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To whom it may concern

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Progress Based on the Plan for Compliance with the Listing Maintenance Standards

On December 10, 2021, the Company submitted and disclosed the "Plan for Compliance with the Listing Maintenance Standards for the New Market Segment" (hereinafter the "Plan"). The Company hereby announces the progress of the Plan as of December 31, 2022, and other information as follows.

1. The status of the Company's compliance with the standards for maintaining listing and the period of the plan

As of the transition record date (June 30, 2021), the Company did not meet the standards for "market capitalization of tradable shares" and "average daily trading value" of the standards for maintaining listing on the Prime Market. As a result of the improvements made in accordance with the Plan, the "market capitalization of tradable shares" met the criteria as of September 30, 2022, according to our calculations. The "average daily trading value" met the standard as of the calculation record date (December 31, 2022), according to the notice from the Tokyo Stock Exchange. The Company will promptly announce the status of the "market capitalization of tradable shares" as of the calculation record date (March 31, 2023), as soon as it becomes clear.

		Number of shareholders	Number of tradable shares(units)	Market capitalization of tradable shares (Billion yen)	Ratio of tradable shares	Average daily trading value (Million yen)
Our compliance status and transition	As of June 30, 2021 (Transition record date) ※1	13,719	5,716,700	6.43	56.2%	15
	As of December 31, 2022 ※2	11,989	5,878,900	12.48	57.8%	58
Listing maintenance criteria		800	2,000,000	10.0	35.0%	20
Compliance Status		Complied	Complied	Complied	Complied	Complied
Planning period stated in the original plan		—	—	March 31, 2025	—	March 31, 2025

*1 Calculated by the Tokyo Stock Exchange based on the distribution of the Company's share certificates, etc. as of June 30, 2021.

*2 Average daily trading value is the average of daily trading value from January 1, 2022 to December 31, 2022, as notified by the Tokyo Stock Exchange on January 11, 2023. Other items are calculated on an estimated basis by the Company based on the distribution of share certificates, etc. as of September 30, 2022 (statistical tables and list of all shareholders prepared by the Transfer Agent Department of Mitsubishi UFJ Trust and Banking Corporation on October 9, 2022), which is the latest information available to the Company as of December 31, 2022. Market capitalization of tradable shares is calculated based on the average of daily closing price from July 1, 2022 to September 30, 2022, which is 2,123 yen.

2. Implementation Status and Evaluation of Efforts to Conform to Listing Maintenance Standards

■ Our policy

After announcing the Plan on December 10, 2021, we announced the "Medium-Term Management Plan 2022 - 2024: Challenges for Creation - Toward the 100th Anniversary of the New Normal Era" which is the key point of the Plan, on February 8, 2022. In this medium-term management plan, we aim to realize a prosperous society while continuously solving social issues and customer issues through the challenge of "creativity," and to increase corporate value by setting "3-term average ROE of 8%" as a new KPI and improving capital profitability. To achieve this goal, we will steadily implement the following three strategies: (1) promote [business strategies] to create new value, (2) promote [capital policy] to achieve an optimal capital structure, and (3) practice [governance] appropriate for a Prime-listed company.

■ Implementation status of strategy initiatives (December 2021-December 2022)

(1) Promote [business strategies] that create new value

i) Growth of service business

Segment change

In this medium-term management plan, we are striving to improve profitability by transforming from "selling products" to "selling services" and growing our services business. To promote this strategy, we have separated the "Cloud Services Business" and "Maintenance Business" from the "System" segment under the name of "Cloud Services & Support" starting from the fiscal year ending March 31, 2023.

Disclosure of KPI setting and progress of MSP service (*1)

We set the number of licenses and the churn rate as KPIs for the MSP service, which is the core business of the Cloud Service & Support segment, and disclose them in quarterly results briefing materials. By visualizing the progress of KPIs, the awareness of goals has increased, and the number of licenses has continued to increase since the service started in 2014.

(ii) Increase in the number of "Loyal Customers" (*2)

Organizational Changes and Project Activities

In order to increase the number of "Loyal Customers", we place importance on expanding group synergies, and are implementing organizational changes and company-wide project activities. As a result,

we are increasing our track record of cross-selling and product development that integrates technologies between business divisions.

(iii) Strengthen investment in human resources

Expansion of Employee Stock Ownership Plan Incentive

With the aim of achieving this medium-term management plan by increasing each employee's awareness of participation in management, we are increasing the incentive for employee stock ownership from 10% to 50%, effective from the fiscal year ending March 31, 2023.

(2) Promotion of [Capital Policy] aiming for optimal capital structure

After comprehensively considering the Company's financial soundness, with the aim of improving capital profitability and the balance sheet, from the fiscal year ending March 31, 2023, we have changed our shareholder return policy to "maintain a dividend payout ratio of 100% until ROE 3-fiscal year average(*3) of 8% is achieved."

(3) Practice [governance] appropriate for a Prime-listed company

- Completed the establishment of the Investment Committee
- Set ROE as a KPI for executive compensation and promote management from the perspective of shareholders
- Strengthening IR activities

With the aim of increasing communication opportunities with investors and enhancing dialogue, from the fiscal year ending March 31, 2023, we are strengthening IR activities by assigning a full-time IR representative, disclosing quarterly financial results presentation materials, and releasing transcripts (including Q&A) of financial results meetings.

(*1) MSP Service: Our original subscription-based service for maintenance, operation, and operation monitoring of cloud products

(*2) Loyal Customers: Customers with sales of 30 million yen or more per company

(*3) 3-fiscal year average: Average of the most recent three fiscal years since the fiscal year ended March 31, 2023, the first year of the medium-term management plan

■ Evaluation of efforts

As a result of the above series of efforts, in addition to the favorable progress of business performance against the plan, we have confirmed that "market capitalization of tradable shares " exceeded the standard as of September 30, 2022, based on our calculations.

As for the "average daily trading value," we were able to meet the standard as of the calculation record date (December 31, 2022).

In the current fiscal year, the first year of this medium-term management plan, we have revised upward our full-year forecasts due to an increase in sales of electronic components and strong sales of MSP services, as

announced in the "Notice of Difference between Forecast and Actual Consolidated Business Results for the First Half of the Fiscal Year Ending March 31, 2023, Revision of Consolidated Business Results Forecast for the Full Year Ending March 31, 2023, and Revision of Dividend Forecast" released on November 8, 2022.

In order to continue to meet the standards for listing on the Prime Market in a stable manner, we will not only take on the challenge of creating new value, as we have stated, but also strive to achieve sustainable growth of our group and further increase shareholder value through dialogue with our shareholders and investors.