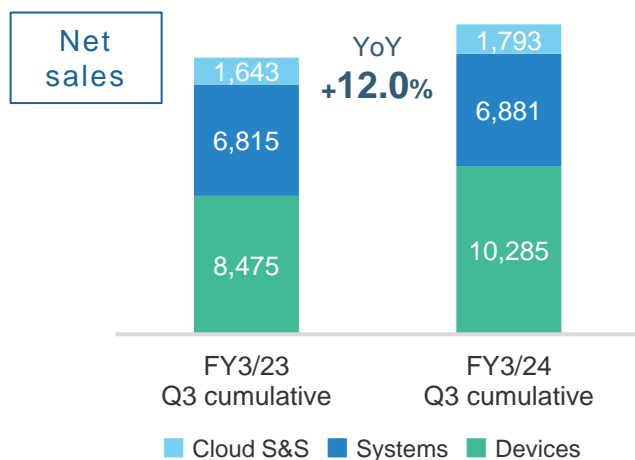
	FY3/23 Q3 Results	FY3/24 Q3 Results	YoY change	FY3/24 Full Year Plan	Rate of progress
Net sales	16,934	18,960	+12.0%	24,800	76.5%
Gross profit on sales	4,208	4,382	+4.1%	6,210	70.6%
Gross profit ratio (%)	24.9%	23.1%	(1.8pt)	25.0%	—
Selling, general and administrative expenses	3,278	3,402	+3.8%	4,590	—
Operating profit	930	980	+5.4%	1,620	60.5%
Operating profit ratio (%)	5.5%	5.2%	(0.3pt)	6.5%	—
Foreign exchange gains	193	206	+7.0%	—	—
Ordinary profit	1,173	1,267	+8.0%	1,600	79.2%
Ordinary profit ratio (%)	6.9%	6.7%	(0.2pt)	6.5%	—
Profit before tax	1,162	1,548	+33.1%	—	—
Profit attributable to owners of the parent	823	1,021	+24.1%	1,249	81.8%
EPS	92.05 yen	112.66 yen	+20.61 yen	137.69 yen	—

# Results by Segment

[Millions of yen]

Fire protection systems business additional construction costs (\* all currently assumed costs have been reserved) will result in lower profits for the Systems segment, but sales and profits increased on a consolidated basis due to the strong performance of the Electronics business in the Devices segment.

		FY3/23 Q3 Results	FY3/24 Q3 Results	Increase/ Decrease	Percentage change	FY3/24 Plan	Rate of progress
<b>Cloud Services &amp; Support</b>	Net sales	1,643	1,793	+149	+9.1%	2,800	64.1%
	Operating profit	344	336	(8)	(2.5%)	600	56.1%
	Operating profit ratio	21.0%	18.8%	(2.2pt)	—	21.4%	—
<b>Systems</b>	Net sales	6,815	6,881	+66	+1.0%	9,800	70.2%
	Operating profit	(40)	(244)	(204)	—	160	—
	Operating profit ratio	(0.6%)	(3.6%)	(3.0pt)	—	1.6%	—
<b>Devices</b>	Net sales	8,475	10,285	+1,810	+21.4%	12,200	84.3%
	Operating profit	625	888	+262	+42.0%	860	103.3%
	Operating profit ratio	7.4%	8.6%	+1.2pt	—	7.0%	—
<b>Consolidated total</b>	Net sales	16,934	18,960	+2,025	+12.0%	24,800	76.5%
	Operating profit	930	980	+49	+5.4%	1,620	60.5%
	Operating profit ratio	5.5%	5.2%	(0.3pt)	—	6.5%	—

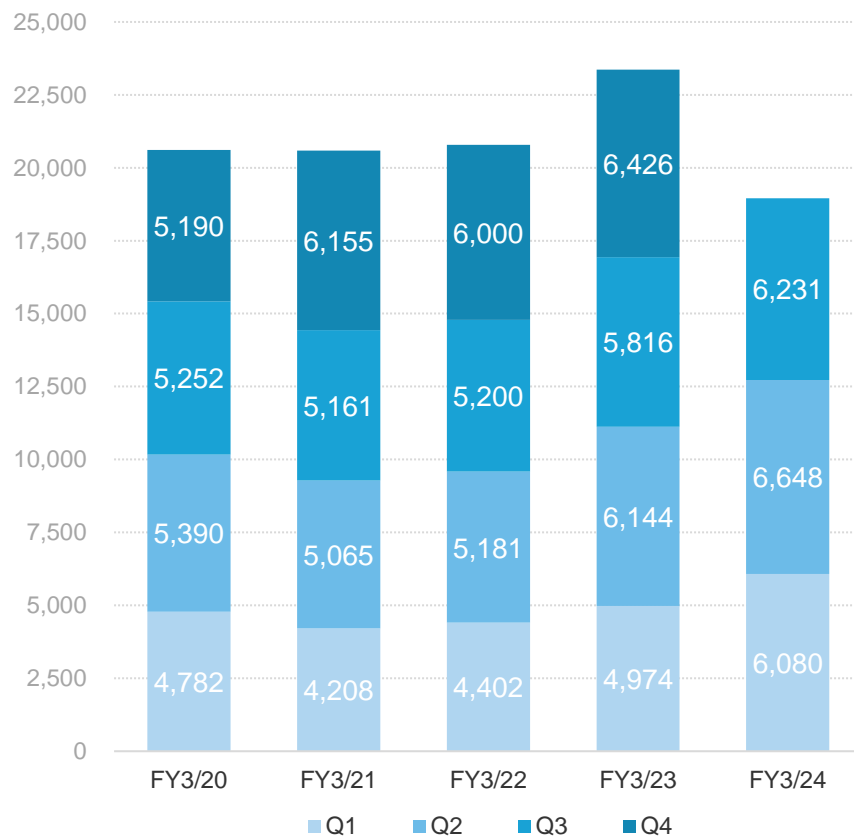


# Quarterly Performance Trends

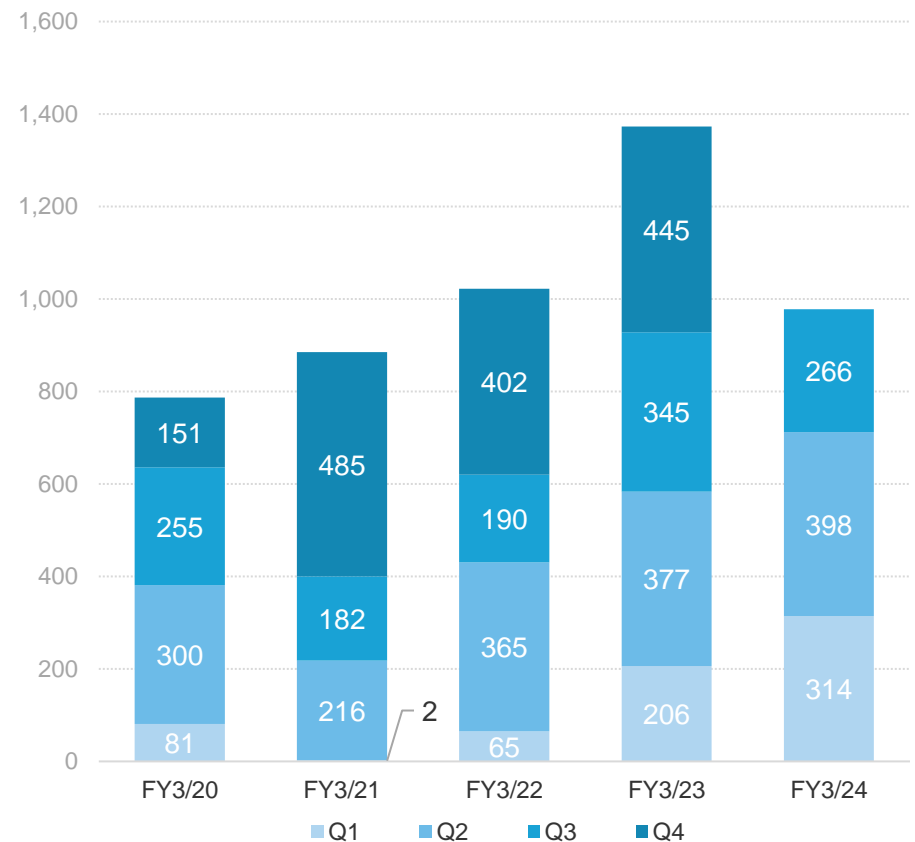
[Millions of yen]

As our products are frequently associated with facility investments, sales are typically weighted towards Q4 and Q2, aligning with customers' investment periods.

Net sales by quarter



Operating profit by quarter



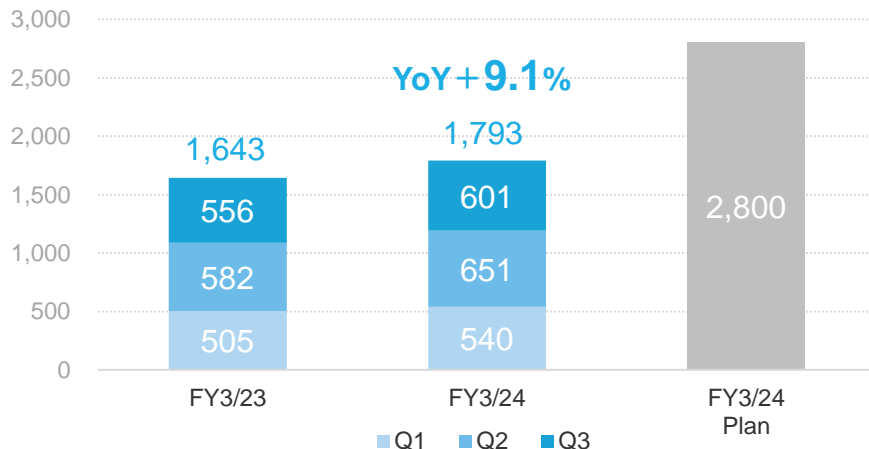


# Results of Cloud Services & Support Segment

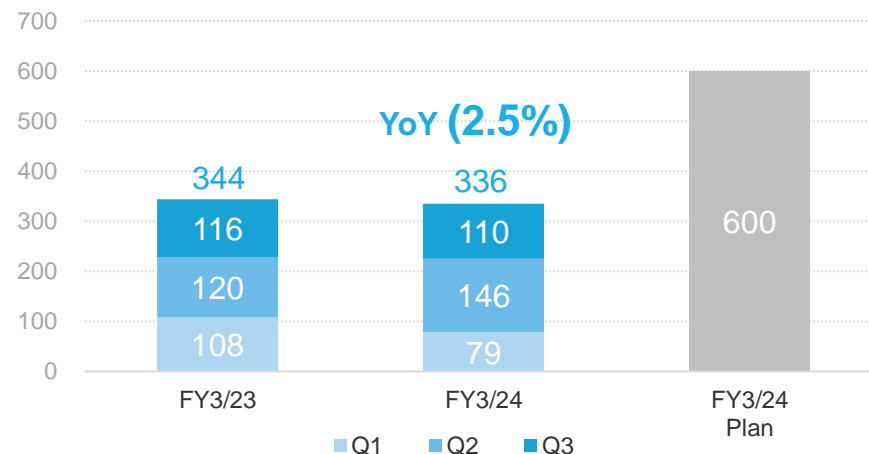
[Millions of yen]

- **Subscription revenue** increased due to an increase in the number of MSP service licenses and strong sales of other cloud services (+).
- **Sales from maintenance** of access control systems for data centers and offices of foreign-affiliated companies increased (+)
- Increased purchasing costs for mailing system maintenance parts and recording of loss on valuation of inventories pushed down profits (-)

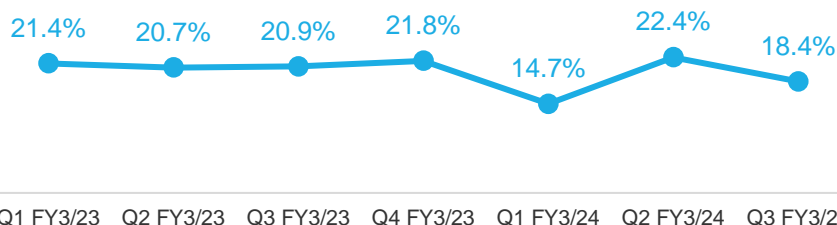
## Net sales



## Operating profit



## Operating profit ratio



### Period

### Change factors (YoY)

- |  |   |
|--|---|
| <b>Q1 Apr.-Jun.</b><br><b>YoY -6.7pt</b> | <ul style="list-style-type: none"> <li>• Increase in the purchase cost of mailing system maintenance parts (-)</li> <li>• Decrease in sales transfer* of mailing system (-)</li> </ul>                        |
| <b>Q2 Jul.-Sep.</b><br><b>YoY +1.7pt</b> | <ul style="list-style-type: none"> <li>• Increase in sales of other cloud service and access control system maintenance revenue (+)</li> <li>• Decrease in spot income from MSP service (-)</li> </ul>        |
| <b>Q3 Oct.-Dec.</b><br><b>YoY -2.5pt</b> | <ul style="list-style-type: none"> <li>• Increase in the purchase cost of mailing system maintenance parts (-)</li> <li>• Loss on valuation of inventories of mailing system maintenance parts (-)</li> </ul> |

(Note) Amount equivalent to maintenance costs for free maintenance provided for the first year of sales of System Segment products was transferred to sales in the Cloud Services & Support.

# Contract Status of MSP Services

## MSP Services KPIs

**Number of contracts**

As of Dec 31, 2023

**17,889** licenses

**Number of new contracts**

April to Dec 2023

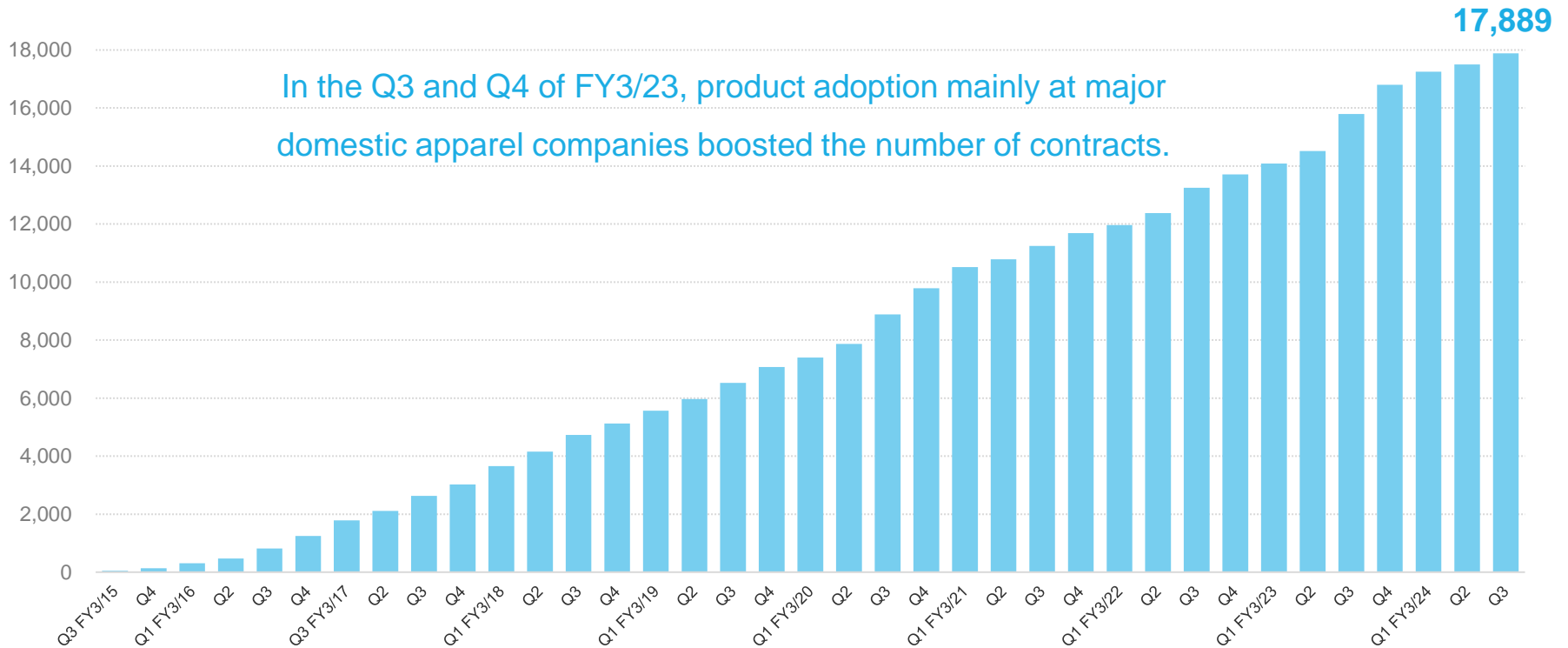
**2,124** licenses

**Monthly cancellation rate\***

April to Dec 2023

**0.51%**

## Number of MSP service contracts

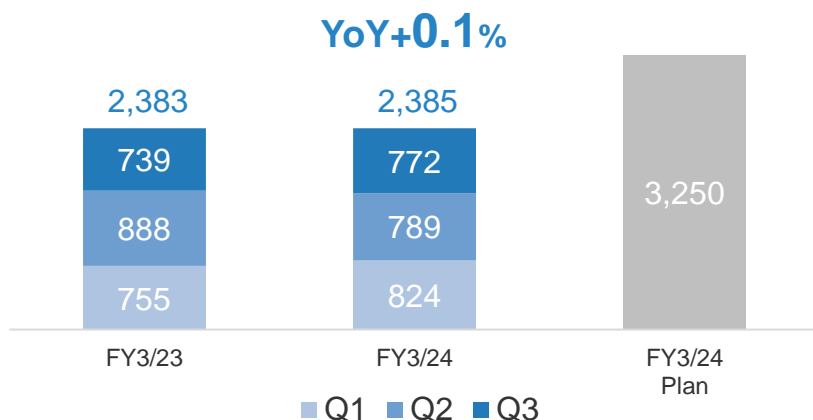


(\*) Monthly cancellation rate: Number of contract cancellations in a month / Total number of contracts at the end of the previous month

## Systems Net Sales (by sub-segment)

[Millions of yen]

## Retail Solutions



## Retail Solutions

- Sales of RFID-based product management solutions and security systems for the apparel industry grew (+)
- Sales of product surveillance systems for drugstores grew (+)
- Partial postponement of investment in a product surveillance system project for home appliances (-)

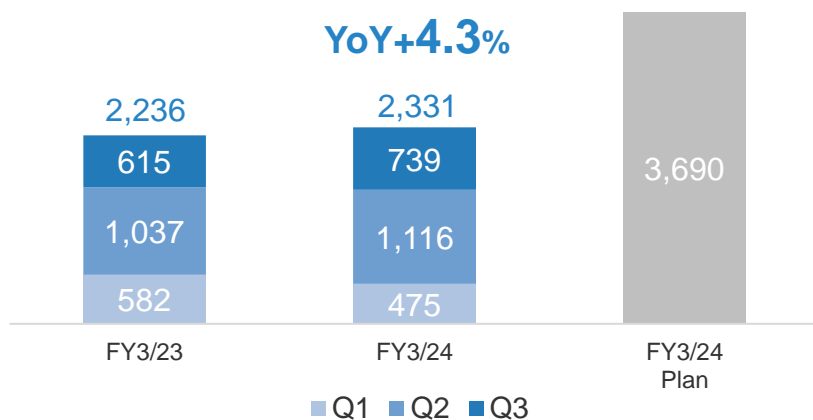
## Business Solutions

- Some deliveries of mailing systems, for which procurement had been delayed from Q1, were completed (+)
- Growth in sales of access control systems for offices of foreign-affiliated companies and data centers (+)

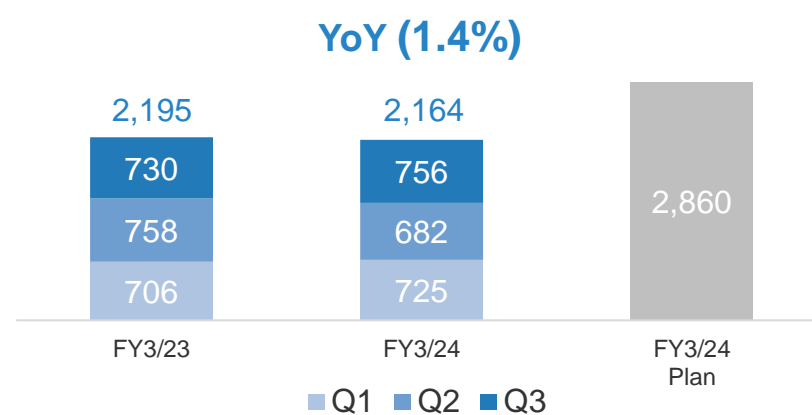
## Global

- Sales of fire protection systems declined due to delays in power plant construction projects in Thailand (-)
- Growth in security systems for Thailand apparel stores (+)
- Positive impact of yen-translated earnings of overseas subsidiaries (+)

## Business Solutions



## Global



# Devices Net Sales (by sub-segment)

[Millions of yen]

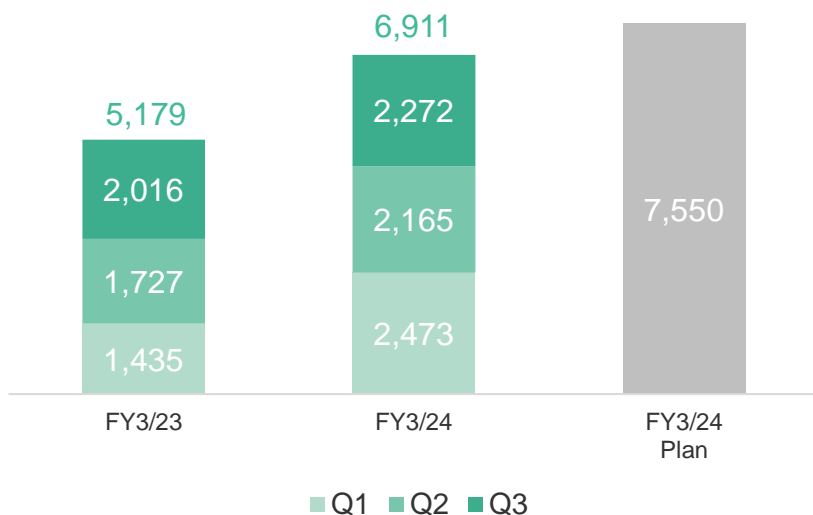
## Electronics

- Growth in sales of electronic parts mainly for industrial equipment and power modules due to progress in **delivery of backlog** from the previous fiscal year (+)
- Expansion of sales scale due to the **new distributor contract\***, which has been contributing to results since Q3 of FY3/23 (+).
- **New Adoption increased** due to product expansion and the success of customer contact strategies. Increase in sales of consumer equipment, products for the amusement industry, and office equipment mainly printers (+)

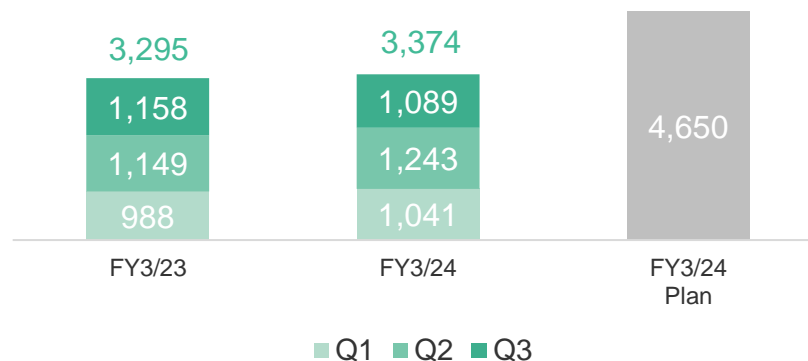
## Mechatronics

- Growth in sales of mechanical parts for money machines, capturing **demand for the new banknote printing** in 2024 (+)
- Growth in sales for amusement equipment due to the **adoption** of new linear motion products such as the new "Spiral Shaft" product line **for smart gaming machines** (+)
- Decrease in sales of soft-close parts for U.S. housing equipment (-)

YoY +33.4%



YoY +2.4%



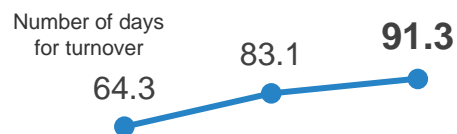
(\*) Distributor contract with Nuvoton Technology Corporation Japan. Please refer to the July 26, 2021 [press release](#) (Japanese) for details.

## Capital Efficiency Improvement Status

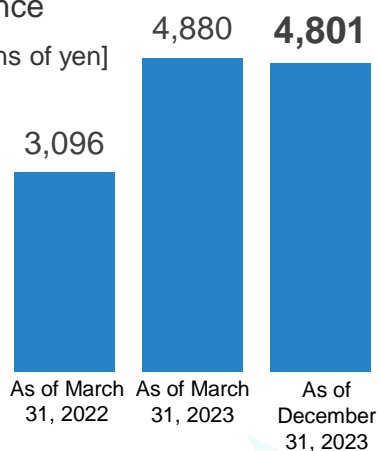
Deliveries of semiconductors and electronic components proceeded smoothly, but inventories of systems and other items scheduled for sales in Q4 temporarily increased.

Continue to promote order backlog delivery and strengthen order control to keep inventories at an appropriate level.

### Inventories



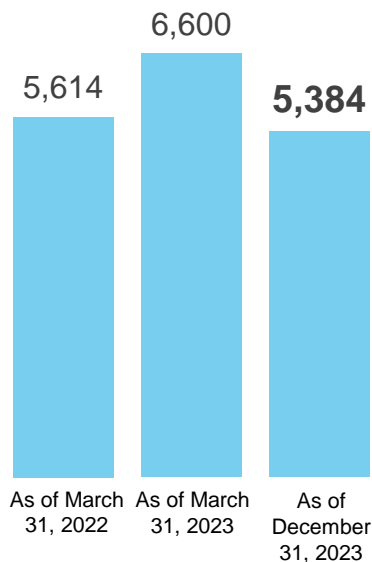
Balance  
[Millions of yen]



#### Reason for increase in inventories (As of March 31, 2023)

1. Procurement of semiconductors and electronic components progressed
2. Increased advance orders from customers
3. Focus on stable supply under supply chain disruptions

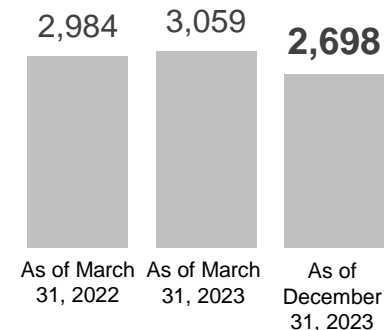
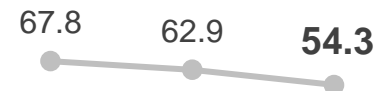
### Trade receivables



#### Calculation Formula

- Turnover of inventories = Inventories (average balance at beginning and end of period) / Cost of sales x number of days
- Turnover of trade receivables = Trade receivables (average balance at beginning and end of period) / Net sales x number of days
- \*Trade receivables = Accounts receivable + Notes receivable + Contract assets + Electronically recorded monetary claims (-) Contract liabilities (advances received)
- Turnover of trade payables = Trade payables (average balance at beginning and end of period) / Cost of sales x number of days
- Number of days = As of March 31: Calculated on 365 days, As of December 31: Calculated on 275 days

### Trade payables



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## Consolidated Profit &amp; Loss &lt;Plan&gt;

[Millions of yen]

## Plan to increase sales and profit

by focusing on delivery of backlog of orders in the Electronics business and growth of cloud services

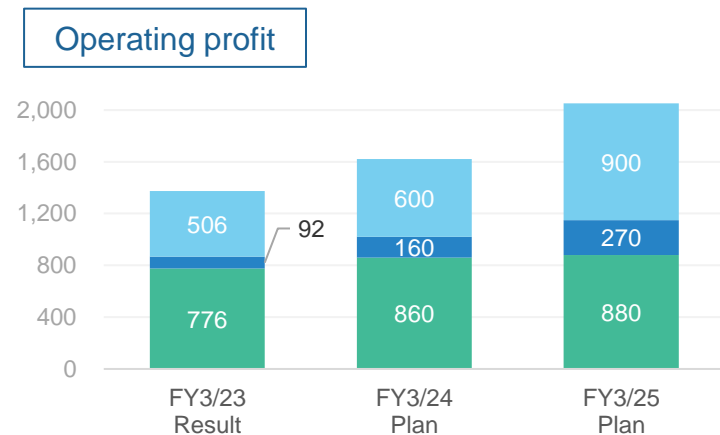
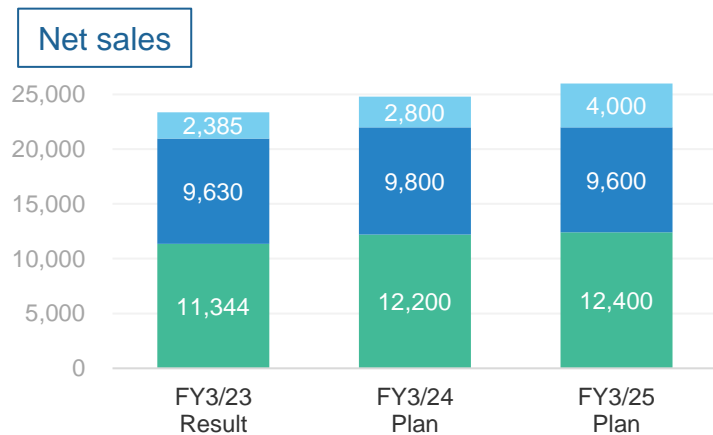
[Millions of yen]	FY3/23 Result	FY3/24 Plan	Increase/ decrease	YoY	Plan for FY3/25, the final year of the Medium- Term Management Plan
Net sales	23,360	24,800	+1,439	+6.2%	26,000
Gross profit on sales	5,838	6,210	+371	+6.4%	—
Gross profit ratio (%)	25.0%	25.0%	—	+0.0pt	—
Selling, general and administrative expenses	4,461	4,590	+128	+2.9%	—
Operating profit	1,376	1,620	+243	+17.7%	2,050
Operating profit ratio (%)	5.9%	6.5%	—	+0.6pt	7.9%
Ordinary profit	1,588	1,600	+11	+0.7%	2,000
Ordinary profit ratio (%)	6.8%	6.5%	—	(0.3pt)	7.7%
Profit attributable to owners of the parent	1,205	1,249	+43	+3.6%	1,400
ROE (%)	7.7%	7.7%	—	+0.0pt	10.0% (target) 8.0% (must achieve)
EPS	134.69 yen	137.69 yen	+3 yen	—	—
Annual dividends per share (*)	133 yen	137 yen	+4 yen	—	—

(\*1) Annual dividends per share: Calculated by dividing the full amount of net profit by the number of shares at the end of the period, in accordance with the 100% payout ratio policy (EPS is calculated by dividing net profit by the average number of shares outstanding during the period)

## Net Sales and Operating Profit by Segment &lt;Plan&gt;

[Millions of yen]

		FY3/23 Result	FY3/24 Plan	Increase /Decrease	Percentage change	FY3/25 Plan (*)
<b>Cloud Services &amp; Support</b>	Net sales	2,385	2,800	+414	+17.4%	4,000
	Operating profit	506	600	+93	+18.4%	900
	Operating profit ratio	21.2%	21.4%	+0.2pt	-	22.5%
<b>Systems</b>	Net sales	9,630	9,800	+169	+1.8%	9,600
	Operating profit	92	160	+67	+72.5%	270
	Operating profit ratio	1.0%	1.6%	+0.6pt	-	2.8%
<b>Devices</b>	Net sales	11,344	12,200	+855	+7.5%	12,400
	Operating profit	776	860	+83	+10.7%	880
	Operating profit ratio	6.8%	7.0%	+0.2pt	-	7.1%
Consolidated total	Net sales	23,360	24,800	+1,439	+6.2%	26,000
	Operating profit	1,376	1,620	+243	+17.7%	2,050
	Operating profit ratio	5.9%	6.5%	+0.6pt	-	7.9%

(\*) The breakdown of segment targets for the year ending March 31, 2025 have been revised. Please refer to "[Fiscal year ended March 31, 2023 Financial Results](#)".(page 5) for details.



# Shareholder Returns

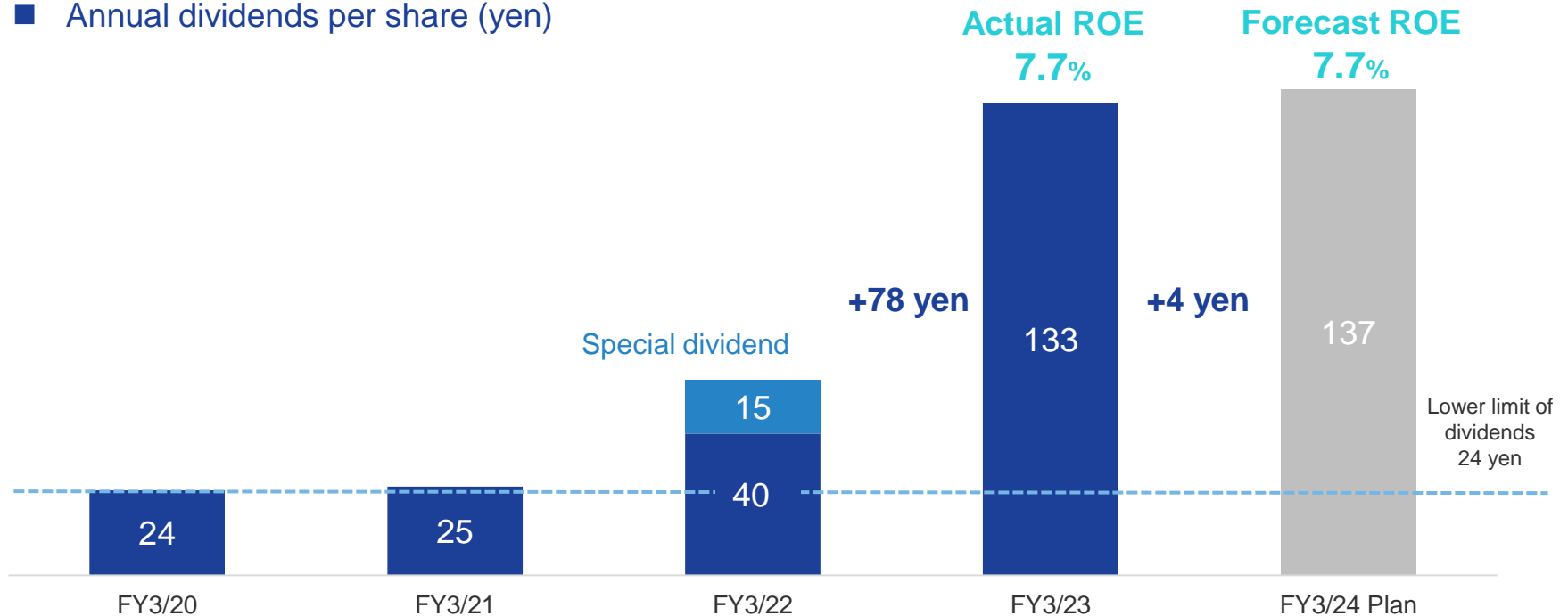
Annual dividends for FY3/24 are planned to be **137 yen per share**  
(interim: 53 yen per share, year-end: 84 yen per share)

## Shareholder Return Policy in the Medium-Term Management Plan 2022-2024

Maintain a **dividend payout ratio of 100% until ROE achieves 8% on average over three fiscal years (\*)** in an effort to actively return profits to shareholders **without increasing shareholders' equity**

100% dividend payout ratio until ROE of 8% is achieved on average for three fiscal years

### ■ Annual dividends per share (yen)



(\*) Average over three fiscal years: Average of the three most recent fiscal years from the fiscal year ended March 31, 2023, the first year of the Medium-Term Management Plan.

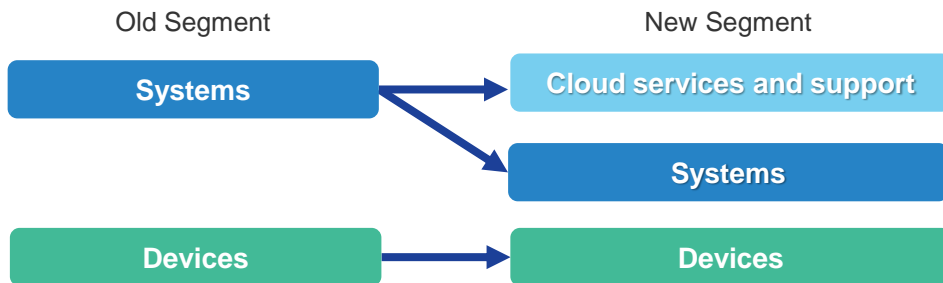
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# Segments and Main Products/Services

## Segment System



From the period of the Medium-Term Management Plan (FY3/23), from the perspective of "growth potential" and "profitability," the cloud-based subscription service business and maintenance business are positioned as "growth businesses" and separated as a segment.

※ The "Services & Support" product line in the Systems Segment has been renamed to "Cloud Services & Support" and converted into a new segment.

### Cloud services and support

Cloud-based wireless LAN

<b>Cloud Services</b>	<ul style="list-style-type: none"> <li>MSP and other services that integrate "equipment, cloud services, and operations management" within the Systems segment</li> </ul>
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>Maintenance services for products in the Systems segment</li> </ul>

### Systems

Access control systems

Facial recognition systems

<b>Retail</b>	<ul style="list-style-type: none"> <li>The electronic article surveillance system,</li> <li>Surveillance camera systems, facial recognition systems</li> <li>Store management systems, RFID systems</li> <li>Display products security systems</li> </ul>
<b>Business</b>	<ul style="list-style-type: none"> <li>Access control systems, surveillance camera systems</li> <li>Auto Mailing Insertion Systems</li> <li>RFID systems</li> </ul>
<b>Global</b>	<ul style="list-style-type: none"> <li>Fire protection systems</li> </ul>

### Devices

Power modules

Silicon microphones

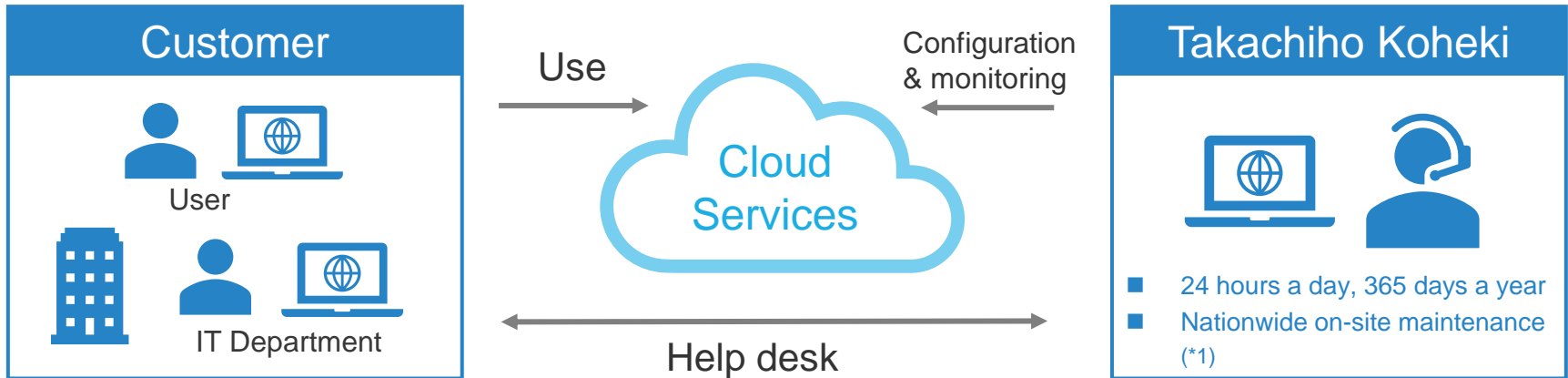
Soft-close units

<b>Electronics</b>	<ul style="list-style-type: none"> <li>Semiconductors, ICs, electronic components, sensors</li> <li>Various types of modules</li> </ul>
<b>Mechanics</b>	<ul style="list-style-type: none"> <li>Slide rails, gas springs</li> <li>Soft-close units, electronic locks</li> </ul>

# MSP Services (1)

## What are MSP (Managed Service Provider) Services?

: Maintenance, operation, and monitoring services for cloud products that can be **outsourced**



### MSP Service Products

CISCO Meraki



Cloud-based wireless LAN system

What is a "cloud-based wireless LAN system"?

The management of wireless LAN access points in the cloud

- ✓ Visualization of usage status in the cloud
- ✓ Easy and fast installation and trouble-shooting
- ✓ Configuration and monitoring can be outsourced

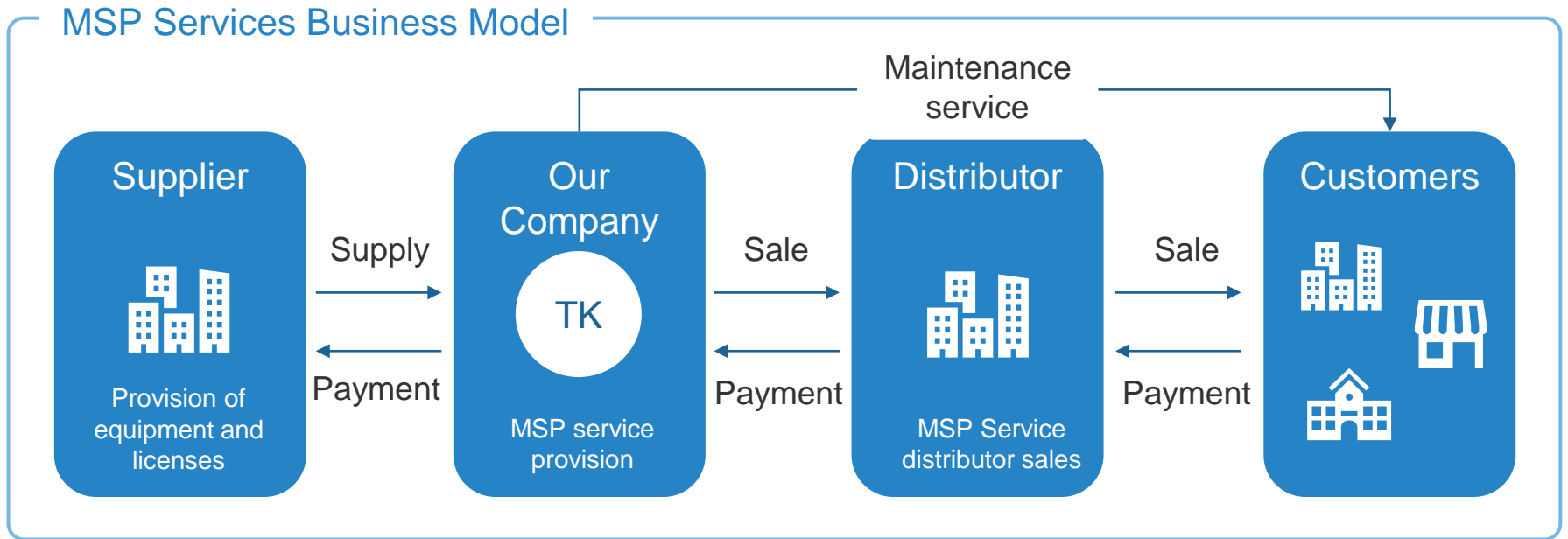
### MSP Service Fee Structure

(1) to (3) are provided as an integrated service on a monthly payment basis(\*2)

- ① Purchase of equipment
- ② Cloud service license fee
- ③ Maintenance fees

(\*1) Not available in some areas (\*2) The purchase of equipment (1) can be paid in a lump sum

# MSP Services (2)



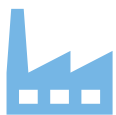
## ■ Examples of Using MSP Services



**Offices of small and medium-sized companies** suffering from staff shortages in the information systems department



**Nationwide stores** with high management costs due to the large number of locations

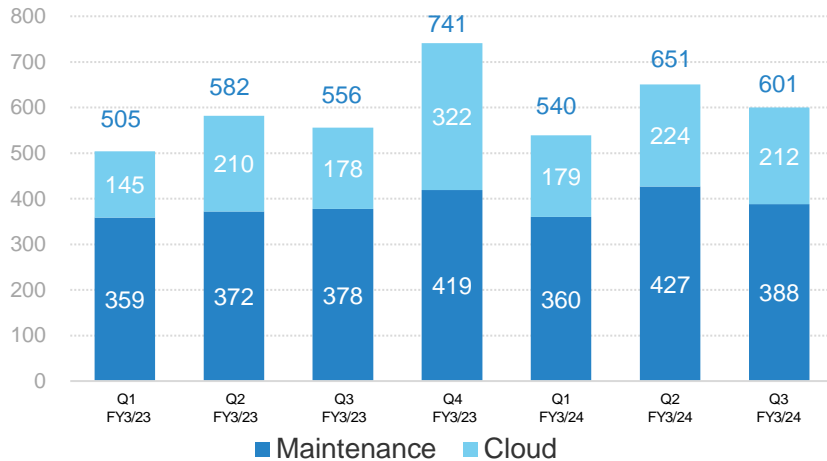


Also used in **factories, nursing homes, hospitals, schools**, and many other locations.

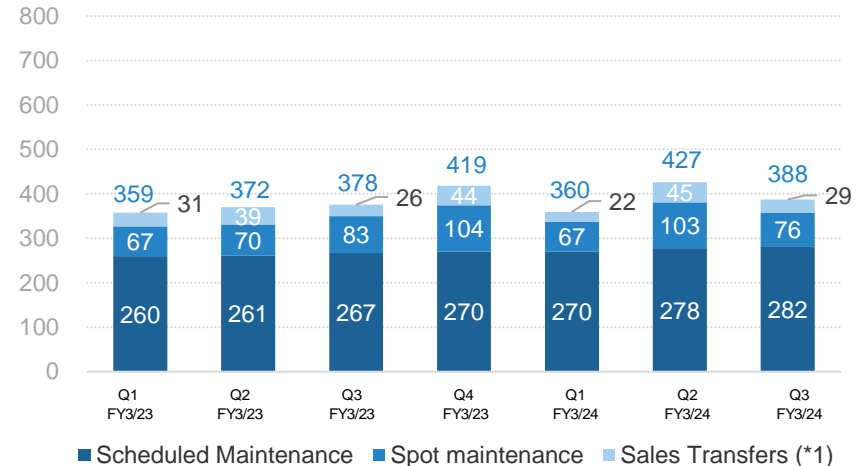


# Cloud Services and Support Net Sales Breakdown (by quarter) [Millions of yen]

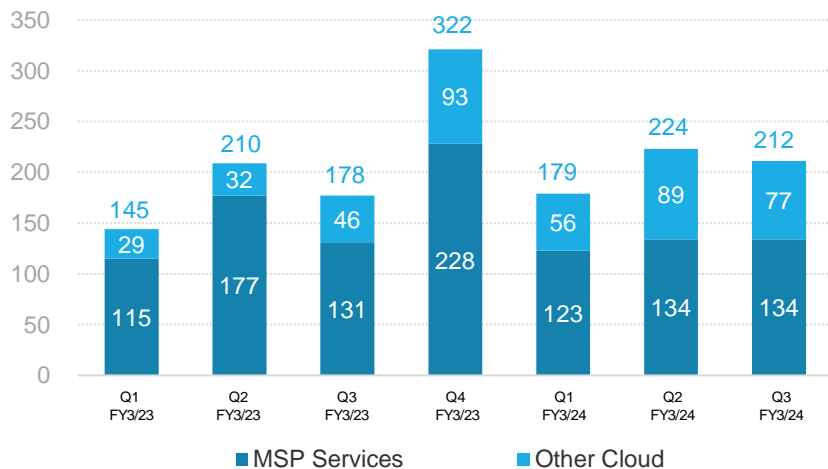
## 1 Cloud Services and Support Net Sales Breakdown



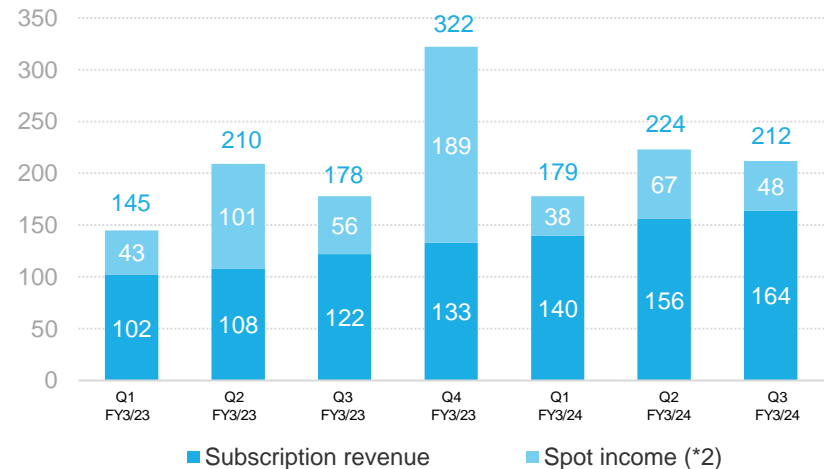
## 2 Maintenance Net Sales Breakdown (by type)



## 3 Cloud Services Net Sales Breakdown (by service)



## 4 Cloud Services Net Sales Breakdown (by type)



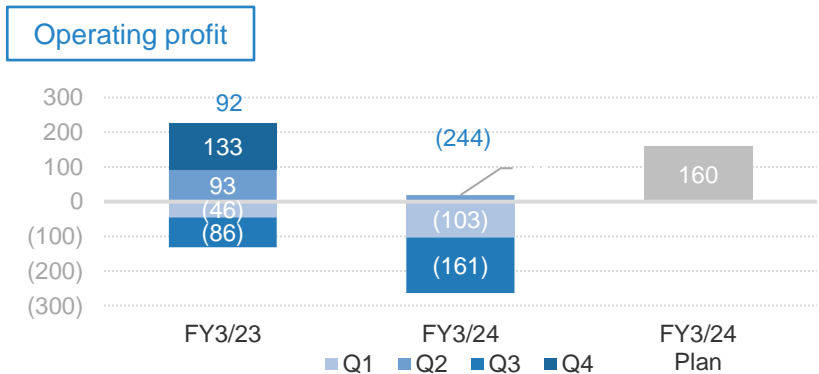
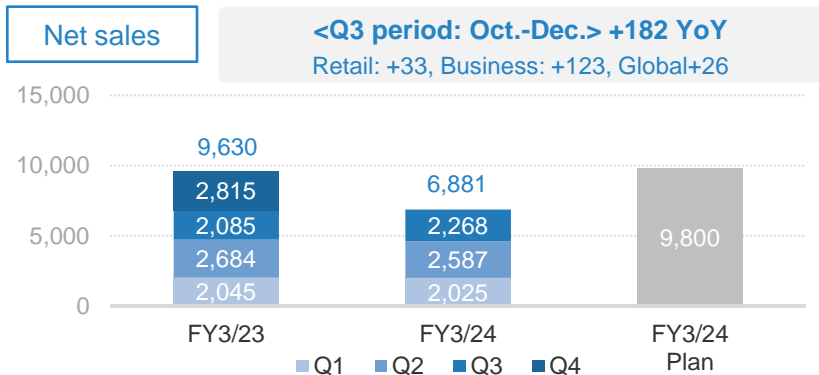
(\*1) Concerning the maintenance provided free of charge in the first year after the sales of products in the Systems segment, an amount equivalent to the cost of the maintenance is transferred to Cloud Services & Support sales

(\*2) Lump-sum payment of initial costs, purchase of equipment for MSP Service, etc.

# Systems & Devices Segments Results

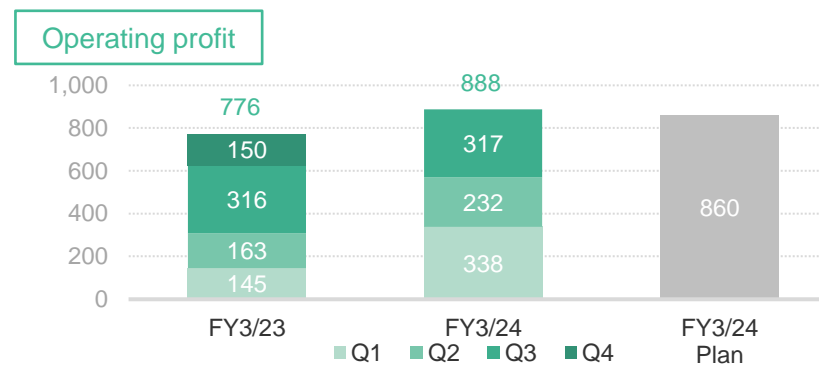
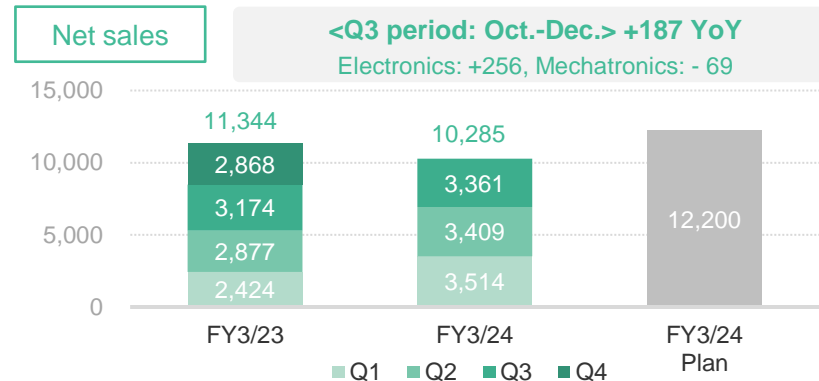
[Millions of yen]

## Systems



Period	Operating profit	Change	Change factors (YoY)
Q1 Apr.-Jun.	(103)	(56)	Decrease in Business Solutions revenue (-)
Q2 Jul.-Sep.	19	(73)	Global: Decrease in sales of fire protection systems and additional construction work (-) Decrease in Retail Solution services sales (-)
Q3 Oct.-Dec.	(161)	(74)	Global: Additional construction of fire protection system (-)

## Devices

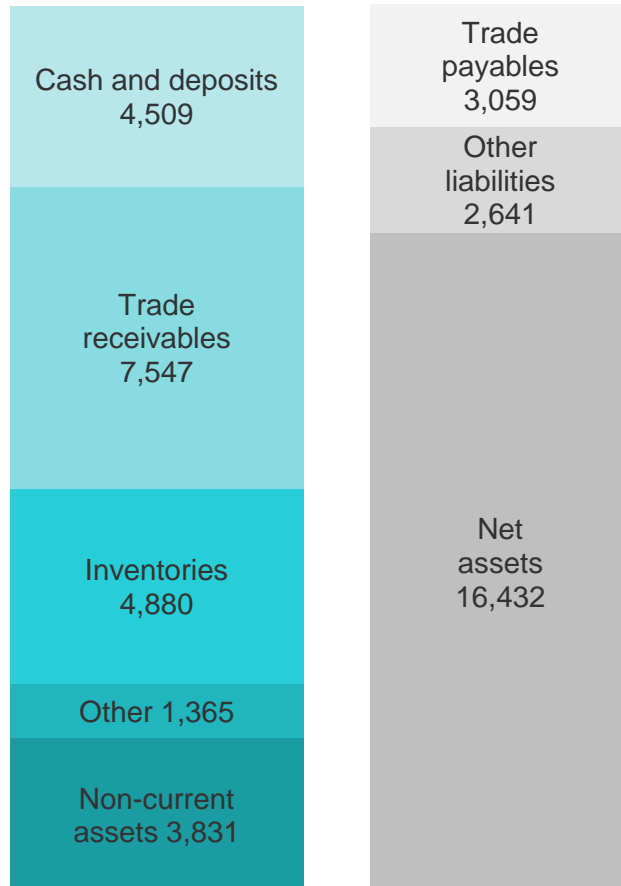


Period	Operating profit ratio	Change	Change factors (YoY)
Q1 Apr.-Jun.	9.6%	+3.6pt	Expansion of scale of electronics sales (+) Improvement in sales mix (+)
Q2 Jul.-Sep.	6.8%	+1.1pt	Expansion of Electronics services sales (+)
Q3 Oct.-Dec.	9.4%	(0.6pt)	Mechatronics: Decrease in highly profitable projects (-)

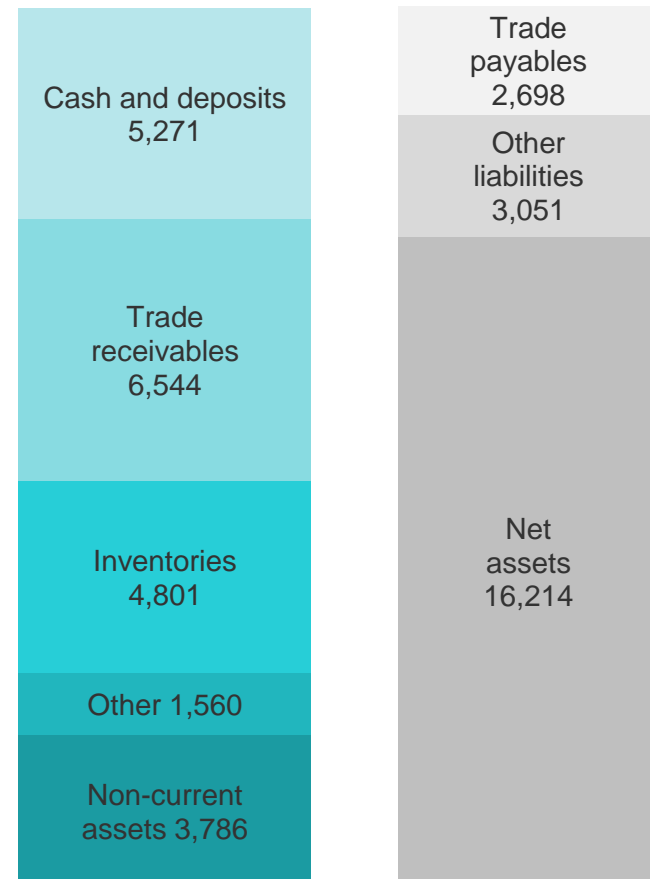
# Consolidated Balance Sheet

[Millions of yen]

As of March 31, 2023



As of December 31, 2023



- **Cash and deposits** +762: Increased due to collection of trade receivables and proceeds from sales of investment securities, etc.
- **Net assets** (217): Net income: +1,021, Dividends paid: (1,478), Accumulated other comprehensive income: +230



# Company Profile

Company Name	Takachiho Koheki Co., Ltd.
Securities Code	TSE Prime (code: 2676)
Established	March 13, 1952
Head Office Address	YOTSUYA TOWER 7F, 1-6-1 Yotsuya, Shinjuku-ku, Tokyo
Representative	Takanobu Ide, President and Chief Executive Officer
Number of Employees	Consolidated: 496, Non-consolidated: 243 (as of March 31, 2023)
Consolidated Subsidiaries	One domestic company, eight overseas companies (Shanghai, Hong Kong, Bangkok, Singapore, Chicago)



- Video of interview with the CEO now available



<https://youtu.be/t24f-4ypyOY?si=CbuOkdesvdbEZWAY>

## Precautions Regarding this Document

- This document contains forward-looking statements. Such statements are not guarantees of future results and involve risks and uncertainties.  
Please note that future results may differ due to changes in the business environment and other factors.
- This document is for informational purposes only and is not intended as a solicitation to trade.

### For inquiries, please contact:

Investor Relations, Corporate Planning Dept, Takachiho Koheki Co., Ltd.

 [ir-takachiho@takachiho-kk.co.jp](mailto:ir-takachiho@takachiho-kk.co.jp)

 03-3355-1201



Takachiho Koheki official account

**no+e**

(Japanese)

