

**Financial Results for the Year Ended March 2021 [Based on the Japanese Accounting Standards]
(Consolidated)**

May 14, 2021

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

Stock market: Tokyo Stock Exchange First Section

Code No.: 2676

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

Representative (job title): Takanobu Ide (President and CEO)

Contact person (job title): Masaya Iwamoto (General Manager of Administrative Department) TEL: 03-3355-1111

Date of the shareholder's meeting: June 25, 2021

Date of dividends payment: June 28, 2021

Registration date of annual securities report: June 28, 2021

Additional explanation materials; Yes

Financial results briefing; No

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

1. Consolidated Financial Results for the Year ended March 2021 (from April 1, 2020 to March 31, 2021)

(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 2020	20,591	(0.1)	886	12.4	926	4.6	548	187.7
FY 2019	20,616	3.6	788	(20.4)	885	18.5	190	(61.2)

Note: Comprehensive income: 801 million yen (--%) for FY 2020 27 million yen (-94.3%) for FY 2019

	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 2020	61.56	—	4.0	4.9	4.3
FY 2019	21.40	—	1.4	4.7	3.8

Reference: Equity in earnings (losses) of affiliates: -2 million yen for FY 2020 1 million yen for FY 2019

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY 2020	19,473	14,174	72.7	1,590.28
FY 2019	18,556	13,584	73.2	1,524.28

Reference: Owner's equity: 14,162 million yen for FY 2020 13,574 million yen for FY 2019

(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 2020	753	(774)	(214)	4,900
FY 2019	250	(111)	(214)	5,099

2. Dividends

	Annual cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY 2019	—	12.00	—	12.00	24.00	213	112.1	1.6
FY 2020	—	12.00	—	13.00	25.00	222	40.6	1.6
FY 2021 forecast	—	12.00	—	—	—		—	

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 2022, the dividend at the end of the second quarter will be 12 yen, and the year-end dividend will be the annual dividend with a consolidated payout ratio of 40% or more. As we are planning to do this, the year-end dividend and annual dividend are indicated as "-".

3. Forecast of Consolidated Operating Results for FY 2021 (from April 1, 2021 to March 31, 2022)

(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 2021 1st half	9,720	4.8	220	0.5	200	12.8	122	100.1	13.70
FY 2021	21,700	5.4	1,130	27.5	1,100	18.7	770	40.4	86.46

* 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.: None

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(3) 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

FY 2020	10,171,800	FY 2019	10,171,800
FY 2020	1,266,078	FY 2019	1,266,058
FY 2020	8,905,732	FY 2019	8,905,751

Reference: Non-consolidated Financial Results

Non-consolidated Financial Results for the Year ended March 2021 (from April 1, 2020 to March 31, 2021)

(1) Non-consolidated 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 2020	16,721	8.6	1,075	32.5	1,380	44.9	752	30.7
FY 2019	15,402	4.5	811	(2.7)	952	0.1	575	25.7

	Net income per share		Fully diluted net income per share	
	yen		yen	
FY 2020	84.44		—	
FY 2019	64.58		—	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2020	19,510	15,044	77.0	1,687.87
FY 2019	18,509	14,408	77.8	1,616.77

Reference: Owner's equity: 15,031 million yen for FY 2020, 14,398 million yen for FY 2019

* This financial summary is not subject to audit procedure.

* 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. 2 of the attached material, "1. Overview of Operating Results/Financial Position (1) Overview of Operating Results."

Table of Contents to the Attached Materials

1. Overview of Operating Results/Financial Position.....	P.2
(1) Overview of Operating Results	P.2
(2) Overview of Financial Position	P.5
(3) Basic Policy for distribution of profit and the Dividends for the current and next fiscal years.....	P.6
2. Corporate Group Status.....	P.7
3. Management Policies.....	P.11
4. Basic stance relating to the selection of accounting standards.....	P.13
5. Consolidated Financial Statements.....	P.14
(1) Consolidated Balance Sheet.....	P.14
(2) Consolidated Income Statements and Statements of Comprehensive Income.....	P.16
(Consolidated Income Statements).....	P.16
(Consolidated Statements of Comprehensive Income)	P.17
(3) Consolidated Statements of Changes in Net Assets.....	P.18
(4) Consolidated Statements of Cash Flow	P.20
(5) Note on going-concern assumption	P.21
(6) Significant matters constituting the basis for the preparation of consolidated financial statements.....	P.21
(7) Notes on Consolidated Financial statements.....	P.23
(Consolidated Balance Sheet).....	P.23
(Consolidated Income Statements).....	P.23
(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.29
(Per Share Information)	P.33
(Significant Subsequent Event)	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. Overview of Operating Results/Financial Position

(1) Overview of Operating Results

(i) Operating Results for current consolidated fiscal year

For the current consolidated fiscal year, the Japanese economy has seen a gradual recovery, although it has retreated significantly due to the spread of the new coronavirus (COVID-19).

As for the outlook, it is expected that the recovery will continue due to the effects of various policies and the improvement of overseas economies while taking measures to prevent the spread of infectious diseases. However, it is necessary to pay close attention to the risks of a downturn in domestic and foreign economies triggered by the impact of the re-expansion of infections on socio-economic activities and 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 related to teleworking 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.

Under these circumstances, operating results in the current consolidated fiscal year cumulative period, sales were affected by the spread of the new corona virus, and sales of remote access products and semiconductor parts for communication terminals were strong due to rising demand for telework. However, due to the decline in markets that we are focusing on, such as the office-related market in Japan and overseas, the manufacturing industry, and the construction industry, sales decreased 0.1% year-on-year to 20,591 million yen.

In addition to the above reasons, due to efforts to reduce selling, general and administrative expenses, in terms of profit and loss, operating income increased by 12.4 percent YOY to 886 million yen. Ordinary income increased by 4.6 percent YOY to 926 million yen.

Net income attributable to shareholders of the parent company increased by 187.7 percent YOY to 548 million yen.

The operating results of each segment are as follows:

(System Segment)

System Segment sales increased by 1.0 percent YOY to 12,689 million yen and operating income increased by 34.9 percent YOY to 609 million yen.

For Retail Solution Products, sales of product monitoring systems decreased due to the impact of curbing new store openings due to the prevention of the spread of new coronavirus infections, while sales of CCTV and frequent authentication systems, large-scale projects for mobile carriers, etc., led to a net sales increase of 27.2 percent YOY to 4,407 million yen.

For Office Solution Products, sales decreased by 5.9 percent YOY to 3,600 million yen due to a decrease in RFID system sales, although sales of remote access products were strong due to rising demand for telework.

For Global Products, sales of Advanced Fire Protection Systems in Thailand slowed down due to sluggish crude oil prices and stagnant construction of new plants due to the spread of the new coronavirus infection. For this reason, sales decreased by 13.1 percent YOY to 2,741 million yen.

For Service & Support Products, sales decreased by 8.6 percent YOY to 1,940 million yen.

(Device Segment)

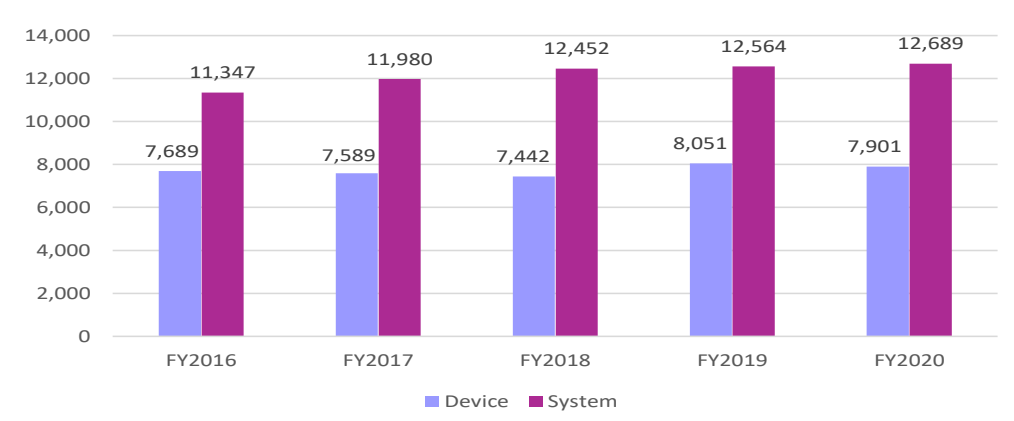
Device Segment sales decreased by 1.9 percent YOY to 7,901 million yen and operating income decreased by 17.7 percent YOY to 276 million yen.

For Semiconductor products, sales increased by 8.0 percent YOY to 3,967 million yen due to strong sales of electronic parts for base stations and Semiconductor manufacturing equipment in response to rising demand for telework.

For Mechanical Component Products, sales decreased by 10.1 percent YOY to 3,934 million yen due to a slowdown in sales of mechanical parts to the copier and office furniture markets.

(millions of yen)

Sales by Segment



(ii) Future Outlook

(ii) Future Outlook

For the current consolidated fiscal year, the Japanese economy has seen a gradual recovery, although the economy has retreated significantly due to the spread of the new coronavirus infection (COVID-19).

As for the outlook, it is expected that the recovery will continue due to the effects of various policies and the improvement of overseas economies while taking measures to prevent the spread of infectious diseases, but the impact of the re-expansion of infections on socio-economic activities. It is necessary to pay close attention to the risks of a downturn in domestic and foreign economies and fluctuations in the financial and capital markets.

Under such circumstances, our Group will strive to achieve further business growth, with the medium-term management policy of "Concentrating on core areas and changing to create new corporate value."

Specifically, in the System Segment, we will strive to promote sales of security solutions with Electronic Article Surveillance Systems and face recognition systems for the retail industry, sales support solutions for labor saving for mobile shops, Cloud-based wireless LAN with a rapidly growing market for office use, for remote access products required for telework, which is still expected to be in high demand due to the spread of new coronavirus infections, and for solutions to support Work Style Reform.

As for global business, we will make efforts to win deals for fire protection systems for power plants, which are expected to enjoy an expansion in the demand for power in the ASEAN region.

With regard to the Device Segment, we will strive to develop the industrial equipment area centered on the telecommunications infrastructure market, Semiconductor manufacturing equipment sector, and the automotive sector in the Electronics Business. In the Industrial Systems Business, we will promote the sales of high-value-added unit products for the housing equipment market in China and capture the U.S. market through Takachiho America, Inc.

Based on the above, we forecast net sales of 21.7 billion yen, ordinary income of 1.1 billion yen, and net income attributable to owners of parent of 700 million yen.

(2) Overview of Financial Position

(i) Status of assets, liabilities and net assets

Total assets as of the end of the current consolidated fiscal year increased by 917 million yen YOY to 19,473 million yen.

This is because notes and accounts receivable increased by 298 million yen, investment securities increased by 519 million yen, and tangible fixed assets increased by 277 million yen due to the relocation of the head office, while cash and deposits decreased by 199 million yen.

Liabilities increased by 327 million yen YOY to 5,299 million yen. This was due to a decrease in income taxes payable of 100 million yen and other current liabilities of 50 million yen, while bills payable and accounts payable increased by 248 million yen and advance payments increased by 298 million yen.

Net assets increased by 590 million yen YOY to 14,174 million yen. The equity ratio decreased by 0.5 points from the end of the previous consolidated fiscal year to 72.7 percent.

(ii) Status of Cash flow

Cash and cash equivalents as of the end of the current consolidated fiscal year decreased by 199 million yen (3.9 percent) YOY to 4,900 million yen.

(Cash flow from operating activities)

Cash flow from operating activities during the current consolidated fiscal year increased by 503 million yen YOY to 753 million yen. This is due to net income before taxes and minority interests that amounted to 929 million yen with income taxes paid being 457 million yen.

(Cash flow from investment)

Cash flow from investment activities during the current consolidated fiscal year decreased by 663 million yen YOY to -774 million yen. This is due to the acquisition of investment securities of 450 million yen and the acquisition of fixed assets of 562 million yen due to the relocation of the head office and the acquisition of software in progress due to the introduction of the core system. This was due to the refund of the security deposit of 238 million yen.

(Cash flow from financing activities)

Cash flow from financing activities during the current consolidated fiscal year to -214 million yen. This is due to dividend payments of 214 million yen.

Index	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Equity ratio (%)	74.5	75.1	72.9	73.2	72.7
Capital adequacy ratio based on current market value (%)	50.5	67.5	44.6	46.0	51.4
Interest coverage ratio	599.9	72.5	681.5	192.2	--

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 distribution of profit and the Dividends for the current and next fiscal years:

(i) Basic Policy for distribution of profit for the current fiscal year.

We consider it an important business challenge to return profits to our shareholders and make it our basic policy to pay dividends in a stable manner and to distribute profits according to business performance, and in principle set a stable dividend amount (24 yen per year) as the lower limit and a consolidated dividend payout ratio of 40% or more. At the same time, we have focused on investment for future growth and retained earnings for business expansion.

(ii) Dividends for the current and next fiscal years.

Regarding dividends at the end of the current fiscal year, the results for the current fiscal year are as described in (1) Overview of operating results for the current fiscal year (i) Operating results for the current fiscal year. In accordance with our dividend policy of a consolidated payout ratio of 40% or more, we have set an annual dividend of 25 yen and an interim dividend of 12 yen per share, so we have decided to pay a year-end dividend of 13 yen.

In the next fiscal year as well, we plan to continue to pay dividends twice a year with the base date of September 30th and March 31st as in the current case.

2. Corporate Group Status

Our Group consists of 12 companies, namely, the Company, 9 consolidated subsidiaries, 1 affiliated company, and 1 non-consolidated 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>

(Retail Solution Products)

We engaged in system design, sales, installation, and system operation support services. These include electronic article surveillance/video monitoring security, etc. (surveillance cameras and surveillance video recording device,) retail security equipment such as security tags, operational support services such as customer traffic counters, and store management equipment for labor saving systems. We conduct 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.

Mighty Cube Co., Ltd. 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.

(Office Solution Products)

We design, build, install, and sell equipment for the latest electronics technology application systems for office buildings, data centers, factories, and other corporate-related facilities. These include Access Control Systems, network system equipment (Cloud-based Wireless LAN Systems), and consulting and designing services for electronic article surveillance/video monitoring security. We also handle RFID tags for logistics/inventory control systems and related peripheral equipment, as well as automated postal mail inserters (folding and inserting machines) for postal mail.

Mighty Cube Co., Ltd., 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 (readers/writers).

(Global Products)

We design, establish, install and sell Advanced Fire Protection Systems which contribute to office buildings, commercial facilities, power-generating energy-related plants, natural gas/petrochemical plants, etc.

Takachiho Fire, Security & Services (Thailand) Ltd. of Thailand is engaged in consulting and designing systems for electronic article surveillance/video monitoring security, 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 designing and selling Advanced Fire Protection Systems in Southeast Asia.

(Service & Support Products)

We are engaged in maintenance, subcontracting of system operations (outsourcing), operational surveillance services and the Managed Service Provider business for the 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.

<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.) LIMITED and Takachiho Trading (Shanghai) Co., Ltd., are engaged in selling the aforementioned 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.) LIMITED, Takachiho Trading (Shanghai) Co., Ltd., and Takachiho America, Inc., are engaged in selling the aforementioned products in China, Southeast Asia and America.

*As of July 1, 2020, the consolidated subsidiary TK Communication Technology Co., Ltd. disappeared due to an absorption-type merger with the Company as the surviving company, so the products of the company that belonged to the system segment are classified as office solution products or services & support products.

Correlation between Segment and Products:

Segment	Contents of main businesses	Principal companies
Systems		
Retail 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.) and video monitoring systems.	TAKACHIHO KOHEKI CO., LTD. Mighty Cube Co., Ltd.
Office Solution Products	Sales and designing/establishment of various types of systems, such as Access Control Systems, video monitoring systems, network system equipment (Cloud-based Wireless LAN Systems), RFID tags for logistics/inventory control systems, etc., related peripheral equipment and automated insertion systems (Mail inserters), etc.	TAKACHIHO KOHEKI CO., LTD. Mighty Cube Co., Ltd.
Global Products	Sales and designing/establishment of various types of systems for Advanced Fire Protection Systems, etc.	Takachiho Fire, Security & Services (Thailand) Ltd. Guardfire Limited Guardfire Singapore Pte. Ltd.
Customer Service Products	System maintenance, subcontracting of system operations, operational surveillance services and Managed Service Provider business for various products in the System Segment.	TAKACHIHO KOHEKI 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.) LIMITED 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.) LIMITED TAKACHIHO TRADING (SHANGHAI) Co., Ltd. Takachiho America, Inc.

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) Cloud-based Wireless LAN System: a system capable of managing wireless LAN access points on the net

(3) RFID Tags: Special tags with micro IC chips having product information and antennas built in.

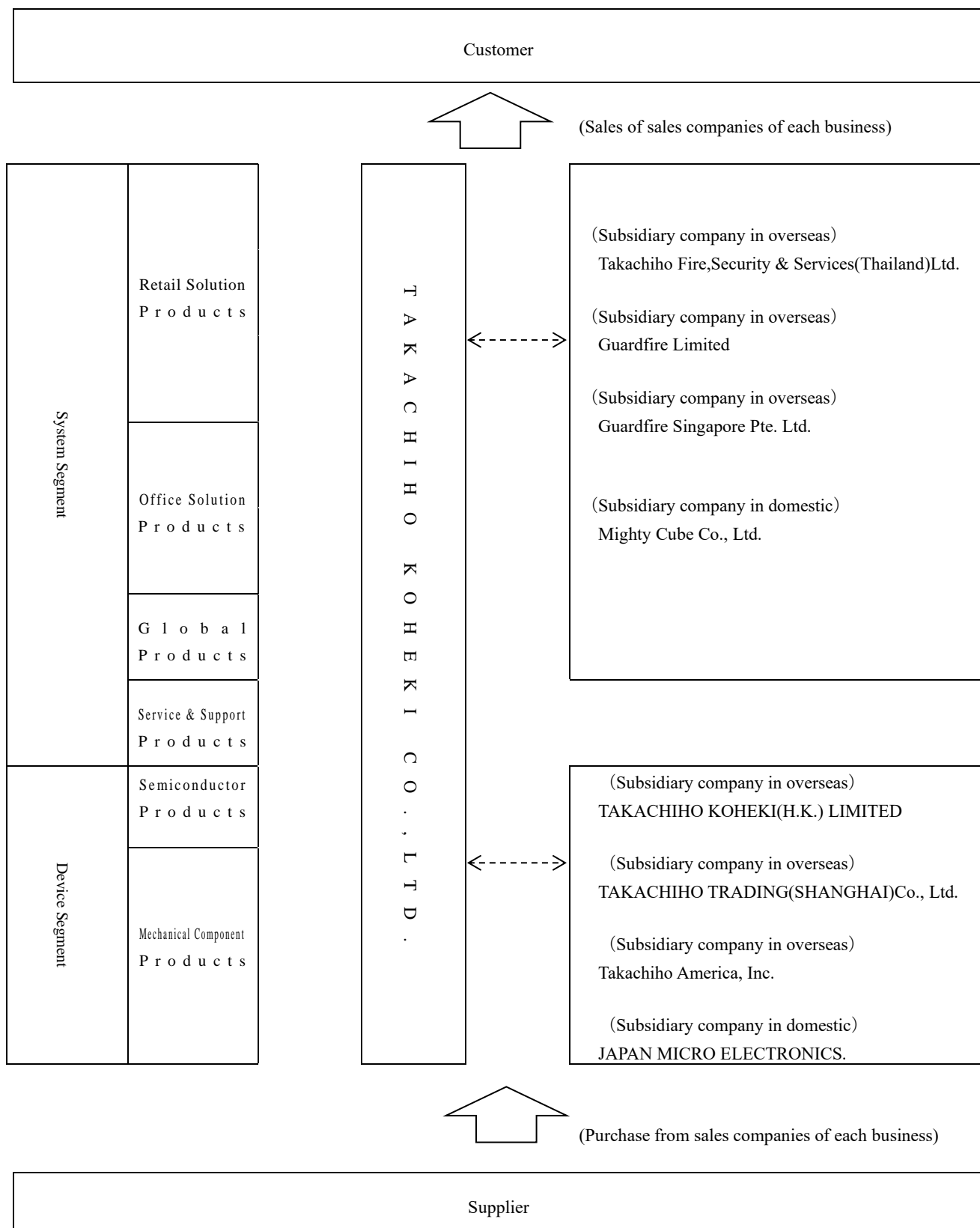
(4) Mail inserters (folding and inserting machines): Automated equipment for selection/enclosing and sealing operations of postal mail

(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

(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:



*The changes in major affiliated companies in the current consolidated fiscal year are as follows.

As of July 1, 2020, TK Communication Technology Co., Ltd. has been excluded from the scope of consolidation from the second quarter consolidated accounting period because it disappeared due to an absorption-type merger with the Company as the surviving company.

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 three principal goals: (1) Enhance customer satisfaction; (2) Gain worldwide trust by enhancing our technological expertise, skills and humanity; and (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

In FY2021, the final year of the medium-term management plan, we have set a consolidated sales target of 26 billion yen and a consolidated ordinary income target of 1.8 billion yen.

We are promoting various measures to achieve the goal centered on three basic strategies "1. Strengthening competitiveness and improving profitability through added value" "2. Creating a profit base through new business" "3. Business structural reform and productivity improvement", but we are slowing down the global business and office-related markets, the business progress of which has been delayed due to the impact of the new coronavirus. In consideration of this, we have decided to revise the medium-term management plan, which will reach its final year in FY2021, to sales of 21.7 billion yen and ordinary income of 1.1 billion yen.

In addition to the conventional management policy set forth in the medium-term management plan, the DX (Digital Transformation) strategy has been further strengthened to capture customer needs that have changed significantly due to the spread of new coronavirus infections and subsequent market changes. By promoting this strategy, we will improve corporate value and aim for sustainable growth.

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

The Group has markets in a wide range of industries such as finance, manufacturing, retailing, information and telecommunications, and large-scale plant construction, but in a rapidly changing economic environment, business strategies are required to change accordingly.

We believe that satisfying customers through high-value-added proposals is an important issue for sustainable growth.

We develop and promote our unique products and services, making full use of our creativity, which is the starting point of our business activities.

The Group is promoting a three-year medium-term management plan with fiscal 2021 as the final year.

(i) Recognition of business environment

In our business area, we expect expanding investment related to labor saving measures due to the decrease in the working population, expanding security needs for crime deterrence to create a safe and secure society, and rapid evolution of digital technologies such as AI and IoT. We anticipate business expansion in the Asian region, where economic growth is expected.

Due to increasing uncertainty such as the spread of new coronavirus infections, the future is still uncertain, but in such circumstances, customer interest in the field of digital technology is increasing, and we will continue to focus on this as a growth area.

(ii) Medium-term management policy

Our medium-term management policy is "Concentrating on core areas and changing to create new corporate value." We aim to create a new revenue base in FY2021 in order to increase corporate value and achieve business growth.

As a technology trading company, our group has provided highly-specialized solutions that require technical skills, utilizing our rich experience.

In order to realize new business growth in the future, we believe that it is important to understand the needs and issues of our customers more deeply and to provide high-value-added solutions and services required by customers.

In addition, the new coronavirus is accelerating changes in the business environment, and we recognize that promoting DX (digital transformation) is also an important issue and are promoting initiatives. In a rapidly changing market environment, with the meaning that we must change in line with changes in the market without being bound by preconceived ideas, we are aiming for 2021 of the 70th anniversary of our drug discovery. With the medium- to long-term slogan of "Range ~ Next Stage to 70th ~", we will implement the following strategies.

(iii) Management strategies

(A). Basic strategy

(a). Strengthen competitiveness and improve profitability by adding value.

i. Select and concentrate on high-value-added businesses that pursue customer satisfaction through the Royal Customer Strategy. (* 1)

ii. Create operating income by improving profitability and reduction in low-profit businesses.

iii. Reform profit structure by expanding the stock business such as MSP (* 2) and the maintenance business.

(b). Create revenue bases by new business.

i. Expand global business.

Strengthen the business for fire protection systems and for Mechanical Component Products in China, Southeast Asia and America.

ii. Business development to support the growth stage.

Business development through aggressive investment with a view to M&A and business alliances, strengthening cloud and software related businesses.

(c). Business structure reform and productivity improvement.

i. Redesign of organization adapted to business by sales organization reform, strengthening SE and marketing function.

ii. Business efficiency improvement through organizational reform.

iii. Centralize management information through IT investment and review business processes.

iv. Reform of business model through DX <Digitalization of marketing, sales methods, technical services, etc.>

(* 1) Royal Customer Strategy means the strategy that aims to strengthen customer relationships by providing added value, creating satisfied customers.

(* 2) MSP means Managed Service Provider.

(B). Business operation

(a). Strengthen the organization and human resources.

i. Organizational structure and clarification of roles to ensure strategy execution.

ii. Reform HR system that will lead to dramatic business growth and utilize people and strengthen human resource development and education.

(b). Strengthen and promote group management.

i. Continuously strengthen the governance system of the entire group.

ii. Strengthen financial strategy and capital policy in response to group expansion.

iii. Strengthening efforts of SDGs (Sustainable Development Goals)

(c). Growth investment for business expansion.

i. Aggressive investment through M&A, alliances, etc., for future business expansion.

ii. Investment for sustainable growth in the System Segment, the Device Segment, and other businesses.

(d). Shareholder return policy.

i. Change of shareholder return policy.

Our basic policy is to set a stable dividend (24 yen per year) as the lower limit and a consolidated payout ratio of 40% or more.

In addition, as a corporate citizen and aiming for management that is trusted by all stakeholders, the Group will actively engage in CSR activities.

(4) Issues to be addressed by the Company.

We disclosed the medium-term management plan during FY2019 to FY2021 on May 17, 2019, with the slogan, "Challenge to Change -Next Stage to 70th-". Under this slogan, we will work on the following issues to increase corporate value and achieve business growth.

(i) Strengthen competitiveness and improve profitability by adding value.

(ii) Create revenue bases by new business.

(iii) Business structure reform and productivity improvement.

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 from developing a system for preparing consolidated financial statements based on International Financial Reporting Standards (IFRS), it is our principle for the time being to prepare consolidated financial statements based on Japanese Accounting Standards.

Furthermore, taking into account the trend of foreign ownership and the trend of the application of International Financial Reporting Standards (IFRS) by other domestic companies in the same industry, we intend to consider applying International Financial Reporting Standards.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	6,199	6,000
Notes and accounts receivable - trade	6,720	7,018
Merchandise and finished goods	2,597	2,431
Raw materials	108	146
Other	732	920
Allowance for doubtful accounts	(122)	0
Total current assets	16,236	16,516
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12	232
Land	117	115
Other, net	169	229
Total property, plant and equipment	※ 1 299	※ 1 577
Intangible assets		
Other	147	337
Total intangible assets	147	337
Investments and other assets		
Investment securities	※ 2 925	※ 2 1,444
Deferred tax assets	307	219
Other	640	377
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,872	2,041
Total non-current assets	2,319	2,956
Total assets	18,556	19,473

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,591	2,839
Income taxes payable	241	141
Provision for bonuses	235	270
Provision for bonuses for directors (and other officers)	1	13
Provision for head office relocation expenses	82	—
Other	1,021	1,283
Total current liabilities	4,174	4,547
Non-current liabilities		
Long-term accounts payable - other	35	42
Retirement benefit liability	729	673
Other	31	35
Total non-current liabilities	797	751
Total liabilities	4,971	5,299
Net assets		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus	1,172	1,172
Retained earnings	12,388	12,722
Treasury shares	(1,231)	(1,231)
Total shareholders' equity	13,537	13,872
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	204	299
Foreign currency translation adjustment	(165)	(58)
Remeasurements of defined benefit plans	(2)	49
Total accumulated other comprehensive income	36	290
Share acquisition rights	9	12
Non-controlling interests	0	0
Total net assets	13,584	14,174
Total liabilities and net assets	18,556	19,473

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	20,616	20,591
Cost of sales	15,494	15,661
Gross profit	5,121	4,930
Selling, general and administrative expenses	※ 1 4,333	※ 1 4,043
Operating profit	788	886
Non-operating income		
Interest income	1	0
Dividend income	23	19
Foreign exchange gains	42	67
Insurance claim income	18	5
Share of profit of entities accounted for using equity method	1	—
Subsidy income	—	3
Recoveries of written off receivables	2	—
Other	10	11
Total non-operating income	101	109
Non-operating expenses		
Interest expenses	1	—
Share of loss of entities accounted for using equity method	—	2
Commission expenses	2	1
Loss on investments in investment partnerships	—	64
Other	0	1
Total non-operating expenses	3	69
Ordinary profit	885	926
Extraordinary income		
Gain on sales of investment securities	67	—
Gain on reversal of share acquisition rights	0	4
Total extraordinary income	68	4
Extraordinary losses		
Impairment loss	※ 2 282	※ 2 1
Loss on retirement of non-current assets	1	0
Head office relocation expenses	※ 3 82	—
Total extraordinary losses	366	1
Profit before income taxes	587	929
Income taxes - current	425	356
Income taxes - deferred	(28)	24
Total income taxes	396	380
Profit	190	548
Profit attributable to owners of parent	190	548

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	190	548
Other comprehensive income		
Valuation difference on available-for-sale securities	(62)	94
Foreign currency translation adjustment	(109)	106
Remeasurements of defined benefit plans, net of tax	8	51
Total other comprehensive income	※ 1 (162)	※ 1 253
Comprehensive income	27	801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27	801

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,209	1,172	12,411	(1,231)	13,561
Changes of items during period					
Dividends of surplus			(213)		(213)
Profit attributable to owners of parent			190		190
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		0	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	(23)	(0)	(23)
Balance at end of current period	1,209	1,172	12,388	(1,231)	13,537

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	266	(55)	(11)	199	5	0	13,766
Changes of items during period							
Dividends of surplus							(213)
Profit attributable to owners of parent							190
Purchase of treasury shares							(0)
Disposal of treasury shares							—
Net changes of items other than shareholders' equity	(62)	(109)	8	(162)	4		(158)
Total changes of items during period	(62)	(109)	8	(162)	4	—	(181)
Balance at end of current period	204	(165)	(2)	36	9	0	13,584

Current Consolidated Fiscal Year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,209	1,172	12,388	(1,231)	13,537
Changes of items during period					
Dividends of surplus			(213)		(213)
Profit attributable to owners of parent			548		548
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	334	(0)	334
Balance at end of current period	1,209	1,172	12,722	(1,231)	13,872

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	204	(165)	(2)	36	9	0	13,584
Changes of items during period							
Dividends of surplus							(213)
Profit attributable to owners of parent							548
Purchase of treasury shares							(0)
Disposal of treasury shares							
Net changes of items other than shareholders' equity	94	106	51	253	2		255
Total changes of items during period	94	106	51	253	2	—	590
Balance at end of current period	299	(58)	49	290	12	0	14,174

(4) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	587	929
Depreciation	100	133
Loss (gain) on sales of investment securities	(67)	—
Loss (gain) on sales of non-current assets	(0)	(0)
Impairment loss for good will	245	—
Impairment loss for non-current assets	36	1
Gain on reversal of share acquisition rights	(0)	(4)
Amortization of goodwill	89	—
Interest and dividend income	(24)	(20)
Interest expenses	1	0
Share of loss (profit) of entities accounted for using equity method	(1)	2
Increase (decrease) in provision for bonuses	(31)	34
Increase (decrease) in provision for bonuses for directors (and other officers)	(20)	11
Increase (decrease) in allowance for doubtful accounts	109	(128)
Increase (decrease) in provision for loss on head office transfer	82	(82)
Increase (decrease) in retirement benefit liability	80	(2)
Loss (gain) on valuation of investment securities	—	64
Decrease (increase) in trade receivables	(112)	98
Decrease (increase) in inventories	(139)	129
Increase (decrease) in trade payables	(199)	249
Decrease (increase) in prepaid expenses	(67)	(191)
Increase (decrease) in accounts payable - other	(46)	(30)
Increase (decrease) in accrued consumption taxes	(10)	(4)
Other, net	53	3
Subtotal	664	1,190
Interest and dividends received	26	21
Interest paid	(1)	(0)
Income taxes paid	(439)	(457)
Income taxes refund	0	—
Net cash provided by (used in) operating activities	250	753
Cash flows from investing activities		
Purchase of property, plant and equipment	(108)	(363)
Proceeds from sales of property, plant and equipment	0	0
Purchase of investment securities	(0)	(450)
Proceeds from sales of investment securities	194	—
Purchase of intangible assets	(69)	(199)
Payments of leasehold and guarantee deposits	(128)	(0)
Proceeds from refund of leasehold and guarantee deposits	—	238
Other, net	0	—
Net cash provided by (used in) investing activities	(111)	(774)
Cash flows from financing activities		
Dividends paid	(213)	(214)
Purchase of treasury shares	(0)	(0)
Repayments of lease obligations	(1)	(0)
Net cash provided by (used in) financing activities	(214)	(214)
Effect of exchange rate change on cash and cash equivalents	(27)	36
Net increase (decrease) in cash and cash equivalents	(103)	△199
Cash and cash equivalents at beginning of period	5,203	5,099
Cash and cash equivalents at end of period	5,099	4,900

(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: 9 companies

Name of consolidated subsidiaries:

Mighty Cube Co., Ltd.
TAKACHIHO KOHEKI (H.K.) LIMITED
TAKACHIHO TRADING (SHANGHAI) Co., Ltd.
Takachiho Fire, Security & Services (Thailand) Ltd.
Guardfire Limited
Guardfire Singapore Pte. Ltd.
TK Thai Holdings Co., Ltd.
TK Fire Fighting Co., Ltd.
Takachiho America, Inc.

b. Non-consolidated subsidiaries

Name of non-consolidated subsidiary:

TKTEC K.K.

It is a small company with an insignificant effect, and it is unconsolidated.

c. Change in scope of consolidation

TK Communication Technology Co., Ltd. which was a consolidated subsidiary of the Company, was excluded from the scope of consolidation because it disappeared due to an absorption-type merger with the Company as the surviving company on July 1, 2020.

(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

Name of non-consolidated subsidiary not accounted for by equity method:

TKTEC K.K.

It is a small company with an insignificant effect, and it is not accounted for by the equity method.

(iii) Fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, TAKACHIHO KOHEKI (H.K.) LIMITED, TAKACHIHO TRADING (SHANGHAI) Co., Ltd. and Takachiho America, Inc. 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

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 is used for tangible fixed assets of the Company and its consolidated subsidiaries. The main useful lives are as follows:

- Buildings and structures 10-50 years
- Tools, instruments and fixtures 2 to 20 years
- (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 uncollectible 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 uncollectible 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. 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

h. 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) Notes on Consolidated Financial Statements

(Consolidated Balance Sheet)

*1 Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (as of March 31, 2020)	Current consolidated fiscal year (as of March 31, 2021)
	979million yen	785 million yen

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

	Previous consolidated fiscal year (as of March 31, 2020)	Current consolidated fiscal year (as of March 31, 2021)
Investment securities(Stocks)	51 million yen	49 million yen

(Consolidated Income Statements)

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

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
	million yen	million yen
Salary and allowances	1,401	Salary and allowances 1,465
Provision for bonuses	194	Provision for bonuses 227
Provision for directors' bonuses	1	Provision for directors' bonuses 13
Retirement benefit cost	149	Retirement benefit cost 109
Rent	455	Rent 483
Depreciation	109	Depreciation 95

*2 Impairment loss

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

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

Location	Use	Type
—	Other	Goodwill
Thailand	Equipment and Software	Tangible and intangible fixed assets
America	Vehicle, Equipment and Software	Tangible and intangible fixed assets
Tokyo	Equipment	Tangible fixed assets
— Tsumagoi-mura, Agatsuma-gun, Gunma Prefecture, and five other places	Idle assets	Land

(i) History toward recognition of impairment loss

With regard to Guardfire, the receipt of large orders in 2018 is connected with steady sales. However, sales and profits have been significantly affected by the stagnation of new plant construction due to the continuous slump in crude oil prices and the slowing demand for petrochemical products. As a result, the business plan was not achieved, so we carefully considered the future recoverability of Guardfire's fixed assets such as goodwill. Consequently, we recorded the entire amount as an impairment loss. In addition, Takachiho America, Inc. (America) also recorded its entire fixed asset balance as an impairment loss because sales and profits have not reached the plan.

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

In the previous consolidated fiscal year, regarding the asset group with the land of which recoverable amount being remarkably lower than the book value of idle assets not used for business, an impairment loss was recorded. Then due to the relocation of the head office scheduled for May 2020, the total amount of fixed assets of tangible fixed assets such as equipment expected not to be used for business is recorded as an impairment loss.

(ii) Amount of impairment loss

Goodwill: 245 million yen

Tangible and intangible fixed assets Thailand: 14 million yen

Tangible and intangible fixed assets America: 3 million yen

Tangible fixed assets Tokyo: 8 million yen

Land: 10 million yen

(iii) Method for grouping the assets

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

(iv) Method for calculating a recoverable amount

For the fixed assets other than the above idle assets (land), the future recoverable value is measured by the value in use.

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.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

Location	Use	Type
Tsumagoi-mura, Agatsuma-gun, Gunma Prefecture, and one another place	Idle assets	Land

(i) History toward recognition of impairment loss

An impairment loss was recorded for an asset group of land for which the recoverable value is significantly lower than its carrying amount, among idle assets that are not used for business in the current consolidated fiscal year.

(ii) Amount of impairment loss

Land: 1 million yen

(iii) Method for grouping the assets

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

(iv) Method for calculating a recoverable amount

For the fixed assets other than the above idle assets (land), the future recoverable value is measured by the value in use.

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.

* 3 Head office relocation cost

Previous consolidated fiscal year (from April 1, 2019, to March 31, 2020)

Head office relocation expenses are due to the relocation of our head office in May 2020. The main contents are the portion of the estimated cost of restoring the original condition of the office building currently occupied that exceeds the estimated amount that the Company considers appropriate, and the rent of the old headquarters after the relocation of the headquarters.

(Consolidated Statements of Comprehensive Income)

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

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities:	million yen	million yen
Current accrued amount	(21)	136
Reclassification adjustment	(67)	-
Before adjustment of tax effect	(89)	136
Tax effects	26	(41)
Valuation difference on available-for-sale securities	(62)	94
Foreign currency translation adjustment:		
Current accrued amount	(109)	106
Re-measurements of defined benefit plans:		
Current accrued amount	1	64
Reclassification adjustment	10	8
Before adjustment of tax effect	12	73
Tax effects	(3)	(22)
Re-measurements of defined benefit plans	8	51
Total other comprehensive income	(162)	253

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

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	10,171,800	—	—	10,171,800
Total	10,171,800	—	—	10,171,800
Treasury shares				
Common stock (Note1,2)	1,266,036	22	—	1,266,058
Total	1,266,036	22	—	1,266,058

(Note) 1. The 22 share increase resulting from the purchase of shares less than 1 unit.

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	—	—	—	—	—	9
Total		—	—	—	—	—	9

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, 2019	Common stock	106	12.00 yen	March 31, 2019	June 27, 2019
Board of directors' meeting held on November 5, 2019	Common stock	106	12.00 yen	September 30, 2019	December 5, 2019

(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 25, 2020	Common stock	106	Retained earnings	12.00 yen	March 31, 2020	June 26, 2020

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

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	10,171,800	—	—	10,171,800
Total	10,171,800	—	—	10,171,800
Treasury shares				
Common stock (Note1,2)	1,266,058	20	—	1,266,078
Total	1,266,058	20	—	1,266,078

(Note) 1. The 20 share increase resulting from the purchase of shares less than 1 unit.

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	—	—	—	—	—	12
Total		—	—	—	—	—	12

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 25, 2020	Common stock	106	12.00 yen	March 31, 2020	June 26, 2020
Board of directors' meeting held on November 6, 2020	Common stock	106	12.00 yen	September 30, 2020	December 4, 2020

(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 25, 2021	Common stock	115	Retained earnings	13.00 yen	March 31, 2021	June 28, 2021

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
	million yen	million yen
Cash and deposits account	6,199	6,000
Fixed deposits for more than 3 months	(1,100)	(1,100)
Cash and cash equivalents	5,099	4,900

(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 two reporting segments are System and Device.

The Systems segment provides consulting of system equipment, system design and sales, operational services for systems, delivery installation, maintenance, and solution service in particular security products.

The Device segment sells products such as semiconductors and mechanical components and offers consulting services for these products.

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, 2019 to March 31, 2020)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements
Sales					
Sales to external customers	12,564	8,051	20,616	—	20,616
Internal sales or transfers between segments	—	—	—	—	—
Total	12,564	8,051	20,616	—	20,616
Segment profit	451	336	788	—	788
Segment assets	9,081	3,680	12,761	5,794	18,556
Other items					
Depreciation	38	17	55	60	115
Amortization of goodwill	89	—	89	—	89
Impairment loss	260	3	263	18	282
Investment to entities accounted for using equity methods	—	19	19	—	19
Increase in property, plant and equipment and non-current intangible assets	47	17	65	91	156

(Note) 1. Adjustments are as follows:

- (1) Adjustments to segment assets of 5,794 million yen is the whole-company assets 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.
- (2) Adjustments to depreciation of 60 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department..
- (3) Adjustment to the impairment loss of 18 million yen are the loss of land which are idle assets and relocation expenses for the head office..
- (4) Adjustments to increase in property, plant and equipment and non-current intangible assets of 91 million yen are mainly increases in assets related to administrative departments such as the general affairs department.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements
Sales					
Sales to external customers	12,689	7,901	20,591	—	20,591
Internal sales or transfers between segments	—	—	—	—	—
Total	12,689	7,901	20,591	—	20,591
Segment profit	609	276	886	—	886
Segment assets	8,970	3,953	12,924	6,549	19,473
Other items					
Depreciation	34	12	47	79	126
Impairment loss	—	—	—	1	1
Investment to entities accounted for using equity methods	—	17	17	—	17
Increase in property, plant and equipment and non-current intangible assets	21	6	28	571	599

(Note) 1. Adjustments are as follows:

- (1) Adjustments to segment assets of 6,549 million yen is the whole-company assets 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.
- (2) Adjustments to depreciation of 79 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.
- (3) Adjustment to the impairment loss of 1 million yen is the loss of land which is idle asset.
- (4) Adjustments to increase in property, plant and equipment and non-current intangible assets of 571million yen are mainly increases in assets related to administrative departments such as the general affairs department.

[Related Information]

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

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
		Thai		
15,187	5,289	2,853	139	20,616

(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, 2020 to March 31, 2021)

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
		Thai		
15,931	4,287	2,413	371	20,591

(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	1,524.28 yen	1,590.28 yen
Net income per share	21.40 yen	61.56 yen
Fully diluted net income per share	— yen	— yen

(Note) 1. For the current consolidated fiscal year, the fully diluted net income per share is not presented because of no dilutive securities with a dilutive effect.

2. Basis for calculating net assets per share:

Item	Previous consolidated fiscal year (as of March 31, 2020)	Current consolidated fiscal year (as of March 31, 2021)
Total net assets in the consolidated balance sheet (million yen)	13,584	14,174
Net assets associated with common stock (million yen)	13,574	14,162
Major breakdown items of differences (million yen)		
Subscription rights to shares	9	12
Minority interests	0	0
Number of issued common stock (thousand shares)	10,171	10,171
Number of common stock for treasury (thousand shares)	1,266	1,266
Number of common stock used to calculate net assets per share (thousand shares)	8,905	8,905

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

Item	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net income in the consolidated income statements (million yen)	190	548
Net income associated with common stock (million yen)	190	548
Amount not attributable to common stockholders (million yen)	—	—
Average number of common stock during the period (thousand shares)	8,905	8,905
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)	—	—
Subscription rights to shares		
Summary of dilutive shares not included to calculate fully diluted net income per share because of no dilutive effect	<p>Stock options granted by a resolution of the board of directors on July 17, 2015 (Subscription rights to shares: 48 units) Common stock: 72,000 shares</p> <p>Stock options granted by a resolution of the board of directors on July 21, 2017 (Subscription rights to shares: 225 units) Common stock: 22,000 shares</p> <p>Stock options granted by a resolution of the board of directors on July 19, 2019 (Subscription rights to shares: 960 units) Common stock: 96,000 shares</p>	<p>Stock options granted by a resolution of the board of directors on July 21, 2017 (Subscription rights to shares: 210 units) Common stock: 21,000 shares</p> <p>Stock options granted by a resolution of the board of directors on July 19, 2019 (Subscription rights to shares: 960 units) Common stock: 96,000 shares</p>

(Significant Subsequent Event)

Not applicable

6. Non-consolidated Financial Statements

(1) Balance sheet

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	4,146	4,197
Notes receivable - trade	298	195
Electronically recorded monetary claims - operating	590	514
Accounts receivable - trade	3,473	4,592
Merchandise and finished goods	1,657	1,798
Other	680	958
Allowance for doubtful accounts	(15)	(125)
Total current assets	10,832	12,131
Non-current assets		
Property, plant and equipment		
Buildings, net	1	222
Tools, furniture and fixtures, net	135	212
Land	117	115
Other, net	18	6
Total property, plant and equipment	273	557
Intangible assets	123	326
Investments and other assets		
Investment securities	873	1,395
Shares of subsidiaries and associates	5,567	4,572
Deferred tax assets	241	222
Other	660	353
Allowance for doubtful accounts	(62)	(49)
Total investments and other assets	7,279	6,494
Total non-current assets	7,676	7,378
Total assets	18,509	19,510

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes payable - trade	31	25
Electronically recorded obligations - operating	230	209
Accounts payable - trade	1,939	2,053
Income taxes payable	215	153
Provision for bonuses	170	241
Provision for bonuses for directors (and other officers)	—	13
Provision for head office relocation expenses	82	—
Other	857	1,159
Total current liabilities	3,526	3,857
Non-current liabilities		
Long-term accounts payable - other	35	42
Provision for retirement benefits	498	528
Provision for loss on business of subsidiaries and associates	21	19
Other	18	18
Total non-current liabilities	574	609
Total liabilities	4,100	4,466
Net assets		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus		
Legal capital surplus	1,171	1,171
Other capital surplus	2	2
Total capital surpluses	1,174	1,174
Retained earnings		
Legal retained earnings	198	198
Other retained earnings		
General reserve	9,395	9,395
Retained earnings brought forward	3,448	3,986
Total retained earnings	13,042	13,580
Treasury shares	(1,231)	(1,231)
Total shareholders' equity	14,194	14,732
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	204	299
Total valuation and translation adjustments	204	299
Share acquisition rights	9	12
Total net assets	14,408	15,044
Total liabilities and net assets	18,509	19,510

(2) Income Statements

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	15,402	16,721
Cost of sales	11,742	12,646
Gross profit	3,659	4,074
Selling, general and administrative expenses	2,848	2,999
Operating profit	811	1,075
Non-operating income		
Interest income	0	2
Dividend income	89	372
Foreign exchange gains	42	80
Insurance claim income	18	5
Other	4	6
Total non-operating income	155	468
Non-operating expenses		
Interest expenses	0	—
Commission expenses	2	1
Loss on investments in investment partnerships	—	64
Provision of allowance for doubtful accounts	28	96
Provision for loss on business of subsidiaries and associates	(16)	—
Other	0	0
Total non-operating expenses	15	163
Ordinary profit	952	1,380
Extraordinary income		
Gain on extinguishment of tie-in shares	—	659
Gain on sales of investment securities	67	—
Gain on reversal of share acquisition rights	0	4
Total extraordinary income	68	663
Extraordinary losses		
Impairment loss	18	1
Loss on retirement of non-current assets	1	0
Loss on valuation of shares of subsidiaries and associates	60	914
Head office relocation expenses	82	—
Total extraordinary losses	163	916
Profit before income taxes	857	1,127
Income taxes - current	340	351
Income taxes - deferred	(58)	23
Total income taxes	282	375
Profit	575	752

(3) Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(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 beginning of current period	1,209	1,171	2	1,174	198	9,395	3,086	12,680
Changes of items during period								
Dividends of surplus							(213)	(213)
Profit							575	575
Purchase of treasury shares								
Disposal of treasury shares			(0)	(0)				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	(0)	(0)	—	—	361	361
Balance at end of current period	1,209	1,171	2	1,174	198	9,395	3,448	13,042

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(1,231)	13,832	266	266	5	14,105
Changes of items during period						
Dividends of surplus		(213)				(213)
Profit		575				575
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	0					
Net changes of items other than shareholders' equity			(62)	(62)	4	(58)
Total changes of items during period	(0)	361	(62)	(62)	4	303
Balance at end of current period	(1,231)	14,194	204	204	9	14,408

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(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 beginning of current period	1,209	1,171	2	1,174	198	9,395	3,448	13,042
Changes of items during period								
Dividends of surplus							△213	△213
Profit							752	752
Purchase of treasury shares								
Disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	—	—	538	538
Balance at end of current period	1,209	1,171	2	1,174	198	9,395	3,986	13,580

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(1,231)	14,194	204	204	9	14,408
Changes of items during period						
Dividends of surplus		(213)				(213)
Profit		752				752
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares						
Net changes of items other than shareholders' equity			94	94	2	97
Total changes of items during period	(0)	538	94	94	2	635
Balance at end of current period	(1,231)	14,732	299	299	12	15,044

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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
System	11,889	8,804
Device	6,554	6,271
Total	18,443	15,076

(ii) Actual results of orders received

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)		Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)	
	Orders received	Backlog of orders	Orders received	Backlog of orders
System	12,217	4,020	13,448	4,779
Device	8,363	2,202	8,019	2,321
Total	20,581	6,223	21,468	7,100

(iii) Actual results of sales

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Retail Solution Products	3,464	4,407
Office Solution Products	3,824	3,600
Global Products	3,153	2,741
Service & Support Products	2,122	1,940
System Total	12,564	12,689
Semiconductors Products	3,673	3,967
Mechanical Component Products	4,377	3,934
Device Total	8,051	7,901
Total	20,616	20,591