

**Financial Results for the Year Ended March 2020 [Based on the Japanese Accounting Standards]  
(Consolidated)**

May 15, 2020

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

Stock market: Tokyo Stock Exchange First Section

Code No.: 2676

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

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

Contact person (job title): Masazumi Uematsu (Director, Executive Officer,

General Manager of the Corporate Management Division)

TEL: 03-3355-1111

Date of the shareholder's meeting: June 25, 2020

Date of dividends payment: June 26, 2020

Registration date of annual securities report: June 26, 2020

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

1. Consolidated Financial Results for the Year ended March 2020 (from April 1, 2019 to March 31, 2020)

(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 2019	20,616	3.6	788	(20.4)	885	(18.5)	190	(61.2)
FY 2018	19,894	1.7	989	49.1	1,086	53.8	491	275.3

Note: Comprehensive income: 27 million yen ( $\Delta$ 94.3%) for FY 2019  
488 million yen ( 43.5 %) for FY 2018

	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 2019	21.40	—	1.4	4.7	3.8
FY 2018	53.53	—	3.5	5.8	5.0

Reference: Equity in earnings (losses) of affiliates: 1 million yen for FY 2019  
7 million yen for FY 2018

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY 2019	18,556	13,584	73.2	1,524.28
FY 2018	18,883	13,766	72.9	1,545.18

Reference: Owner's equity: 13,574 million yen for FY 2019  
13,760 million yen for FY 2018

(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 2019	250	(111)	(214)	5,099
FY 2018	939	(134)	(678)	5,203

## 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 2018	—	12.00	—	12.00	24.00	219	44.8	1.6
FY 2019	—	12.00	—	12.00	24.00	213	112.1	1.6
FY 2020 forecast	—	12.00	—	—	—		—	

Based on our dividend policy, the stable dividend amount (24 yen a year) changed May 10, 2019, will be set as the lower limit and the consolidated payout ratio will be 40% or more. However, due to the result of the above-mentioned 1. Consolidated Financial Results for the Year ended March 2020 announced on March 19, 2020, we regret to inform that the annual dividend is set at the lower limit of 24 yen.

We already paid 12 yen at the end of the second quarter, so the year-end dividend will be 12 yen.

Based on the above dividend policy, the dividend for the second quarter will be 12 yen for the fiscal year ending March 2021, and the year-end dividend will be undecided at this point.

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

The consolidated business forecast is undecided because the business environment in Japan and overseas is uncertain due to the spread of new coronavirus infections in Japan and overseas, and it is difficult to calculate rational business forecasts at this stage. In the future, we will carefully assess the impact on our business, and will announce it promptly when it becomes possible to disclose rational forecasts.

\* 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: Yes

(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)

FY 2019	10,171,800	FY 2018	10,171,800
FY 2019	1,266,058	FY 2018	1,266,036
FY 2019	8,905,751	FY 2018	9,177,020

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

(iii) Average number of shares issued during the period

Reference: Non-consolidated Financial Results

Non-consolidated Financial Results for the Year ended March 2020 (from April 1, 2019 to March 31, 2020)

(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 2019	15,402	4.5	811	(2.7)	952	0.1	575	25.7
FY 2018	14,745	3.4	834	39.9	951	46.4	457	3.9

	Net income per share	Fully diluted net income per share
	yen	yen
FY 2019	64.58	—
FY 2018	49.86	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2019	18,509	14,408	77.8	1,616.77
FY 2018	17,924	14,105	78.7	1,583.21

Reference: Owner's equity: 14,398 million yen for FY 2019, 14,099 million yen for FY 2018

\* 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."

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## 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 shown a continuing and gradual recovery trend with a gradual improvement in capital investment, and consumer spending supported by steady improvement in the employment/income environment.

However, the economy has deteriorated sharply due to the impact of the new coronavirus infections (COVID-19), which has been expanding rapidly since January 2020.

As for the outlook, it is necessary to pay close attention to risks such as a further downturn in the economy in the situation where domestic and overseas economic activities are stagnant due to the impact of infectious diseases that are expanding globally.

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 are developing new markets for RFID Systems and Retail Solutions related to labor saving systems. We are expanding the Advanced Fire Protection System Business, which is operated in Thailand and the ASEAN region.

In the Device Segment, we have promoted sales mainly in the telecom infrastructure area and the automotive area in the Semiconductor Business. In the Industrial Systems Business, we have focused on sales of Mechanical Components for residential equipment in North America, the ASEAN region and China, in addition to conventional sales of Mechanical Components for ATMs and the development of the automobile interior components market in Japan and overseas.

Amid these circumstances, operating results in the current consolidated fiscal year showed an increase in net sales of 3.6 percent YOY to 20,616 million yen. Sales were strong mainly in Access Control Systems for companies in the System Segment and the Semiconductor Business in the Device Segment, but some products were affected by the spread of coronavirus infections since January 2020. This is due to the fact that business activities are being hindered by procurement and movement restrictions on some products, and global business slowed down during the fourth quarter consolidated accounting period.

For the above reasons, in terms of profit and loss, operating income decreased by 20.4 percent YOY to 788 million yen. Ordinary income decreased by 18.5 percent YOY to 885 million yen.

Net income attributable to shareholders of the parent company decreased by 61.2 percent YOY to 190 million yen mainly due to the impairment loss of goodwill.

The operating results of each segment are as follows:

From the current consolidated fiscal year, we have classified the three groups for System Segments; Security Solution Products, Other System Solution Products and Customer Service Products, as the four groups: Retail Solution Products, Office Solution Products, Global Products and Service & Support Products.

We judged this classification could disclose our actual state of business management more appropriately in these points. We mainly classify the segments by market, divide the construction and installation for products, which was in Customer Service Solution Products, into Retail Solution Products and Office Solution Products, and classify the stock business, such as maintenance, operation management and MSP (Managed Service Provider), as Service & Support Products.

With these changes, part of the Industrial Systems Business in the Device Segment is classified as the System Segment.

(System Segment)

System Segment sales increased by 0.9 percent YOY to 12,564 million yen and operating income decreased by 38.4 percent YOY to 451 million yen.

For Retail Solution Products, sales decreased by 6.8 percent YOY to 3,464 million yen under sluggish sales in Electronic Article Surveillance Systems and CCTV (Closed Circuit Television).

For Office Solution Products, sales increased by 6.2 percent YOY to 3,824 million yen as a result of strong sales in Access Control Systems for data center and RFID Systems.

For Global Products, the receipt of large orders in the previous fiscal year for Advanced Fire Protection Systems in Thailand is connected with steady sales. However, sales slowed down due to the slow construction of new plants due to continued sluggish crude oil prices and lagging demand for petrochemical products. For this reason, sales decreased by 2.1 percent YOY to 3,153 million yen.

For Service & Support Products, sales increased by 10.8 percent YOY to 2,122 million yen as a result of solid sales for the stock business in Cloud-based Wireless LAN Systems

(Device Segment)

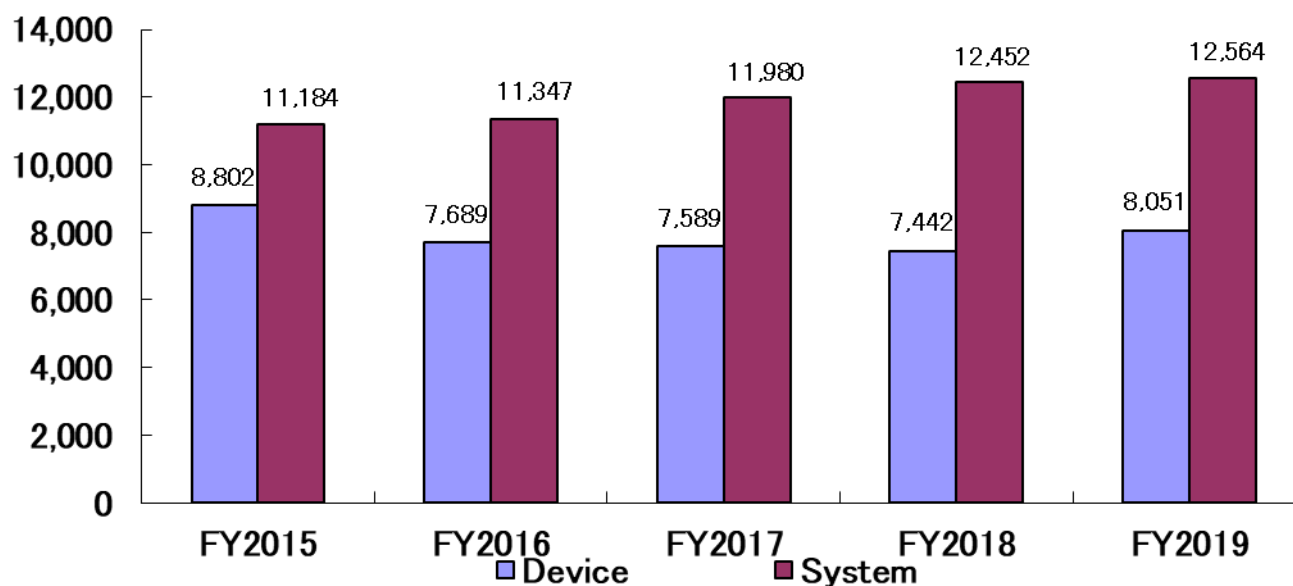
Device Segment sales increased by 8.2 percent YOY to 8,051 million yen and operating income increased by 31.5 percent YOY to 336 million yen.

For Semiconductor products, sales increased by 10.7 percent YOY to 3,673 million yen due to strong sales of electronic parts for the automotive market and base stations.

For Mechanical Component Products, sales increased by 6.2 percent YOY to 4,377 million yen as a result of strong sales for automobile interior and housing equipment products.

(millions of yen)

### Sales by Segment



#### (ii) Future Outlook

For the current consolidated fiscal year, the Japanese economy has shown a continuing and gradual recovery trend with an improvement in capital investment, and consumer spending supported by steady improvement in the employment/income environment. However, the economy has deteriorated sharply due to the impact of the new coronavirus infection (COVID-19), which has been expanding rapidly since January 2020.

As for the outlook, it is necessary to pay close attention to risks such as a further downturn in the economy in the situation where domestic and overseas economic activities are stagnant due to the impact of infectious diseases that are expanding globally.

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 image recognition technology for the retail industry, RFID systems primarily for the apparel market, sales support solutions related to labor saving measures, for a Cloud-based wireless LAN with a rapidly growing market for office use, for remote access products required for telework, which is 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 and develop the automotive sector in the Semiconductor 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.

Although we will proceed with the above strategies, the next business forecast is undecided because the business environment in Japan and overseas is uncertain due to the spread of new coronavirus infections in Japan and overseas, and it is difficult to calculate rational business forecasts at this stage. In the future, we will carefully assess the impact on our business, and will announce it promptly when it becomes possible to disclose rational forecasts.

## (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 decreased by 326 million yen YOY to 18,556 million yen. This is mainly due to merchandise and finished goods increased by 152 million yen, while goodwill and investment securities decreased by 350 million yen and 215 million yen, respectively.

Liabilities decreased by 144 million yen YOY to 4,971 million yen. This is mainly due to the provision for head office relocation expenses increasing by 82 million yen and notes and accounts payable – trade, accounts payable decreasing by 235 million yen.

Net assets decreased by 181 million yen YOY to 13,584 million yen. This is mainly due to net income attributable to owners of the parent company that amounted to 190 million yen, while the dividend payment amounted to 213 million yen and the decrease of foreign currency translation adjustment of 109 million yen.

The equity ratio increased by 0.3 points from the end of the previous consolidated fiscal year to 73.2 percent.

### (ii) Status of Cash flow

Cash and cash equivalents as of the end of the current consolidated fiscal year decreased by 103 million yen (2.0 percent) YOY to 5,099 million yen.

#### (Cash flow from operating activities)

Cash flow from operating activities during the current consolidated fiscal year decreased by 689 million yen YOY to 250 million yen. This is due to net income before taxes and minority interests that amounted to 587 million yen with income taxes paid being 439 million yen, while accounts payable - trade decreased by 199 million yen and the impairment loss for goodwill amounted to 245 million yen.

#### (Cash flow from investment)

Cash flow from investment activities during the current consolidated fiscal year increased by 23 million yen YOY to -111 million yen. This is due to the sale of investment securities of 194 million yen, the acquisition of fixed assets of 108 million yen, and the deposit of security deposits and guarantee deposits of 128 million yen.

#### (Cash flow from financing activities)

Cash flow from financing activities during the current consolidated fiscal year increased 463 million yen YOY to -214 million yen. This is due to dividend payments of 213 million yen.

Index	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Equity ratio (%)	75.8	74.5	75.1	72.9	73.2
Capital adequacy ratio based on current market value (%)	47.5	50.5	67.5	44.6	46.0
Interest coverage ratio	154.8	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.

We regret to inform you that the minimum dividend for the year-end is 12 yen per share as described in Operating Results for current consolidated fiscal year. The consolidated payout ratio is 40% or more. Since we paid an interim dividend of 12 yen per share, it is 24 yen per share for the full year.

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 13 companies, namely, the Company, 10 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.

TK Communication Technology Co., Ltd., is engaged in consulting and designing systems in enclosing postal mail, printing addresses, sorting postal mail, etc., and selling automated postal mail inserters (folding and inserting machines) and Inkjet Printing Systems, and comprehensive management systems for enclosing and sealing operations.

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.

TK Communication Technology Co., Ltd., is engaged in providing support services for delivery, installation, maintenance, etc., of postal mailing products and improving systems.

<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

Correlation between Segment and Products:

Segment	Contents of main businesses	Principal companies
<b>Systems</b>		
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. TK Communication Technology 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. TK Communication Technology Co., Ltd.
<b>Devices</b>		
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.

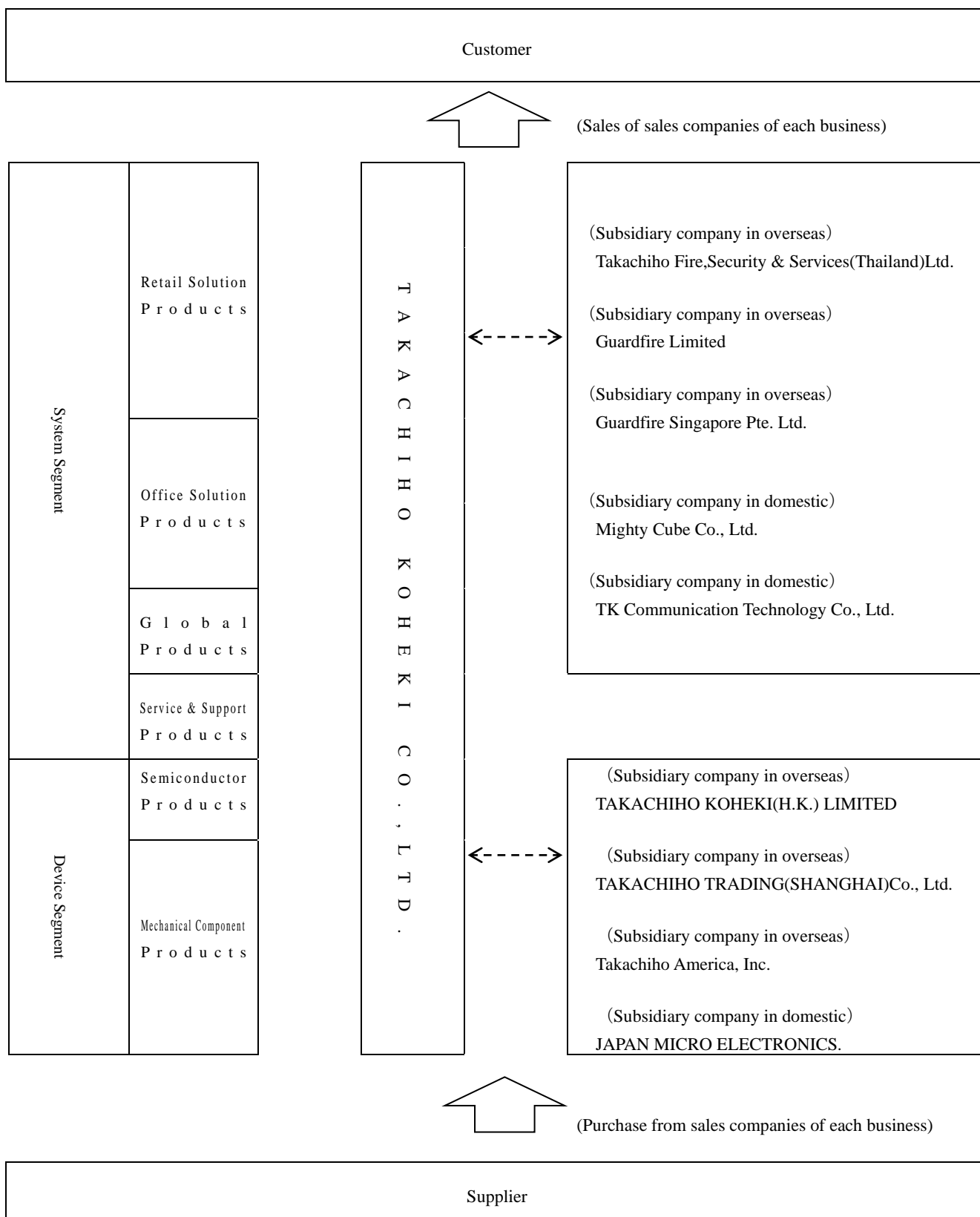
(4) Mail inserters (folding and inserting machines): Automated equipment for selection/enclosing and sealing operations of postal mail

(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:



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

The indicators of the medium-term management plan, which ends in FY2021, are as follows.

Consolidated sales target of 26 billion yen, consolidated ordinary income target of 1.8 billion yen.

#### (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 expanded investment related to measures to reduce the workforce, expanding security needs due to an increase in crime worldwide, rapid changes in digital technologies such as AI and IoT, and business expansion due to economic expansion in the Asian region.

Although it is uncertain whether each change will accelerate or decelerate due to the effects of the new coronavirus infection, we will continue to identify market changes and take on the challenge of new growth.

##### (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, in the rapidly changing market environment, we are targeting 2021 as the 70th anniversary of our foundation, with the meaning that we must also change according to market changes without being obsessed with preconceived ideas; "Challenge to Change -Next Stage to 70th-" as our medium- to long-term slogan, 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.

(\* 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.

(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, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	6,303	6,199
Notes and accounts receivable - trade	6,690	6,720
Merchandise and finished goods	2,445	2,597
Raw materials	130	108
Other	652	732
Allowance for doubtful accounts	(13)	(122)
Total current assets	16,209	16,236
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18	12
Land	128	117
Other, net	192	169
Total property, plant and equipment	※ 1 338	※ 1 299
Intangible assets		
Goodwill	350	—
Other	104	147
Total intangible assets	455	147
Investments and other assets		
Investment securities	※ 2 1,140	※ 2 925
Deferred tax assets	255	307
Other	484	640
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,879	1,872
Total non-current assets	2,673	2,319
Total assets	18,883	18,556

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,827	2,591
Income taxes payable	255	241
Provision for bonuses	267	235
Provision for bonuses for directors (and other officers)	22	1
Provision for head office relocation expenses	—	82
Other	1,047	1,021
Total current liabilities	4,420	4,174
Non-current liabilities		
Long-term accounts payable - other	—	35
Retirement benefit liability	657	729
Other	38	31
Total non-current liabilities	695	797
<b>Total liabilities</b>	<b>5,116</b>	<b>4,971</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus	1,172	1,172
Retained earnings	12,411	12,388
Treasury shares	(1,231)	(1,231)
Total shareholders' equity	13,561	13,537
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	266	204
Foreign currency translation adjustment	(55)	(165)
Remeasurements of defined benefit plans	(11)	(2)
Total accumulated other comprehensive income	199	36
Share acquisition rights	5	9
Non-controlling interests	0	0
<b>Total net assets</b>	<b>13,766</b>	<b>13,584</b>
<b>Total liabilities and net assets</b>	<b>18,883</b>	<b>18,556</b>

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	19,894	20,616
Cost of sales	14,787	15,494
Gross profit	5,107	5,121
Selling, general and administrative expenses	※ 1 4,117	※ 1 4,333
Operating profit	989	788
Non-operating income		
Interest income	1	1
Dividend income	21	23
Foreign exchange gains	54	42
Insurance claim income	3	18
Share of profit of entities accounted for using equity method	7	1
Recoveries of written off receivables	7	2
Other	6	10
Total non-operating income	102	101
Non-operating expenses		
Interest expenses	1	1
Commission expenses	2	2
Other	0	0
Total non-operating expenses	5	3
Ordinary profit	1,086	885
Extraordinary income		
Gain on sales of investment securities	—	67
Gain on reversal of share acquisition rights	3	0
Total extraordinary income	3	68
Extraordinary losses		
Impairment loss	※ 2 184	※ 2 282
Loss on retirement of non-current assets	—	1
Head office relocation expenses	—	※ 3 82
Corporate funeral expenses	12	—
Total extraordinary losses	196	366
Profit before income taxes	894	587
Income taxes - current	407	425
Income taxes - deferred	(4)	(28)
Total income taxes	403	396
Profit	491	190
Profit attributable to owners of parent	491	190

## (Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	491	190
Other comprehensive income		
Valuation difference on available-for-sale securities	(72)	(62)
Foreign currency translation adjustment	64	(109)
Remeasurements of defined benefit plans, net of tax	6	8
Total other comprehensive income	※ 1 (2)	※ 1 (162)
Comprehensive income	488	27
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	488	27

## (3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,209	1,171	12,144	(777)	13,746
Changes of items during period					
Dividends of surplus			(224)		(224)
Profit attributable to owners of parent			491		491
Purchase of treasury shares				(464)	(464)
Disposal of treasury shares		1		11	12
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1	266	(453)	(185)
Balance at end of current period	1,209	1,172	12,411	(1,231)	13,561

	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	339	(119)	(17)	202	9	0	13,958
Changes of items during period							
Dividends of surplus							(224)
Profit attributable to owners of parent							491
Purchase of treasury shares							(464)
Disposal of treasury shares							12
Net changes of items other than shareholders' equity	(72)	64	6	(2)	(3)		(6)
Total changes of items during period	(72)	64	6	(2)	(3)	—	(191)
Balance at end of current period	266	(55)	(11)	199	5	0	13,766

Current 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

## (4) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	894	587
Depreciation	99	100
Loss (gain) on sales of investment securities	(0)	(67)
Loss (gain) on sales of non-current assets	—	△0
Impairment loss for good will	184	245
Impairment loss for non-current assets	—	36
Gain on reversal of share acquisition rights	(3)	(0)
Amortization of goodwill	142	89
Interest and dividend income	(23)	(24)
Interest expenses	1	1
Share of loss (profit) of entities accounted for using equity method	(7)	(1)
Increase (decrease) in provision for bonuses	21	(31)
Increase (decrease) in provision for bonuses for directors (and other officers)	12	(20)
Increase (decrease) in allowance for doubtful accounts	(5)	109
Increase (decrease) in provision for loss on head office transfer	—	82
Increase (decrease) in retirement benefit liability	1	80
Corporate funeral expenses	12	—
Decrease (increase) in trade receivables	(288)	(112)
Decrease (increase) in inventories	(47)	(139)
Increase (decrease) in trade payables	185	(199)
Increase (decrease) in accounts payable - other	68	(46)
Increase (decrease) in accrued consumption taxes	49	(10)
Other, net	(40)	(14)
Subtotal	1,258	664
Interest and dividends received	24	26
Interest paid	(1)	(1)
Income taxes paid	(343)	(439)
Income taxes refund	1	0
Net cash provided by (used in) operating activities	939	250
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(70)	(108)
Proceeds from sales of property, plant and equipment	0	0
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	0	194
Purchase of intangible assets	(69)	(69)
Proceeds from sales of golf club memberships	3	—
Payments of leasehold and guarantee deposits	—	(128)
Other, net	0	0
Net cash provided by (used in) investing activities	(134)	(111)
<b>Cash flows from financing activities</b>		
Dividends paid	(224)	(213)
Purchase of treasury shares	(464)	(0)
Repayments of lease obligations	(1)	(1)
Other, net	11	—
Net cash provided by (used in) financing activities	(678)	(214)
Effect of exchange rate change on cash and cash equivalents	8	(27)
Net increase (decrease) in cash and cash equivalents	134	(103)
Cash and cash equivalents at beginning of period	5,069	5,203
Cash and cash equivalents at end of period	※ 1 5,203	※ 1 5,099

(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: 10 companies

Name of consolidated subsidiaries:

Mighty Cube Co., Ltd.  
TK Communication Technology 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.

(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 was used for tools, furniture and fixtures of the Company and some consolidated subsidiaries while the declining balance method was used for buildings and structures of the Company and the property, plant and equipment of some consolidated subsidiaries.

For buildings acquired on or after April 1, 1998 (excluding building accessories) and building accessories and structures acquired on or after April 1, 2016, the straight-line method was used.



Main useful life:

Buildings and structures: 10-50 years

Tools, furniture, and fixtures: 2-20 years

With regard to property, plant, and equipment acquired on or before March 31, 2007, the method where they are equally depreciated for 5 years from the year after depreciation is completed up to upper limit of depreciable amount was used.

(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) Provision for head office relocation expenses.

To prepare for the relocation of the head office of the Company, the amount to be borne as an extraordinary loss for the current consolidated fiscal year is included in the estimated future payment amount.

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. Amortization method and period of goodwill

Goodwill was equally amortized over its effective period (8 years).

h. 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

i. 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) Changes in accounting policies that are difficult to distinguish from changes in accounting estimates

(Change in depreciation method for tangible fixed assets)

Some domestic consolidated subsidiaries had adopted the declining-balance method for the depreciation of tangible fixed assets (tools, furniture, and fixtures), but this has been changed to the straight-line method from the beginning of the current consolidated fiscal year.

We reexamined the depreciation method for tangible fixed assets from the viewpoint of unifying the Group's depreciation method and calculating the appropriate period profit and loss with the change in the management strategy of domestic consolidated subsidiaries focusing on development. As a result, we decided this change is a reasonable way to better reflect our economic substance.

With this change, operating income, ordinary income, and income before income taxes for the current consolidated fiscal year have increased by 4 million yen compared to the previous method.

(8) Notes on Consolidated Financial Statements

(Consolidated Balance Sheet)

\*1 Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (as of March 31, 2019)	Current consolidated fiscal year (as of March 31, 2020)
	948 million yen	979 million yen

The above accumulated depreciation for the current consolidated fiscal year includes accumulated impairment losses of 16 million yen.

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

	Previous consolidated fiscal year (as of March 31, 2019)	Current consolidated fiscal year (as of March 31, 2020)
Investment securities(Stocks)	51 million yen	51 million yen

(Consolidated Income Statements)

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

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
	million yen	million yen
Salary and allowances	1,378	Salary and allowances 1,401
Provision for bonuses	224	Provision for bonuses 194
Provision for directors' bonuses	22	Provision for directors' bonuses 1
Retirement benefit cost	107	Retirement benefit cost 149
Rent	410	Rent 455
Depreciation	64	Depreciation 109

\*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, 2018 to March 31, 2019)

Location	Use	Type
—	Other	Goodwill

(i) History toward recognition of impairment loss

Guardfire Limited and Guardfire Singapore Pte. Ltd., (hereinafter called Guardfire), which were acquired in November 2014, showed sluggish results due to the drop in crude oil prices after their acquisition. Recently, Guardfire Limited (Thailand) won orders for several large projects owing to the resumption of construction plans for oil and power plants in ASEAN countries, so the activity for accepting orders has been going well. However, in terms of sales and profits, the plan has not yet been achieved. In light of this, we carefully considered the recoverability of Guardfire Limited's fixed assets such as good will. Consequently, we reduced part of the fixed assets to the recoverable amount and recognized an impairment loss.

(ii) Amount of impairment loss

Goodwill: 184 million yen

(iii) Method for grouping the assets

Our Group groups business assets according to type of business.

(iv) Method for calculating a recoverable amount

Our Group measures a recoverable amount of non-current assets of Guardfire, including goodwill, using the value in use calculated at the discount rate of 3.6 percent.

Current 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 the previous fiscal year 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 current 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.

\*3 Head office relocation expenses

Head office relocation expenses are due to the relocation of our head office scheduled 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, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities:	million yen	million yen
Current accrued amount	(103)	(21)
Reclassification adjustment	(0)	(67)
Before adjustment of tax effect	(103)	(89)
Tax effects	31	26
Valuation difference on available-for-sale securities	(72)	(62)
Foreign currency translation adjustment:		
Current accrued amount	64	(109)
Re-measurements of defined benefit plans:		
Current accrued amount	5	1
Reclassification adjustment	3	10
Before adjustment of tax effect	9	12
Tax effects	(2)	(3)
Re-measurements of defined benefit plans	6	8
Total other comprehensive income	(2)	(162)

## (Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

## 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)	827,990	450,046	12,000	1,266,036
Total	827,990	450,046	12,000	1,266,036

(Note) 1. The 450,046 share increase in common treasury stock is due to a 450,000 share increase resulting from an acquisition of treasury shares upon the resolution of the board of directors and a 46 share increase resulting from the purchase of shares less than 1 unit.

2. The 12,000 share decrease in common treasury stock is due to the exercise of subscription rights.

## 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	—	—	—	—	—	5
Total		—	—	—	—	—	5

## 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 27, 2018	Common stock	112	12.00 yen	March 31, 2018	June 28, 2018
Board of directors' meeting held on November 5, 2018	Common stock	112	12.00 yen	September 30, 2018	December 5, 2018

(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 26, 2019	Common stock	106	Retained earnings	12.00 yen	March 31, 2019	June 27, 2019

Current 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

(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, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
	million yen	million yen
Cash and deposits account	6,303	6,199
Fixed deposits for more than 3 months	(1,100)	(1,100)
Cash and cash equivalents	5,203	5,099

(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.

(Matters concerning reporting segment changes)

The business segment classification has changed from the current consolidated fiscal year. Please refer to the 7. Other for details.

With these changes, part of the Industrial Systems Business in the Device Segment is classified as the System Segment.

The figures for the previous fiscal year have been described according to the classification after the changes.

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, 2018 to March 31, 2019)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements
Sales					
Sales to external customers	12,452	7,442	19,894	—	19,894
Internal sales or transfers between segments	—	—	—	—	—
Total	12,452	7,442	19,894	—	19,894
Segment profit	733	255	989	—	989
Segment assets	9,836	3,657	13,494	5,389	18,883
Other items					
Depreciation	33	19	53	46	99
Amortization of goodwill	142	—	142	—	142
Impairment loss	184	—	184	—	184
Investment to entities accounted for using equity methods	—	19	19	—	19
Increase in property, plant and equipment and non-current intangible assets	43	16	59	110	170

(Note) 1. Adjustments are as follows:

- (1) Adjustments to segment assets of 5,389 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 46 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.
- (3) Adjustments to increase in property, plant and equipment and non-current intangible assets of 110 million yen are mainly increases in assets related to administrative departments such as the general affairs department.



Current 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.

[Related Information]

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

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		
14,814	4,910	2,666	169	19,894

(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, 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.

## (Per Share Information)

Item	Previous consolidated fiscal year	Current consolidated fiscal year
Net assets per share	1,545.18 yen	1,524.28 yen
Net income per share	53.53 yen	21.40 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, 2019)	Current consolidated fiscal year (as of March 31, 2020)
Total net assets in the consolidated balance sheet (million yen)	13,766	13,584
Net assets associated with common stock (million yen)	13,760	13,574
Major breakdown items of differences (million yen)		
Subscription rights to shares	5	9
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, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net income in the consolidated income statements (million yen)	491	190
Net income associated with common stock (million yen)	491	190
Amount not attributable to common stockholders (million yen)	—	—
Average number of common stock during the period (thousand shares)	9,177	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: 50 units) Common stock: 75,000 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 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>

## (Significant Subsequent Event)

Not applicable

## 6. Non-consolidated Financial Statements

### (1) Balance sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	3,939	4,146
Notes receivable - trade	213	298
Electronically recorded monetary claims - operating	622	590
Accounts receivable - trade	3,427	3,473
Merchandise and finished goods	1,412	1,657
Other	607	680
Allowance for doubtful accounts	(0)	(15)
Total current assets	10,222	10,832
Non-current assets		
Property, plant and equipment		
Buildings, net	5	1
Tools, furniture and fixtures, net	158	135
Land	128	117
Other, net	8	18
Total property, plant and equipment	301	273
Intangible assets	69	123
Investments and other assets		
Investment securities	1,089	873
Shares of subsidiaries and associates	5,627	5,567
Deferred tax assets	156	241
Other	493	660
Allowance for doubtful accounts	(34)	(62)
Total investments and other assets	7,331	7,279
Total non-current assets	7,702	7,676
Total assets	17,924	18,509

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes payable - trade	32	31
Electronically recorded obligations - operating	223	230
Accounts payable - trade	1,775	1,939
Income taxes payable	187	215
Provision for bonuses	200	170
Provision for bonuses for directors (and other officers)	20	—
Provision for head office relocation expenses	—	82
Other	853	857
Total current liabilities	3,295	3,526
Non-current liabilities		
Long-term accounts payable - other	—	35
Provision for retirement benefits	467	498
Provision for loss on business of subsidiaries and associates	38	21
Other	18	18
Total non-current liabilities	524	574
Total liabilities	3,819	4,100
<b>Net assets</b>		
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	3,086	3,448
Total retained earnings	12,680	13,042
Treasury shares	(1,231)	(1,231)
Total shareholders' equity	13,832	14,194
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	266	204
Total valuation and translation adjustments	266	204
Share acquisition rights	5	9
Total net assets	14,105	14,408
Total liabilities and net assets	17,924	18,509

## (2) Income Statements

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	14,745	15,402
Cost of sales	11,273	11,742
Gross profit	3,471	3,659
Selling, general and administrative expenses	2,637	2,848
Operating profit	834	811
Non-operating income		
Interest income	0	0
Dividend income	75	89
Foreign exchange gains	56	42
Insurance claim income	1	18
Other	4	4
Total non-operating income	138	155
Non-operating expenses		
Interest expenses	0	0
Commission expenses	2	2
Provision of allowance for doubtful accounts	(3)	28
Provision for loss on business of subsidiaries and associates	20	(16)
Other	0	0
Total non-operating expenses	21	15
Ordinary profit	951	952
Extraordinary income		
Gain on sales of investment securities	—	67
Gain on reversal of share acquisition rights	3	0
Total extraordinary income	3	68
Extraordinary losses		
Impairment loss	—	18
Loss on retirement of non-current assets	—	1
Loss on valuation of shares of subsidiaries and associates	187	60
Head office relocation expenses	—	82
Corporate funeral expenses	12	—
Total extraordinary losses	200	163
Profit before income taxes	754	857
Income taxes - current	279	340
Income taxes - deferred	18	(58)
Total income taxes	297	282
Profit	457	575

## (3) Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	1,209	1,171	1	1,173	198	9,395	2,853	12,447
Changes of items during period								
Dividends of surplus							(224)	(224)
Profit							457	457
Purchase of treasury shares								
Disposal of treasury shares			1	1				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	1	1	—	—	233	233
Balance at end of current period	1,209	1,171	2	1,174	198	9,395	3,086	12,680

	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	(777)	14,052	339	339	9	14,401
Changes of items during period						
Dividends of surplus		(224)				(224)
Profit		457				457
Purchase of treasury shares	(464)	(464)				(464)
Disposal of treasury shares	11	12				12
Net changes of items other than shareholders' equity			(72)	(72)	(3)	(76)
Total changes of items during period	(453)	(219)	(72)	(72)	(3)	(295)
Balance at end of current period	(1,231)	13,832	266	266	5	14,105

Current 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



## 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, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
System	7,938	11,889
Device	6,131	6,554
Total	14,069	18,443

(Note) Matters concerning reporting segment changes

The business segment classification has changed from the current consolidated fiscal year.

Please refer to (iii) Actual results of sales for details.

With these changes, part of the Industrial Systems Business in the Device Segment is classified as the System Segment. The figures for the previous fiscal year have been described according to the classification after the changes.

#### (ii) Actual results of orders received

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)		Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)	
	Orders received	Backlog of orders	Orders received	Backlog of orders
System	13,210	4,368	12,217	4,020
Device	8,049	1,890	8,363	2,202
Total	21,259	6,258	20,581	6,223

(Note) Matters concerning reporting segment changes

The business segment classification has changed from the current consolidated fiscal year.

Please refer to (iii) Actual results of sales for details.

With these changes, part of the Industrial Systems Business in the Device Segment is classified as the System Segment.

The figures for the previous fiscal year have been described according to the classification after the changes.

(iii)Actual results of sales

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Retail Solution Products	3,715	3,464
Office Solution Products	3,601	3,824
Global Products	3,219	3,153
Service & Support Products	1,916	2,122
System Total	12,452	12,564
Semiconductors Products	3,319	3,673
Mechanical Component Products	4,122	4,377
Device Total	7,442	8,051
Total	19,894	20,616

(Note) Matters concerning reporting segment changes

From the current consolidated fiscal year, we have classified the three groups for System Segments; Security Solution Products, Other System Solution Products and Customer Service Products, as the four groups: Retail Solution Products, Office Solution Products, Global Products and Service & Support Products.

We judged this classification could disclose our actual state of business management more appropriately in these points. We mainly classify the segments by market, divide the construction and installation for products, which was in Customer Service Solution Products, into Retail Solution Products and Office Solution Products, and classify the stock business, such as maintenance, operation management and MSP (Managed Service Provider), as Service & Support Products.

With these changes, part of the Industrial Systems Business in the Device Segment is classified as the System Segment.

The figures for the previous fiscal year have been described according to the classification after the changes.