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November 7, 2023

Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: Takachiho Koheki Co., Ltd
 Listing: Tokyo Stock Exchange
 Securities code: 2676
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 Scheduled date to file quarterly securities report: November 8, 2023
 Scheduled date to commence dividend payments: December 5, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2023	12,729	14.5	713	22.2	1,057	18.2	717	9.2
September 30, 2022	11,118	16.0	584	35.4	894	82.5	657	96.8

Note: Comprehensive income For the six months ended September 30, 2023: ¥1,085 million [17.3%]
 For the six months ended September 30, 2022: ¥925 million [247.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	79.17	78.86
September 30, 2022	73.54	73.30

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	22,383	16,531	73.8	1,820.83
March 31, 2023	22,133	16,432	74.2	1,811.32

Reference: Equity
 As of September 30, 2023: ¥16,524 million
 As of March 31, 2023: ¥16,424 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	24.00	-	109.00	133.00
Fiscal year ending March 31, 2024	-	53.00			
Fiscal year ending March 31, 2024 (Forecast)			-	84.00	137.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	24,800	6.2	1,620	17.7	1,600	0.7	1,249	3.6	137.73

Note: Revisions to the forecast of financial results most recently announced: None

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2023	10,171,800 shares
As of March 31, 2023	10,171,800 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2023	1,096,291 shares
As of March 31, 2023	1,104,190 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	9,068,651 shares
Six months ended September 30, 2022	8,940,118 shares

Note: The number of treasury shares at the end of the period includes Company shares held by Custody Bank of Japan, Ltd., (Trust Account E) as trust assets related to the Board Benefit Trust (BBT) system (57,900 shares in the FY3/23, and 57,900 shares in the FY3/24 Q2). In addition, the number of treasury shares to be deducted in calculating the average number of shares during the period includes Company shares (64,094 shares for the FY3/23 Q2 and 57,900 shares for the FY3/24 Q2) held by Custody Bank of Japan, Ltd., (Trust Account E) as trust assets related to the Board Benefit Trust (BBT) system.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes to the forecasts)

The forward-looking statements regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Therefore, the Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

(How to obtain supplementary financial statements)

We are planning to hold a briefing session for institutional investors and analysts on Wednesday, November 22, 2023. The financial results briefing materials distributed at this briefing will be posted on our website immediately after the event.

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1. Qualitative Information on Financial Results for the Current Quarter

(1) Explanation of Operating Results

During the consolidated cumulative second quarter under review, Japan's economy showed a gentle recovering trend. A gentle economic recovery is expected in the future, thanks to the impact of various policy under conditions of improving employment and income environments. However, amid continuing economic downturns overseas, such as tightening global money markets and concerns about economic prospects in China, there is a risk of downward pressure on Japan's economy. Additionally, it needs to pay sufficient attention to the effects of skyrocketing prices of raw materials and trends in money and capital markets.

While the markets in which the Group operates show continued intensification of competition, the Group is striving to grow highly profitable businesses among its core business segments while also growing its service businesses and creating new businesses and new business models, aiming to realize sustained growth and medium- to long-term increases in corporate value.

Specifically, in the Cloud Service and Support Segment it is striving to grow MSP services and develop new markets for cloud-based services and other solutions, while also growing its maintenance services.

In the System Segment, it is striving to increase the added value of its core products of Electronic Article Surveillance Systems, CCTV, and Access Control Systems, to strengthen sales of Cloud-based wireless LAN Systems and cloud security products, and to grow its RFID systems and retail security solutions including labor-saving systems.

At the same time, in the Device Segment, it is focusing mainly on sales growth and growing solution businesses in the electronics business, particularly in the telecommunications infrastructure and device markets; the industrial devices market based mainly on IoT; and the amusement market, while in the mechatronics business, it is focusing on areas that include the industrial devices market for semiconductor manufacturing equipment and similar products; the telecommunications devices market; the amusement market; sale of Mechanical Components for household equipment in the North America, ASEAN, and Chinese markets; development of the automotive interior parts market in Japan and around the world; and development of modular products.

Under these conditions, business results in the consolidated cumulative second quarter under review show a year-on-year (YoY) increase of 14.5% in net sales to 12.729 billion yen, thanks to progress on the balance of orders received for Electronics Products and favorable trends in sales of electronic parts for industrial devices.

For the above reasons, in terms of profit and loss, operating income increased by 22.2% YOY to 713 million yen. Ordinary income increased by 18.2% YOY to 1,057 million yen. Quarterly net income attributable to owners of parent increased by 9.2% YOY to 717 million yen.

The operating results of each segment are as follows:

(Cloud Service and Support Segment)

The Cloud Service and Support Segment sales increased by 9.6% YOY to 1,192 million yen and operating income decreased by 1.3% YOY to 225 million yen. This was due to strong sales from growth in Access Control System maintenance revenues, MSP service contracts, and cloud service revenues, although higher costs of purchasing maintenance parts for mailing systems as a result of the devalued yen had an impact on operating profit.

(MSP services: The Company's proprietary subscription services for maintenance of cloud products and monitoring their operation)

(System Segment)

Net sales in the System Segment were down 2.5% YoY to 4.613 billion yen, while segment operating profit was down 129 million yen YoY to an operating loss of 83 million yen.

Net sales of Retail Solution Products were down 1.9% YoY to 1.613 billion yen due to lower sales of Electronic Article Surveillance Systems to home-improvement centers, despite higher sales of RFID product-control solutions and Security Systems for apparel as well as favorable performance of Facial Recognition and other systems for general merchandisers.

Net sales of Business Solution Products were down 1.7% YoY to 1.592 billion yen as some sales of mailing systems slid to the third quarter and beyond, despite favorable performance of RFID solutions for logistics systems and Access Control System for offices of foreign-affiliated firms.

Net sales of Global Products were down 4.0% YoY to 1.407 billion yen due to lower sales of Fire-Prevention systems as construction plans for power plants were delayed, although performance of Security Systems for apparel stores in Thailand was favorable.

(Device Segment)

The Device Segment sales increased by 30.6% YOY to 6,923 million yen and operating income increased by 84.7 % YOY to 571 million yen.

In the Electronics Products, progress was made on the balance of orders received at the end of the previous quarter and sales of electronic parts for industrial devices and other uses were favorable. In addition, strong sales of products from

NTCJ, which we concluded a distributorship agreement in 2021, and increased new adoption in the consumer device and amusement markets resulted in sales growth of 46.6% YoY to 4.638 billion yen.

(NTCJ: Nuvoton Technology Corporation Japan)

In the Mechatronics Products, strong sales of Mechanical Components to update bank terminals to handle new banknotes and to the amusement market thanks to use of linear-motion components, such as the new Spiral Shaft products in smart amusement devices, contributed to YoY growth of 6.9% in net sales to 2.285 billion yen.

(2) Explanation of Financial Position

Total assets at the end of the current consolidated cumulative second quarter under review stood at 22,383 million yen, up 250 million yen from the end of the previous consolidated fiscal year. This was due to factors that included increases of 358 million yen in cash and deposits and 352 million yen in investment securities, offset by decreases of 180 million yen in Notes receivable – trade, 158 million yen in Contract assets, and 109 million yen in merchandise and finished goods.

Liabilities increased 150 million yen from the end of the previous consolidated fiscal year to 5,851 million yen. This was due to factors that included increases of 219 million yen in income taxes payable and 207 million yen in contract liabilities, while notes and accounts payable – trade decreased by 257 million yen.

Net assets increased by 99 million yen from the end of the previous consolidated fiscal year to 16,531 million yen. This was due to factors that included a decrease of 276 million yen in retained earnings resulting from 717 million yen in quarterly net income attributable to owners of parent and payment of 994 million yen in dividends, while valuation difference on available-for-sale securities increased by 227 million yen and foreign currency translation adjustment increased by 144 million yen. The equity-to-asset ratio decreased by 0.4 points from the end of the previous consolidated fiscal year to 73.8%.

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

Forecasts of consolidated financial results for the consolidated cumulative second quarter of the year ending March 31, 2024, were revised on October 20, 2023. Forecasts of consolidated financial results for the full year remain unchanged from the figures announced in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)" (issued May 12, 2023).

2. Quarterly Consolidated Financial Statements and Major Notes thereon

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2023)	The second quarter of the current consolidated fiscal year (as of September 30, 2023)
Assets		
Current assets		
Cash and deposits	4,509	4,867
Notes receivable - trade	376	196
Accounts receivable - trade	5,557	5,602
Contract assets	815	657
Electronically recorded monetary claims – operating	797	862
Merchandise and finished goods	4,880	4,771
Raw materials	195	187
Prepaid expenses	981	1,108
Other	188	82
Allowance for doubtful accounts	-0	-0
Total current assets	18,302	18,335
Non-current assets		
Property, plant and equipment	446	418
Intangible assets	233	199
Investments and other assets		
Investment securities	2,586	2,938
Deferred tax assets	119	51
Leasehold and guarantee deposits	333	331
Other	112	108
Allowance for doubtful accounts	-0	-0
Total investments and other assets	3,151	3,430
Total non-current assets	3,831	4,048
Total assets	22,133	22,383

(Unit: Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2023)	The second quarter of the current consolidated fiscal year (as of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,059	2,802
Income taxes payable	124	343
Contract liabilities	947	1,155
Provision for bonuses	387	258
Provision for bonuses for directors (and other officers)	34	32
Other	398	447
Total current liabilities	4,952	5,038
Non-current liabilities		
Long-term accounts payable - other	20	14
Provision for executive share-based compensation	9	15
Retirement benefit liability	679	690
Deferred tax liabilities	—	53
Other	40	40
Total noncurrent liabilities	748	813
Total liabilities	5,700	5,851
Net assets		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus	1,375	1,377
Retained earnings	13,979	13,702
Treasury shares	-1,085	-1,078
Total shareholders' equity	15,478	15,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	691	919
Foreign currency translation adjustment	227	372
Remeasurements of defined benefit plans	26	21
Total accumulated other comprehensive income	946	1,313
Share acquisition rights	8	6
Non-controlling interests	0	0
Total net assets	16,432	16,531
Total liabilities and net assets	22,133	22,383

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

(Unit: Millions of yen)

	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Net sales	11,118	12,729
Cost of sales	8,358	9,762
Gross profit	2,760	2,966
Selling, general and administrative expenses	2,175	2,252
Operating profit	584	713
Non-operating income		
Interest income	1	17
Dividend income	21	38
Foreign exchange gains	286	298
Insurance claim income	5	2
Share of profit of entities accounted for using equity method	7	—
Other	7	10
Total non-operating income	330	367
Non-operating expenses		
Office transfer expenses	6	—
Commission expenses	0	0
Loss on investments in investment partnerships	12	22
Other	0	0
Total non-operating expenses	20	23
Ordinary profit	894	1,057
Extraordinary income		
Gain on reversal of share acquisition rights	0	—
Gain on sale of investment securities	—	7
Total extraordinary income	0	7
Extraordinary losses		
Impairment loss	*12	—
Total extraordinary losses	12	—
Quarterly profit before taxes	883	1,064
Income taxes - current	256	321
Income taxes - deferred	-30	25
Total income taxes	225	346
Quarterly net income	657	717
Quarterly profit attributable to owners of parent	657	717

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

(Unit: Millions of yen)

	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Quarterly net income	657	717
Other comprehensive income		
Valuation difference on available-for-sale securities	92	227
Deferred gains or losses on hedges	35	—
Foreign currency translation adjustment	143	144
Remeasurements of defined benefit plans	-4	-4
Total other comprehensive income	267	367
Quarterly comprehensive income	925	1,085
(Breakdown)		
Quarterly comprehensive income attributable to owners of parent	925	1,085

(3) Notes on the Quarterly Consolidated Financial Statements

(Note on going-concern assumption)

Not applicable.

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

Not applicable.

(Quarterly Consolidated Income Statement)

*Impairment loss

In the previous consolidated cumulative second quarter, the Group recorded impairment loss on the following asset groups.

Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)

Location	Use	Type
Tokyo and elsewhere	Idle assets	Intangible assets (telephone subscription rights)
Ogawa, Hiki-gun, Saitama Prefecture	Idle assets	Intangible assets (rights of using facilities)

(i) History toward recognition of impairment loss

In the previous consolidated cumulative second quarter, the Group recorded impairment loss on asset groups whose recoverable amounts were lower than their book values among idle assets not used for business purposes.

(ii) Amount of impairment loss

Telephone subscription rights: 11 million yen

Rights of using facilities (cemetery): 1 million yen

(iii) Method for grouping the assets

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

(iv) Method for calculating a recoverable amount

The recoverable amount of idle assets is measured by the net selling value based on market prices and other information.

(Segment information etc.)

Segment Information

I Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)

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

(Unit: Millions of yen)

	Cloud Service and Support	System	Device	Total	Adjustments	Amount stated on the quarterly consolidated income statements
Sales						
Sales to external customers	1,087	4,730	5,301	11,118	—	11,118
Internal sales and transfers between segments	—	—	—	—	—	—
Total	1,087	4,730	5,301	11,118	—	11,118
Segment profit	228	46	309	584	—	584

II Current consolidated cumulative second quarter (From April 1, 2023, to September 30, 2023)

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

(Unit: Millions of yen)

	Cloud Service and Support	System	Device	Total	Adjustments	Amount stated on the quarterly consolidated income statements
Sales						
Sales to external customers	1,192	4,613	6,923	12,729	—	12,729
Internal sales and transfers between segments	—	—	—	—	—	—
Total	1,192	4,613	6,923	12,729	—	12,729
Segment profit (loss)	225	-83	571	713	—	713

(Revenue recognition)

The following information breaks down the revenue generated from contracts with customers by product type.

(Unit: Millions of yen)

Segment	Previous consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)	Current consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)
Cloud Service and Support Products	1,087	1,192
Cloud Service and Support Total	1,087	1,192
Retail Solution Products	1,644	1,613
Business Solution Products	1,620	1,592
Global Products	1,465	1,407
System Total	4,730	4,613
Electronics Products	3,163	4,638
Mechatronics Products	2,137	2,285
Device Total	5,301	6,923
Revenue from contracts with customers	11,118	12,729
Other revenues	—	—
Sales to external customers	11,118	12,729

(Significant Subsequent Event)

Not applicable.