

Fiscal year ended March 31, 2023

Financial Results

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

May 12, 2023



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2. Summary of Financial Results for the Fiscal Year Ended March 31, 2023
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[Reference Material] Medium-Term Management Plan 2022-2024

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

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Executive Summary

■ Fiscal Year Ended March 31, 2023 <Results>

- **Sales and profit increased** due to growth in the electronics business and cloud services business
Operating profit and each level of profit reached their highest levels since the Company's listing
- ROE improved to **7.7%** (YoY +1.7 pt)
- Annual dividends per share of **133 yen** (up 17 yen from the most recent forecast and 78 yen from the previous year)

■ Fiscal year ending March 31, 2024 <Forecast>

- **Sales and profit** are forecast to **increase**
- Sales are expected to increase by focusing on capturing the backlog of orders in the electronics business and growth in the cloud services business
- Annual dividends per share is forecast at **137 yen** (+4 yen from the previous year)

[Millions of yen]	FY3/22 Result	FY3/23 Forecast	FY3/23 Result	FY3/24 Forecast
Net sales	20,784	23,000	23,360	24,800
Operating profit	1,024	1,350	1,376	1,620
Profit attributable to owners of the parent	878	1,040	1,205	1,249
ROE	6.0%	6.8%	7.7%	7.7%
Annual dividends per share	55 yen	116 yen	133 yen	137 yen

Toward the Final Year of the Medium-Term Management Plan

Summary of the First Year of the Medium-Term Management Plan

Segment	Net sales	Forecast Achievement Rate	Operating profit	Forecast Achievement Rate
Cloud services and support	2,385	91.2%	506	98.8%
Systems	9,630	92.0%	92	40.1%
Devices	11,344	114.4%	776	128.1%
Total	23,360	101.6%	1,376	101.9%

Cloud Services & Support:(Result) Achieved 98.8% of the operating profit target due to an **increase in the composition ratio of the cloud services business** as a result of conducting a campaign aimed at distributors and expanding human resources. **(Issue) Delay in the progress of sales** due to delay in the start of MSP services at new distributors.

Systems:(Issues) (1) Inability to control the **impact of external factors** in retail solutions (business aimed at retailers); (2) **Improvement of operational efficiency** to cover the reduction in human resources due to the shift to selling services

Devices: (Results) (1) Increased the scale of sales due to the increased demand for semiconductors as well as the **acquisition of new commercial rights** (distributorship agreements); (2) **Steady progress in the strategy to focus on high-profit markets** led to improvement in operating profit ratio **(Issue) Establishment of a structure less susceptible to market conditions**

Toward the Final Year of the Medium-Term Management Plan

(1) Revision of Segment Targets for the Final Year (FY2025)

- Revised targets based on progress of each segment's strategy
- Proceed with resource migration (from Systems to Cloud) toward the final year

Segment	Pre-revision net sales	Revised net sales	Pre-revision operating profit	Revised operating profit
Cloud services and support	4,000	4,000	900	900
Systems	10,900	9,600	400	270
Devices	11,100	12,400	750	880
Total	26,000	26,000	2,050	2,050

(2) Initiatives for the Second Year Based on the Review of the First Year

Cloud Services & Support: Expand the cloud business by developing the "TK Eco System(*)" and adding products subject to MSP services

Systems: Increase per capita net sales by expanding cross-selling performance by leveraging the customer base and improving operational efficiency through DX and SFA investments, etc.

Devices: Acquire new commercial rights, increase overseas sales, and expand the sales scale
Increase profit margins by focusing on high-profit markets and strengthening solution proposals and product planning and development based on our technological strengths

(*) Our proprietary BtoB platform that centrally manages physical security and networks

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Consolidated Financial Highlights

Both sales and profit increased, with operating profit and each level of income reached their **highest levels since the company's listing**.

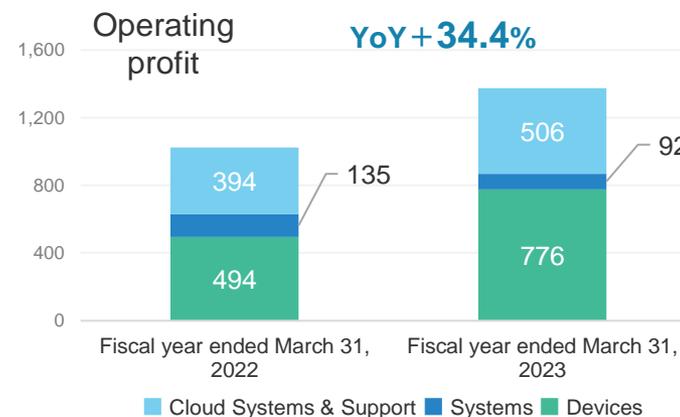
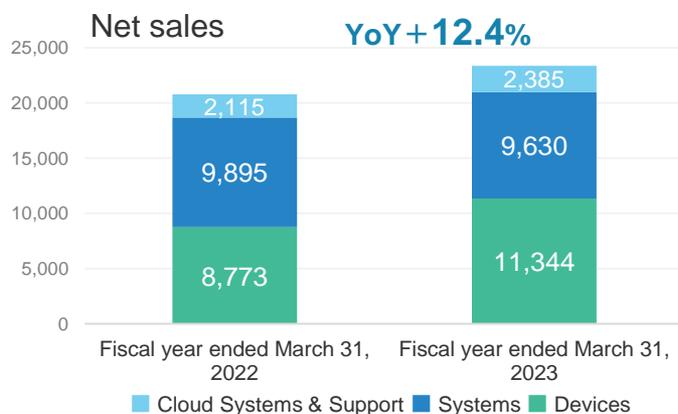
ROE increased to 7.7% by focusing on highly profitable businesses and improving operating profit ratio

Unit: Millions of yen	FY3/22 Result	FY3/23 Forecast (*)	FY3/23 Result	Year-on-Year	Compared to forecast
Net sales	20,784	23,000	23,360	+12.4%	+1.6%
Gross profit on sales	5,099	5,880	5,838	+14.5%	(0.7%)
Gross profit ratio (%)	24.5%	25.6%	25.0%	+0.5pt	(0.6 pt)
Selling, general and administrative expenses	4,074	4,530	4,461	+9.5%	(1.5%)
Operating profit	1,024	1,350	1,376	+34.4%	+1.9%
Operating profit ratio (%)	4.9%	5.9%	5.9%	+1.0pt	+0.0pt
Foreign exchange gains	191	—	191	+0.0%	—
Ordinary profit	1,247	1,500	1,588	+27.3%	+5.9%
Ordinary profit ratio (%)	6.0%	6.5%	6.8%	+0.8pt	+0.3pt
Profit attributable to owners of the parent	878	1,040	1,205	+37.2%	+15.9%
ROE	6.0%	6.8%	7.7%	+1.7pt	+0.9pt
EPS	98.61 yen	116.27 yen	134.69 yen	+36.08 yen	+18.42 yen

(*) Revised forecast announced on November 8, 2022

Results by Segment [Millions of yen]

		FY3/22 Result	FY3/23 Result	Increase	Percentage change	FY3/23 Forecast	Increase	Percentage change
Cloud Services & Support	Net sales	2,115	2,385	+269	+12.8%	2,615	(229)	(8.8%)
	Operating profit	394	506	+112	+28.5%	513	(6)	(1.2%)
	Operating profit ratio	18.6%	21.2%	+2.6pt	-	19.6%	+1.6pt	-
Systems	Net sales	9,895	9,630	(264)	(2.7%)	10,465	(834)	(8.0%)
	Operating profit	135	92	(42)	(31.6%)	231	(138)	(59.9%)
	Operating profit ratio	1.4%	1.0%	(0.4pt)	-	2.2%	(1.2 pt)	-
Devices	Net sales	8,773	11,344	+2,571	+29.3%	9,920	+1,424	+14.4%
	Operating profit	494	776	+282	+57.1%	606	+170	+28.1%
	Operating profit ratio	5.6%	6.8%	+1.2pt	-	6.1%	+0.7pt	-
Consolidated total	Net sales	20,784	23,360	+2,576	+12.4%	23,000	+360	+1.6%
	Operating profit	1,024	1,376	+351	+34.4%	1,350	+26	+1.9%
	Operating profit ratio	4.9%	5.9%	+1.0pt	-	5.9%	+0.0pt	-



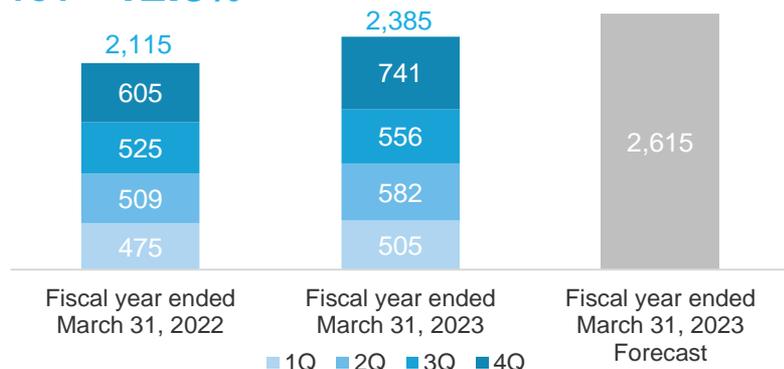
Cloud Services & Support Results

[Millions of yen]

- The number of **MSP services licenses** increased due to the effect of campaigns aimed at distributors, etc. (+)
- **Other cloud services** such as the "Employee Baggage Screening" service and "Verkada" integrated security solution also increased (+)
- Sales fell short of the forecast due to delays in new distributors starting to handle MSP services. The composition ratio of the Cloud Services business increased, and 98.8% of the operating profit forecast was achieved

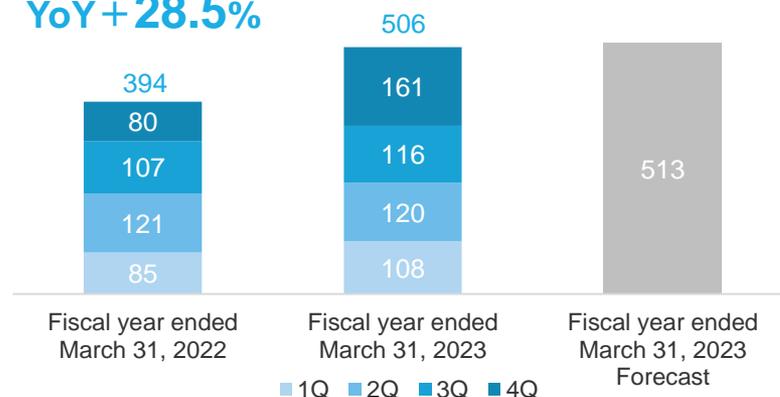
Net sales

YoY +12.8%



Operating profit

YoY +28.5%



Operating profit ratio



Operating profit ratio: YoY comparison

1Q	+3.4pt	Increase in profit ratio due to decrease in product failures (+) Increase in employees due to strengthening segment (-) * Same level of impact from 2Q onward
2Q	(3.1 pt)	Decrease in sales transfers (*1) due to decreased sales to retailers (-)
3Q	+0.5pt	Increase in gross profit ratio due to an increase in long-term MSP service contract customers (+) Increase in SG&A expenses such as advertising expenses for new cloud services (-)
4Q	+8.5pt	Increase in gross profit ratio due to an increase in long-term MSP service contract customers (+) Increase in other cloud sales (+), loss from partial business withdrawal in the previous fiscal year (*2) (+)

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

(*2) The decision to withdraw early from the e-commerce business that was started in the previous medium-term management plan, due to no expectation of earnings, resulted in a loss of approximately 40 million yen in the fiscal year ended March 31, 2022.

MSP Services Contract Status

MSP Services KPIs

Number of contracts

As of March 31, 2023

16,921 licenses

Number of new contracts

FY3/23

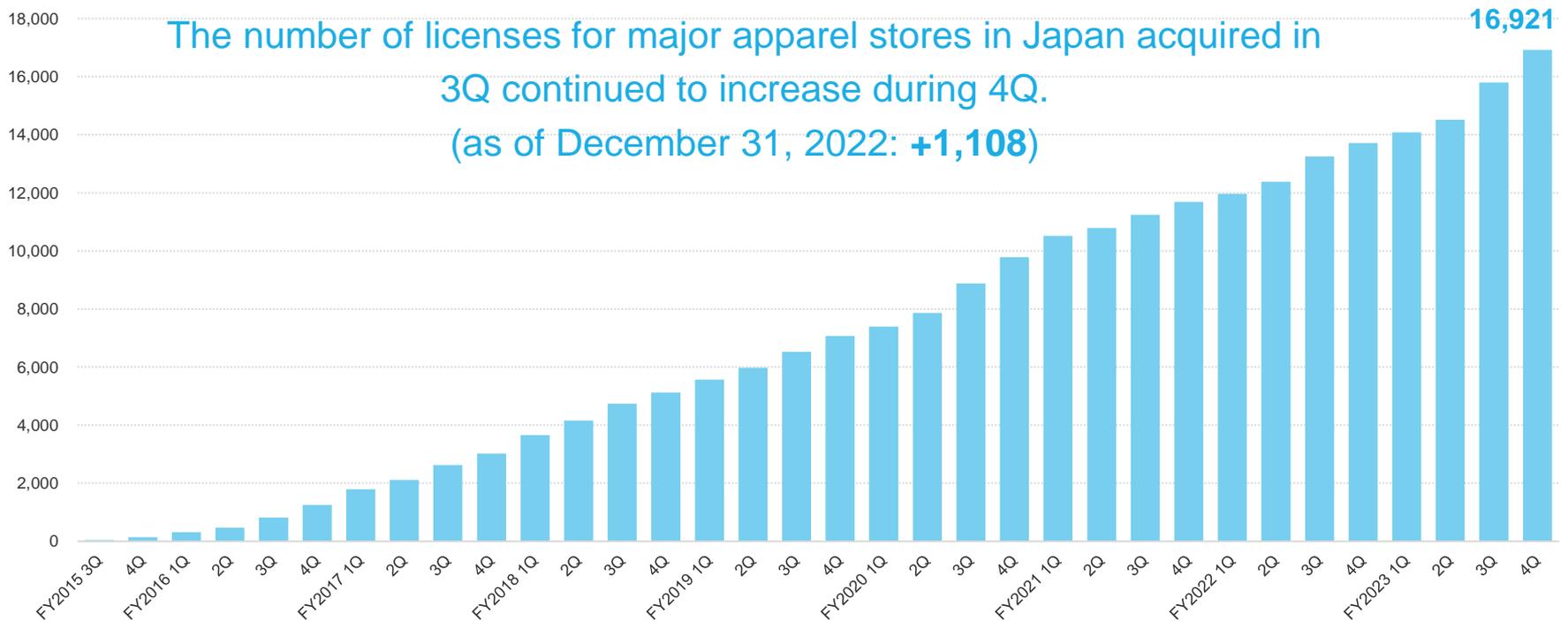
3,966 licenses

Monthly cancellation rate*

Average for the year ended
March 31, 2023

0.33%

Number of MSP service contracts



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

Systems Net Sales (by sub-segment)

[Millions of yen]

Retail Solutions

YoY (16.5%)



Retail Solutions

- Decrease due to fewer large-scale projects compared to the previous fiscal year
- Increasing utility costs and other factors restrained security investment in the retail sector (-)
- Increased sales due to capturing demand for new and renovated apparel stores and combined proposals (+)

Business Solutions

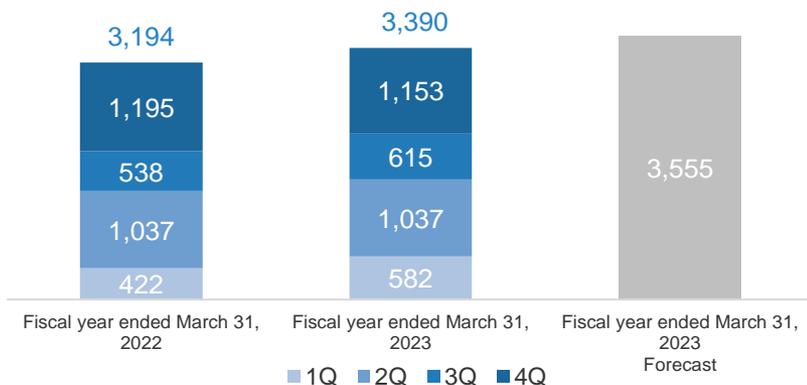
- Access control systems for offices of foreign companies grew due to increased demand accompanying returning to the office (+)
- Access control systems for data centers of foreign companies remain strong

Global

- Growth in fire protection systems business in Thailand, recovering from the impact of lockdowns in the previous year (+)
- Positive impact of yen-translated earnings of overseas subsidiaries (+)

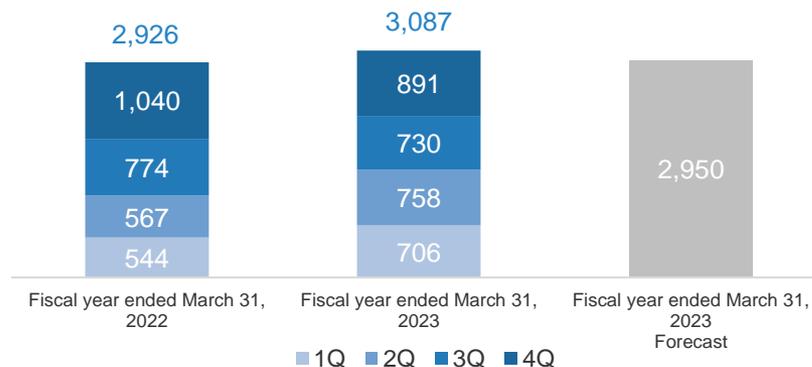
Business Solutions (formerly Office Solutions)

YoY + 6.1%



Global

YoY + 5.5%



* Some reclassification has been made to the results for the fiscal year ended March 31, 2022 due to the change in sub-segment names (Retail +53 million, Business -5.3 million).

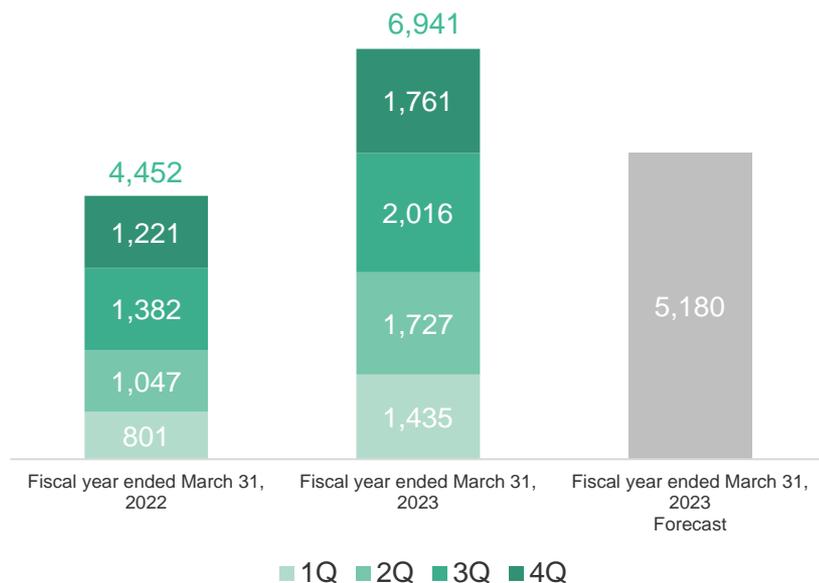
Devices Net Sales (by sub-segment)

[Millions of yen]

Electronics (formerly Semiconductor)

- Growth in electronic components for home printers due to new commercial rights acquisition and demand from remote working (+)
- Sales of electronic components for semiconductor manufacturing equipment and power supply modules for 5G base stations grew due to strengthening sales, in addition to strong demand (+)
- Sales to the amusement industry increased due to deeper customer relationships (+)
- 4Q was affected by production adjustments at some customers (-)

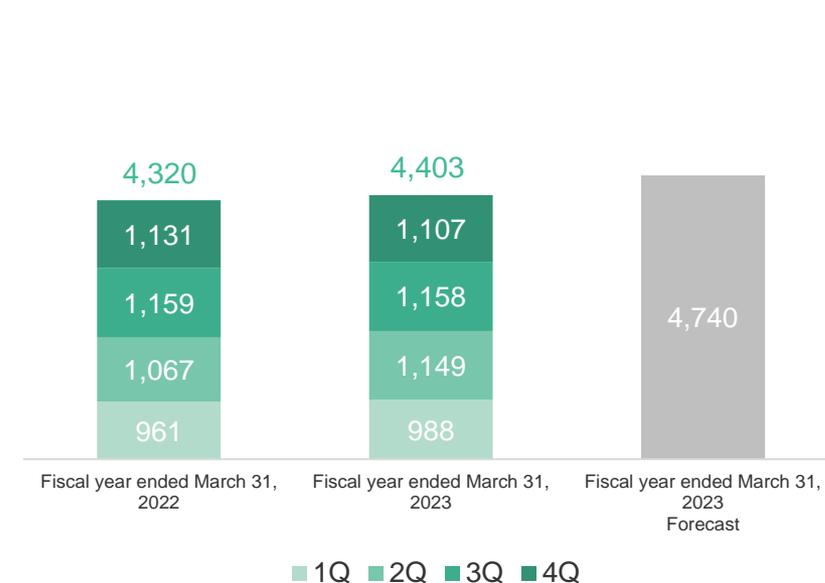
YoY +55.9%



Mechatronics (formerly Mechanical Component)

- Increase in production of copiers due to return to the office, etc., and growth of slide rails for overseas copiers (+)
- Growth in mechanical parts for money machines (ATMs, etc.) due to demand from the printing of new banknotes (+)
- Decrease in sales of soft-close components for U.S. housing equipment due to rising U.S. interest rates (-)

YoY +1.9%



* Some sub-segments have been renamed from the fiscal year ended March 31, 2023.

Capital Efficiency Improvement Status

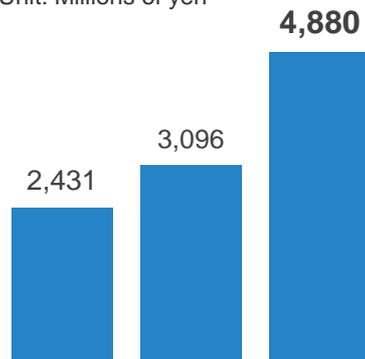
Hold inventories to appropriate levels by capturing backlogs of orders and strengthening order control
Review the transaction terms of receivables and payables and aim to improve capital efficiency

Inventories

Number of days for turnover

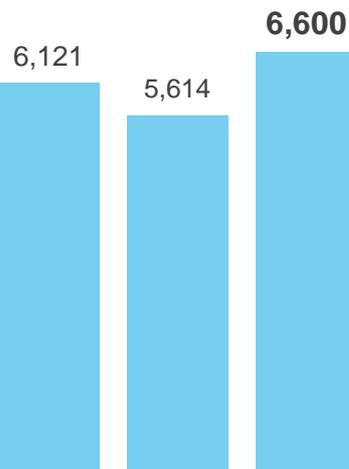


Balance Unit: Millions of yen



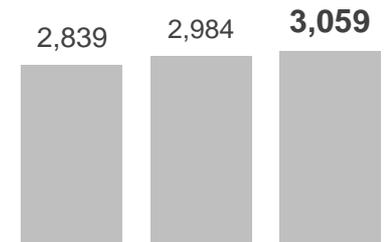
As of March 31, 2021 As of March 31, 2022 As of March 31, 2023

Trade receivables



As of March 31, 2021 As of March 31, 2022 As of March 31, 2023

Trade payables



As of March 31, 2021 As of March 31, 2022 As of March 31, 2023

Reason for increase in inventories

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

Calculation Formula

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

Shareholder Returns

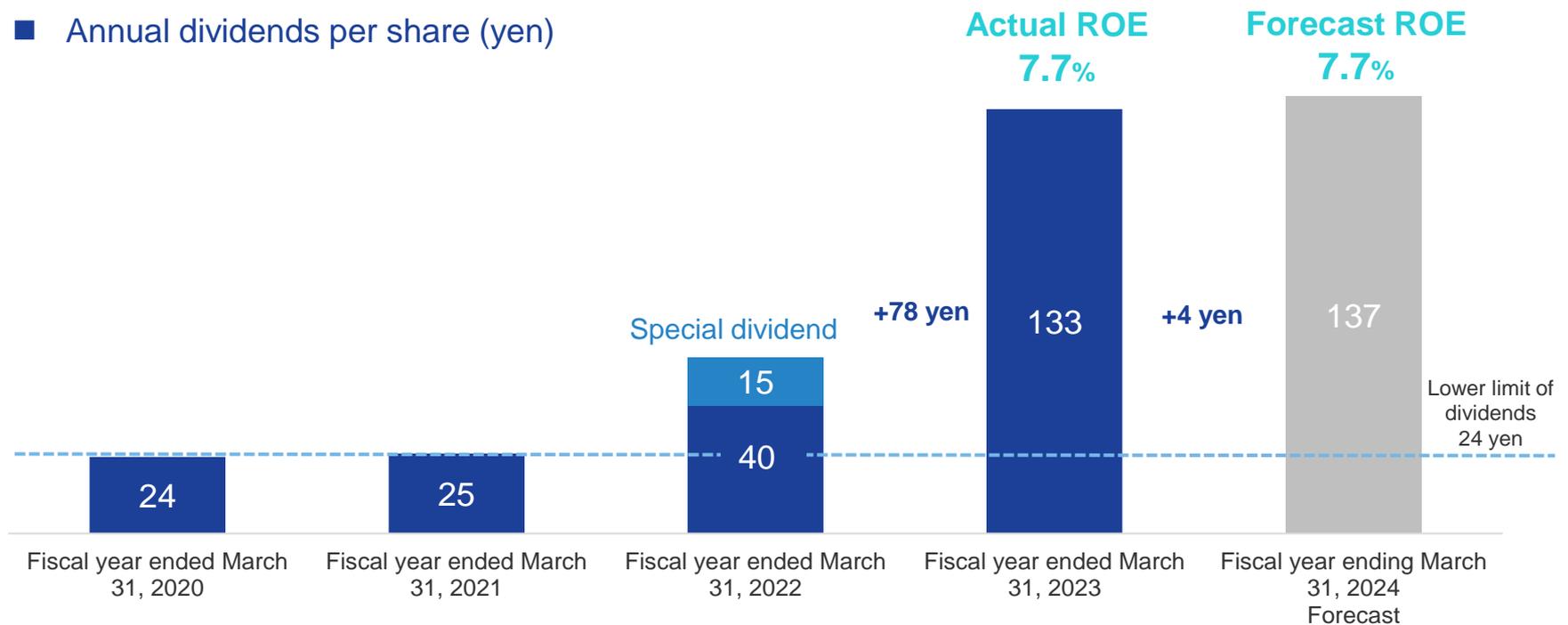
Dividends for the fiscal year ended March 31, 2023 increased by 17 yen from the most recent forecast due to net profit exceeding the forecast. Annual dividends for the fiscal year ending March 31, 2024 are planned to be **137 yen per share** (interim: 53 yen per share, year-end: 84 yen per share)

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

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

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

■ Annual dividends per share (yen)



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

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Consolidated Profit & Loss <Forecast>

Increased sales and profit is forecast by focusing on capturing the backlog of orders in the electronics business and the growth of cloud services

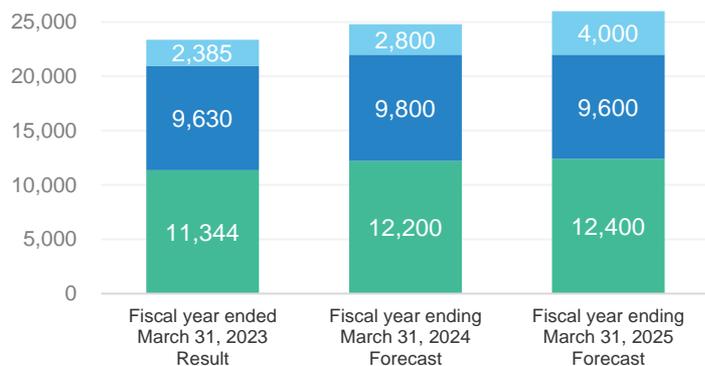
Unit: Millions of yen	FY3/23 Result	FY3/24 Forecast	Increase	Year-on-Year	Forecast for FY3/25, the final year of the Medium-Term Management Plan
Net sales	23,360	24,800	+1,439	+6.2%	26,000
Gross profit on sales	5,838	6,210	+371	+6.4%	—
Gross profit ratio (%)	25.0%	25.0%	—	+0.0pt	—
Selling, general and administrative expenses	4,461	4,590	+128	+2.9%	—
Operating profit	1,376	1,620	+243	+17.7%	2,050
Operating profit ratio (%)	5.9%	6.5%	—	+0.6pt	7.9%
Ordinary profit	1,588	1,600	+11	+0.7%	2,000
Ordinary profit ratio (%)	6.8%	6.5%	—	(0.3 pt)	7.7%
Profit attributable to owners of the parent	1,205	1,249	+43	+3.6%	1,400
ROE(%)	7.7%	7.7%	—	+0.0pt	10.0% (target) 8.0% (must achieve)
EPS	134.69 yen	137.74 yen	+3.05 yen	—	—
Annual dividends per share (*)	133 yen	137 yen	+4 yen	—	—

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

Net Sales and Operating Profit by Segment <Forecast> [Millions of yen]

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

Net sales



Operating profit

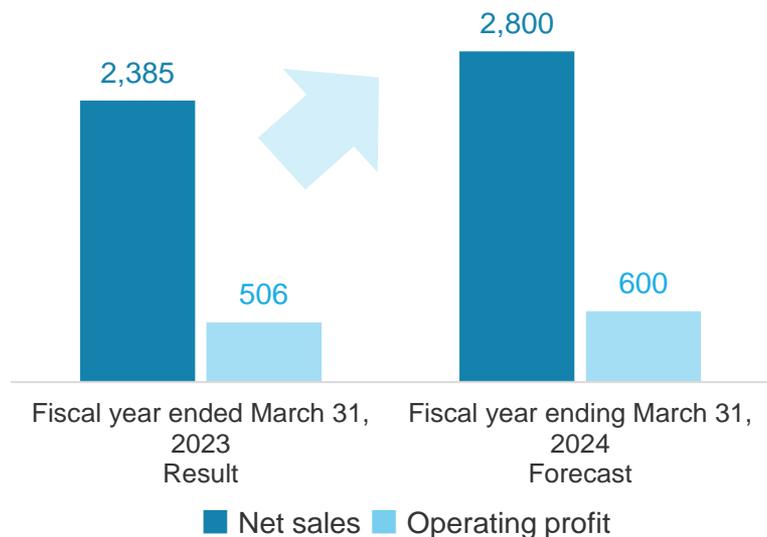


(*) The breakdown of segment targets for the year ending March 31, 2025 have been revised. See p. 5 for details.

Cloud Services & Support <Plan>

[Millions of yen]

Cloud services and support



Forecast for FY3/24

Net sales 2,800 million yen (+17.4%)

Operating profit 600 million yen (+18.4%)

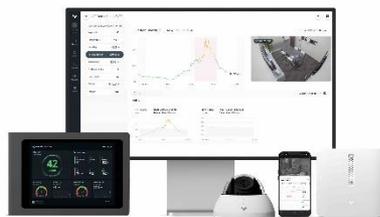
Initiatives for FY3/24

Cloud Services

- **MSP services** : In addition to distributor sales, we aim to **increase the number of licenses** by selling to customers in the systems segment.
- Expand the sales of **Verkada**, an integrated security solution that responds to labor-saving needs, through the acquisition of distributors, etc.
- Strengthen the sales of other cloud services

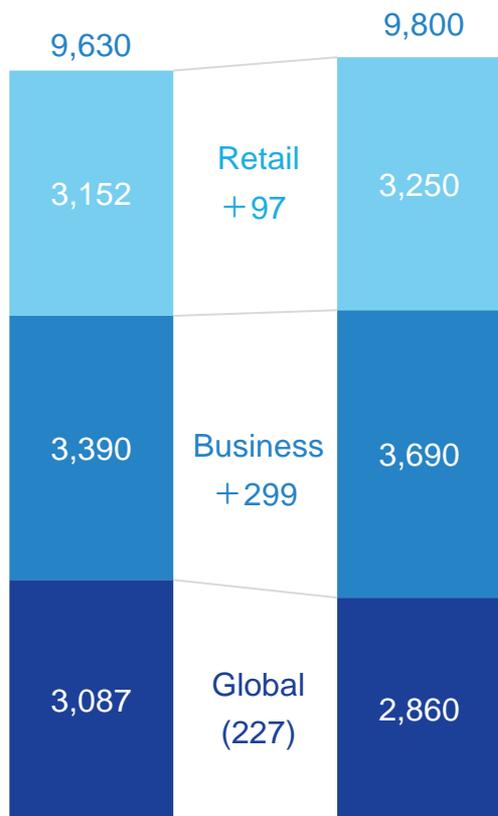
Maintenance

- **Increase the number of new contracts** with customers who have not signed maintenance contracts
- **Improve profitability** by utilizing historical data in maintenance and inspections and reducing product failures
- **Develop new option items** that meet customer needs



Systems Net Sales (by sub-segment) <Forecast> [Millions of yen]

Systems net sales forecast: **+1.8%**



Fiscal year ended March 31, 2023 Result Fiscal year ending March 31, 2024 Forecast

Initiatives for FY3/24

(Both retail and business) Implement cross-selling by leveraging our extensive customer base
Promote operational efficiency to cover the reduction in personnel due to the transition to the sale of services

Retail Solutions

Net sales forecast: 3,250 million yen (+3.1% YoY)

- Strengthen sales of security systems to the apparel market, which is recovering due to the easing of Covid-19 restrictions, and to consumer electronics mass retailers, where inbound demand is expected to increase.

Business Solutions

Net sales forecast: 3,690 million yen (+8.8% YoY)

- Expand sales of access control systems (for offices and data centers)
Further increase market share by capturing infrastructure demand for new office buildings, of which construction is increasing, and by expanding the global commercial products

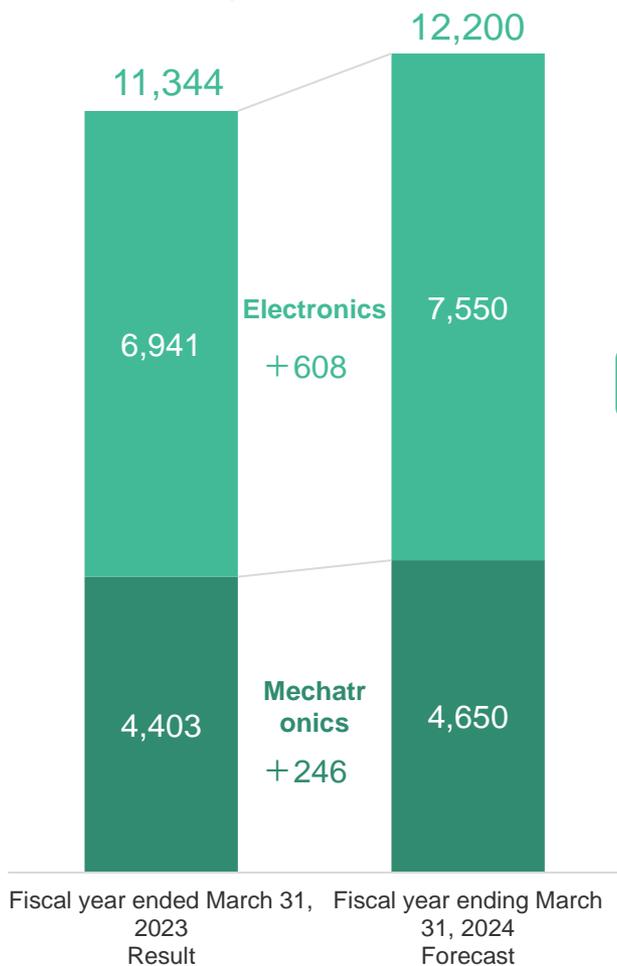
Global

Net sales forecast: 2,860 million yen (-7.4% YoY)

- Certainly capture fire protection system projects for power generation plants
- A decrease in revenue is forecast due to the risk of uncertain timing of recording some projects, due to the impact of the Thai government's reworking of their power plant construction plans

Devices Net Sales (by sub-segment) <Forecast> [Millions of yen]

Devices net sales forecast: **+7.5%**



Initiatives for FY3/24

Electronics

Net sales forecast: **7,550 million yen (+8.8% YoY)**

- Despite a slowdown in the semiconductor market, we expect an increase in sales from the capture of the backlog of orders at the end of the fiscal year.
- Focus on industrial equipment, amusement, and solution businesses
- Increase overseas sales through the new China base opened in April 2023, etc
- Activities to acquire new commercial rights (distributor contracts)
- Expansion of the workforce in line with growth in the scale of sales

Mechatronics

Net sales forecast: **4,650 million yen (+5.6% YoY)**

- Continue from the previous fiscal year the increase in sales of mechanical parts for money machines by capturing demand from the printing of new banknotes in 2024
- Strengthen sales of "Spiral Shaft"(*) for the amusement industry
Increased sales for "Smart Pachinko" and "Smart Pachi-slot" is expected due to our technology that can be processed according to customer specifications
- Investment in planning and development of products that embody customer needs



(*) "Spiral shaft"

It is shaped like a cylinder and has a spiral surface.

It is one of the linear motion components that converts rotational force into linear force.

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Overall View of the Medium-Term Management Plan 2022-2024

*Published on February 8, 2022

Medium-term slogan

~Towards our 100th anniversary – **Creating new value** in a new normal era~

Increase shareholder value

- Achieve ordinary income of 2.0 billion JPY and current-term net income of 1.4 billion JPY for the fiscal year ending in March 2025.
- Set the KPI for our new medium-term management plan to **an 8% average ROE** for three fiscal years and implement our business plan and capital policies.

Capital strategy

- **Limit increases in equity capital in order to improve return on invested capital and the balance sheet.**
- Maintain a dividend payout ratio of 100% until the average ROE for three years exceeds 8%
- Consider using interest-bearing debt for control capital costs.

Business strategy

- Growth strategy for new business transformation:
 - Promotion of strategies for loyal customers/Growth of service business/Creation of future core businesses
- Strengthening the management base
- Set aside a total of 3.0 billion yen over 3 years for a strategic investment framework.

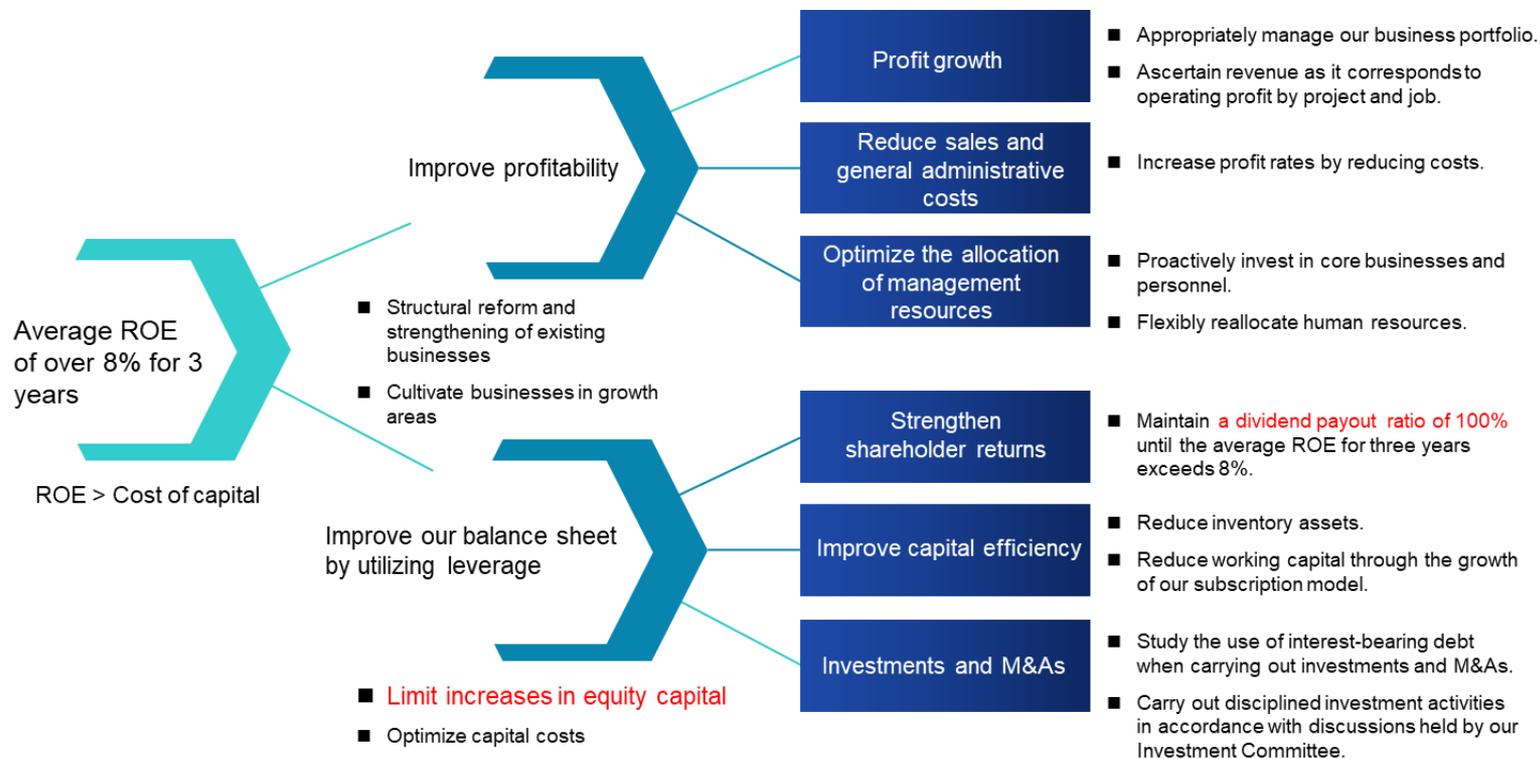
Governance

- **Establish an Investment Committee** and strengthen supervisory, examination, and monitoring functions to be carried out at the time of execution.
- Establish a Nomination and Compensation Committee to ensure fairness, objectivity, and transparency.
- Set KPIs for capital efficiency in executive compensation to promote management from the perspective of shareholders.

Accelerate the transition from *goods* to *services*

Status of Capital Strategy

Implement the following strategies and set "average ROE of over 8% for 3 years" as a KPI in order to increase shareholder value (ROE > cost of capital)



- Cost of capital uses cost of shareholders' equity since there is no interest-bearing debt as of March 31, 2023
- ROE for the fiscal year ended March 31, 2023 improved to 7.7% (+1.7pt YoY) due to **profit growth** and **stronger shareholder returns**
- Accelerate improvement in capital profitability through focusing on highly profitable businesses such as MSP services, reducing working capital, and growth investment

As a result of progressing management with an awareness of capital profitability, we were in compliance with all of the criteria for maintaining our listing on the prime market (market capitalization of tradable shares, etc.) as of the end of March 2023.

(Reference)	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023
Stock price	1,125 yen	1,483 yen	2,473 yen
PBR	0.71x	0.88x	1.37x
ROE	4.0%	6.0%	7.7%

Progress of the Loyal Customer Strategy

Loyal Customer(*) Strategy

A strategy aimed at creating satisfied customers by providing value-added services and strengthening relationships

Numerical Target (1)
Loyal customers:
Over 130 companies

Numerical Target (2)
Average net sales to all customers: up 20%

First year of Medium-Term Management Plan (ended March 31, 2023)

Loyal Customers: **109** companies

Average net sales to all customers:
up 11%



Results for the year ended March 31, 2023

- Large projects in the systems segment decreased from the previous year, and the number of loyal customers **increased by 1 company**.
- Cross-selling between segments and sub-segments increased (Of all customers, the number of customers to which cross-selling was made was **+8**)
- In addition to companywide net sales growth, **average net sales to all customers increased 11%** due to a **10% increase in average net sales to loyal customers**

Progress of Initiatives

- Implemented customer introductions and technology study sessions among business divisions, and acquired multiple orders with unique solutions that **fuse electronics and mechatronics technologies**.
- Planned and developed unit products that** embody the needs of loyal customers and **applied for patents**

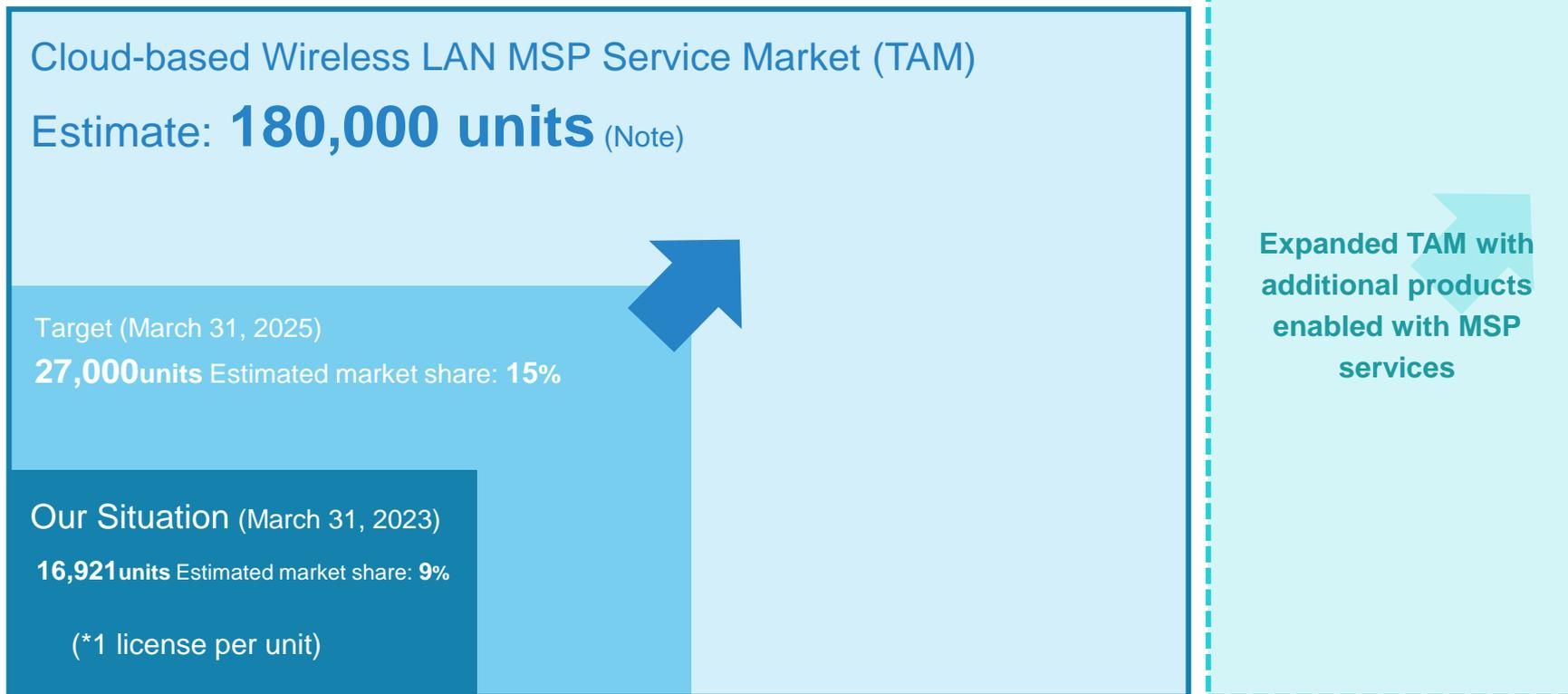


(*) Loyal customers: Customers with annual net sales of 30 million yen or more per company

Market scale of MSP services

- The **replacement** of wireless LAN equipment with **cloud-based equipment** is progressing due to office renovations due to hybrid work and demand for faster speeds from Wi-Fi6. **Demand for outsourcing due to labor-saving measures is also strong, and the MSP service market is expanding.**
- We aim to increase the number of licenses to **27,000** by March 31, 2025 and to achieve net sales of 1.2 billion yen for MSP services.

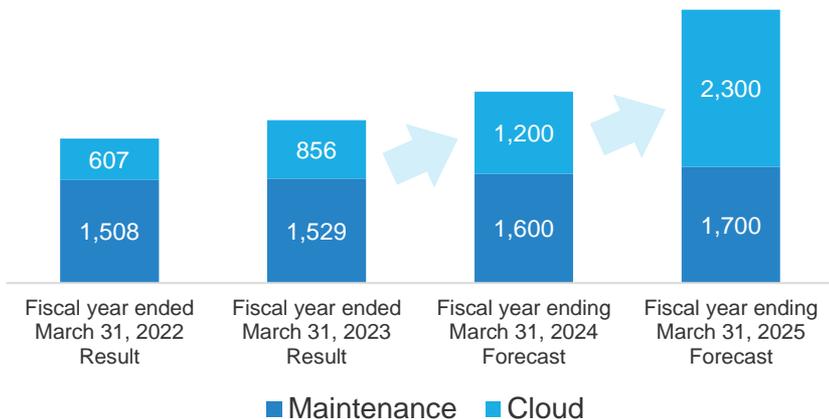
Our share of the **MSP service** market for **cloud-based wireless LAN**



(Note) The market for cloud-based wireless LAN services and internet-connected services is 147,800 units in the forecast for FY2024 (Source: Fuji Chimera Research Institute, "2022 Communications-Related Marketing Survey Overview"). We have estimated the MSP service market for cloud-based wireless LAN based on this, while making certain assumptions.

Progress of "Growth of Service Businesses"

Cloud Services & Support Net Sales (unit: millions of yen)



Final year of the Medium-Term Management Plan
Cloud service net sales forecast: **2,300** million yen

Measures to Achieve Goals

1. Accumulate licenses for MSP services (target product: cloud-based wireless LAN) mainly through distributor sales
2. "Increase all cloud contracts with the "TK Eco system"
3. Grow other cloud services by converting them into MSP services
4. Strengthen sales to our extensive customer base in the systems segment

Initiatives for FY3/24



Development of "TK Eco system"(*)

- The vision for the TK Eco system is the provision of "Smart Offices"
- Development is progressing as a company-wide project, with the aim of **achieving results by the FY3/24.**



Grow other cloud services by converting them into MSP services

Regarding products such as our integrated security solution "Verkada", we aim to develop systems that enable maintenance, operation, and management in the cloud, **making it an MSP service.**

Expand sales of cloud services to customers of the systems segment

Strengthen sales of cloud services such as store analysis tools and baggage inspection services

(*) Our proprietary BtoB platform that centrally manages physical security and networks

Status of Human Resource Development and Investment

1. Status of Membership in Employee Stock Ownership Plan

As of March 31, 2023

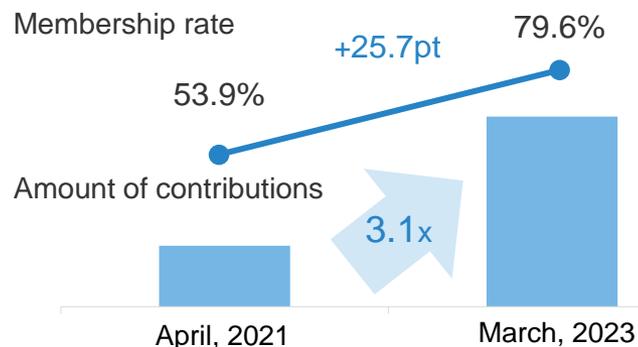
Membership rate: **79.6%**



Amount of contributions: Increased **3.1 times** since April 2021

Initiatives to make employees shareholders

- **Incentive increased to 50%** from April 2022.
- Solicitations were conducted at in-house information sessions on the topic of "Asset building through the Employee Stock Ownership Plan."



2. Return of Profits to Employees

- Paid a **celebration bonus for achieving conformance with the "Criteria for Maintaining Prime Market Listing"**

In response to achieving the standard two years ahead of the original plan, we paid a congratulatory bonus to thank each employee for their hard work and to further motivate them to achieve the Medium-Term Management Plan's targets.



- Review of the design of **Medium-Term Management Plan incentives**
Paid annually according to the level of achievement of the budgeted ROE, etc.

3. Recruitment, Base Wage Increases, Reskilling

- Increased the number of new hires **through the referral hiring system**
- **Increased the base wage** for younger employees
(Increased the starting salary for college graduates by about 3%)
- Viewing rate for video educational material services: **90%**
The establishment of re-skilling is progressing with a large number of participants, especially in the network engineer training program



Strategic Investment in the Creation of New Businesses and Business Models

■ Three-year roadmap under the Medium-Term Management Plan

First Year of the Medium-Term Management Plan (Year ended March 31, 2023)

Develop M&A human resources

We conducted a one-year program of workshops and invited experienced experts as advisors



Third Year of the Medium-Term Management Plan (Year ending March 31, 2025)

Aim to conclude M&As that will contribute to results in the medium- to long-term



Second Year of the Medium-Term Management Plan (Year ending March 31, 2024)

Commenced a task force

We aim to form at least one M&A or alliance by March 2024

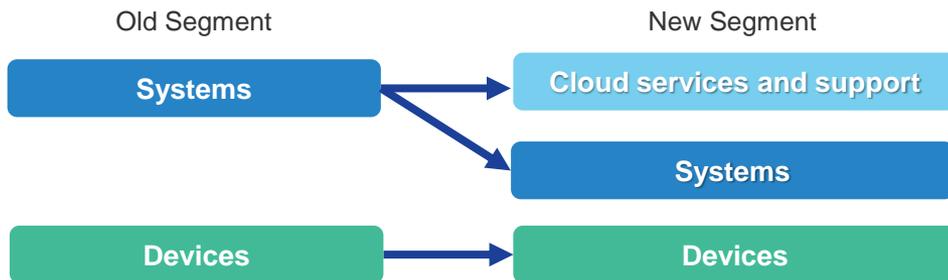
- It is envisioned that they will be in areas where there are synergies with existing businesses, niche markets where our know-how can be utilized, etc.
- By reflecting upon past M&As and making use of the learnings from the previous fiscal year, we will start from small-scale investments and succeed with post-merger integration.

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1. Executive Summary
2. Summary of Financial Results for the Fiscal Year Ended March 31, 2023
3. Forecast for the Fiscal Year Ending March 31, 2024
4. Progress of the Medium-Term Management Plan 2022-2024
5. Appendix

Segments and Main Products/Services

Segment System



From the period of the Medium-Term Management Plan (fiscal year ended March 31, 2023), from the perspective of "growth potential" and "profitability," the cloud-based subscription service business and maintenance business are positioned as "growth businesses" and separated as a segment.

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

Cloud services and support

Cloud-based wireless LAN

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

Systems

Access control systems

Facial recognition systems

Retail	<ul style="list-style-type: none"> The electronic article surveillance (EAS) system, surveillance camera systems Store management systems Display products security systems
Business (Formerly: Office)	<ul style="list-style-type: none"> Access control systems Auto Mailing Insertion Systems RFID systems Network systems
Global	<ul style="list-style-type: none"> Fire protection systems

Devices

Power modules

Silicon microphones

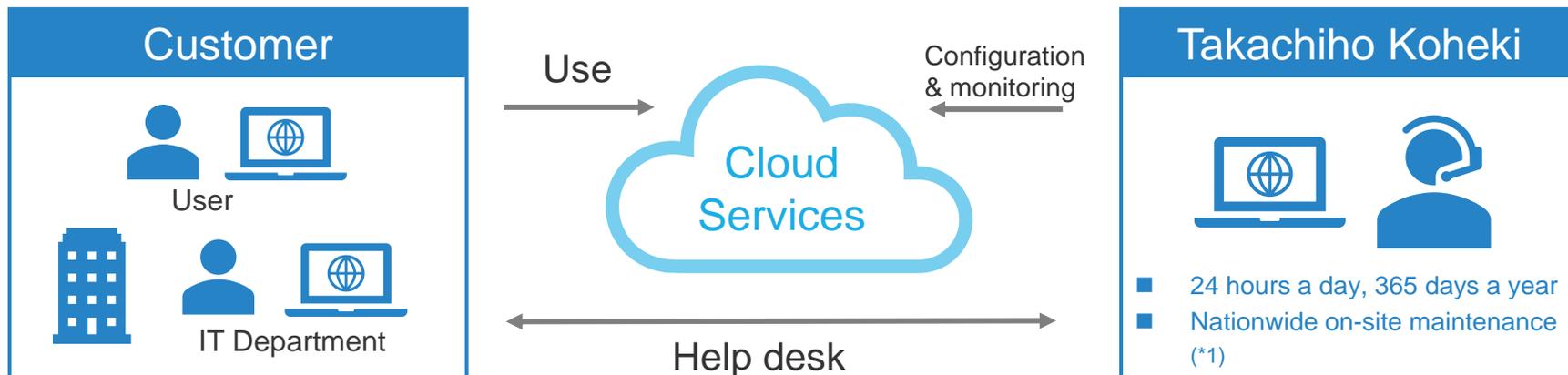
Soft-close units

Electronics (Formerly: Semiconductor)	<ul style="list-style-type: none"> Semiconductors, ICs, electronic components, sensors Various types of modules
Mechanics (Formerly: Mechanical Component)	<ul style="list-style-type: none"> Slide rails, gas springs Soft-close units, electronic locks

MSP Services (1)

What are MSP (Managed Service Provider) Services?

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



MSP Service Products



Cloud-based wireless LAN system

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

The management of wireless LAN access points in the cloud

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

MSP Service Fee Structure

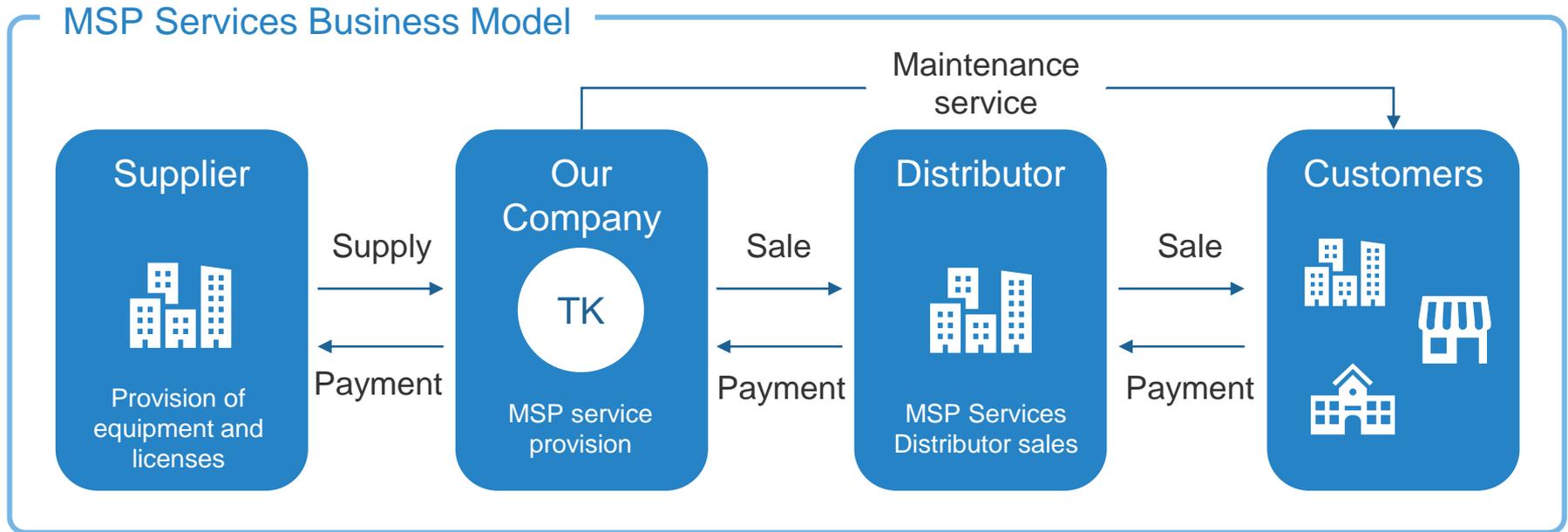
(1) to (3) are provided as an integrated service on a monthly payment basis(*2)

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

(*1) Not available in some areas

(*2) The purchase of equipment (1) can be paid in a lump sum

MSP Services (2)



■ Examples of Using MSP Services



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



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

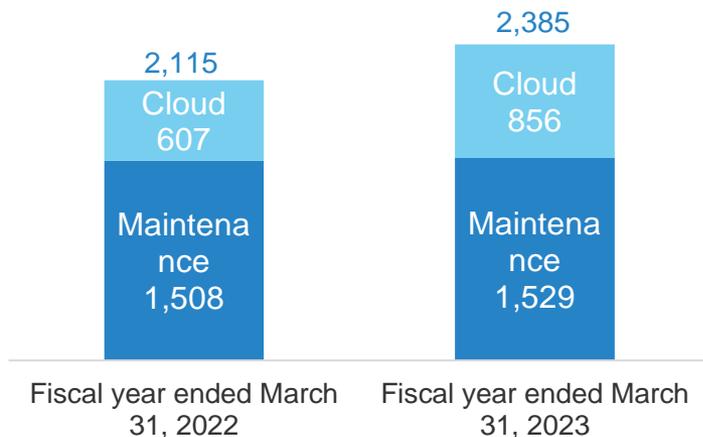


Also used in **factories, nursing homes, hospitals, schools,** and many other locations.

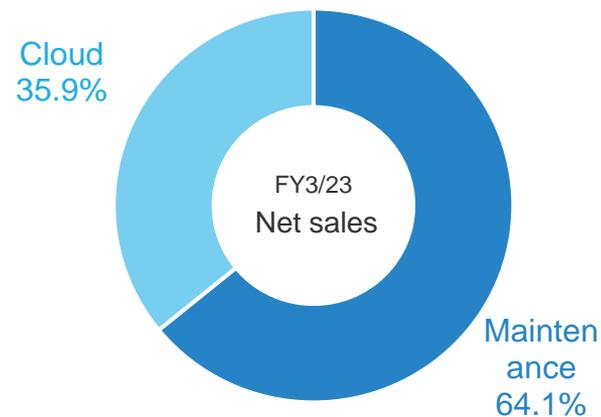


Cloud Services & Support Net Sales Breakdown

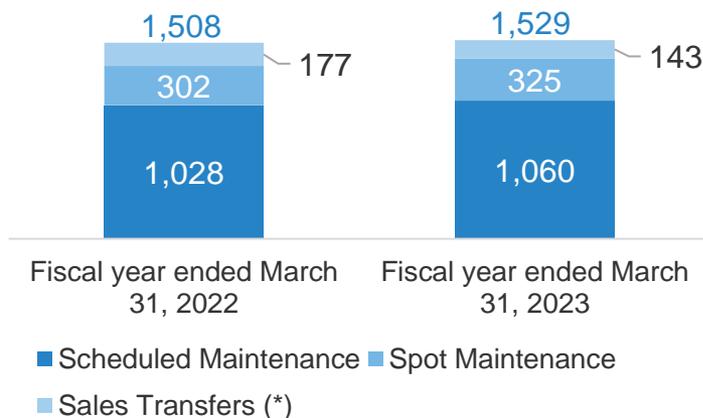
■ Cloud Services & Support Net Sales Breakdown (Millions of yen)



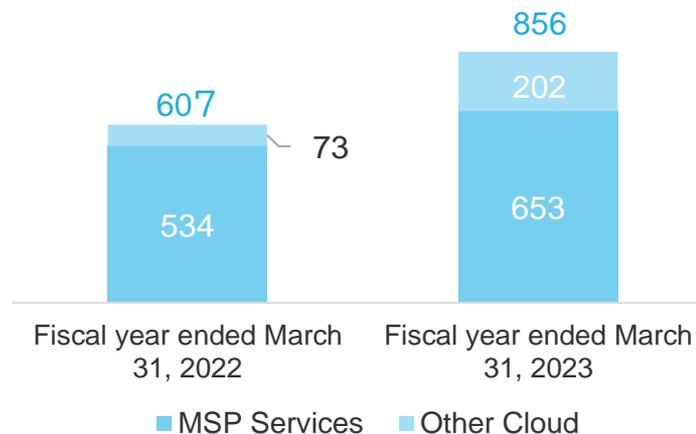
■ Net sales composition ratio (%)



(1) "Maintenance" net sales breakdown (Millions of yen)



(2) "Cloud Services" net sales breakdown (Millions of yen)



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

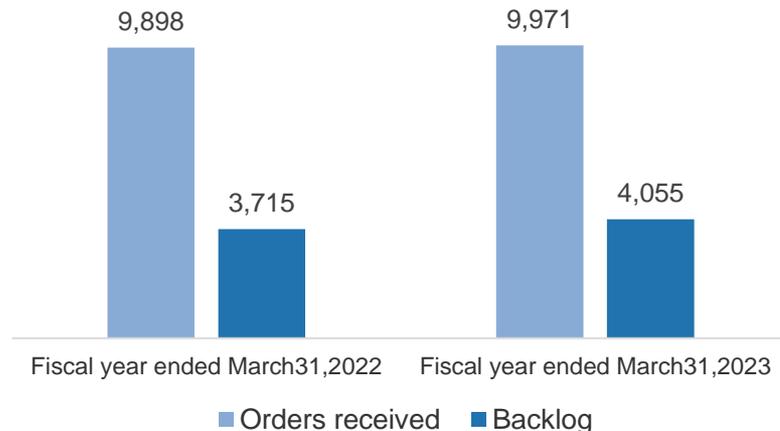
Systems Segment Results

[Millions of yen]

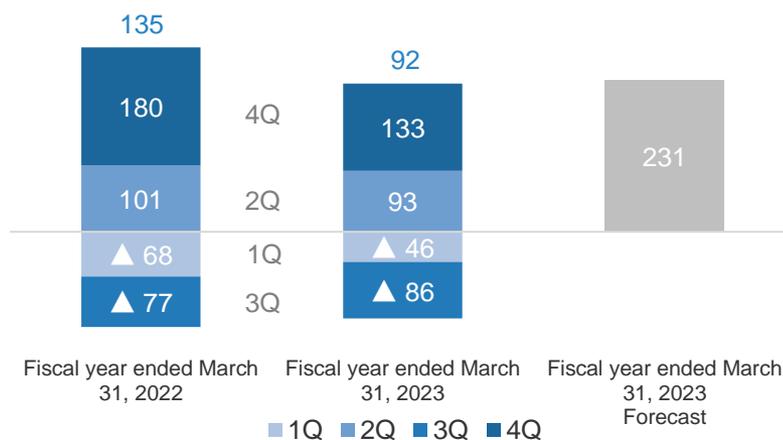
Net sales



Orders Received / Backlog



Operating profit



Operating profit ratio

	1Q	2Q	3Q	4Q	Full year
FY3/22	(3.2%)	4.0%	(3.6%)	5.9%	1.4%
FY3/23	(2.3%)	3.5%	(4.2%)	4.7%	1.0%
Change	+0.9pt	(0.5 pt)	(0.6 pt)	(1.2 pt)	(0.4pt)

Change factors

1Q: Global gross profit ratio improvement (+)

2Q: Decrease in retail solutions revenue (-)

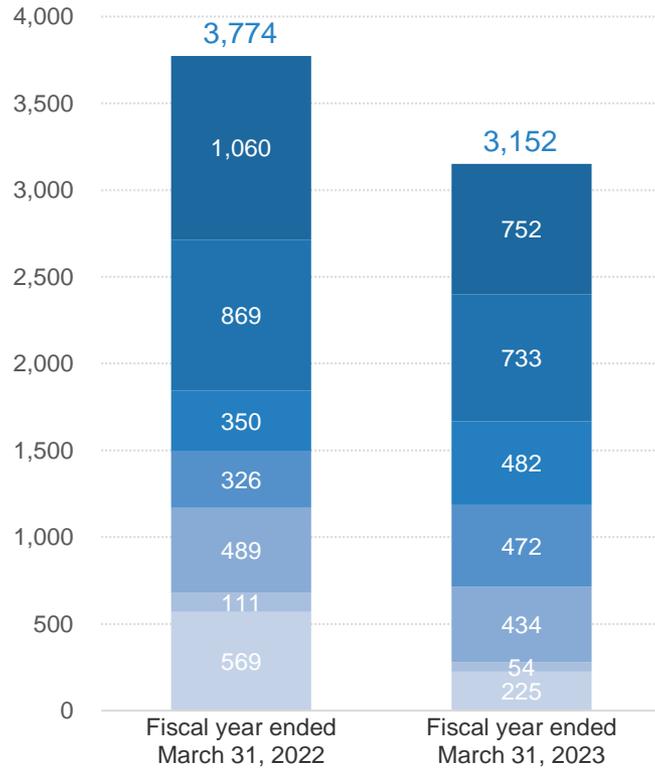
* The increase in sales was mainly due to global yen-translated revenues (which were almost offset by the cost of sales)

3Q: Decrease in retail solutions revenue (-)

4Q: Decrease in retail solutions and global revenue (-)

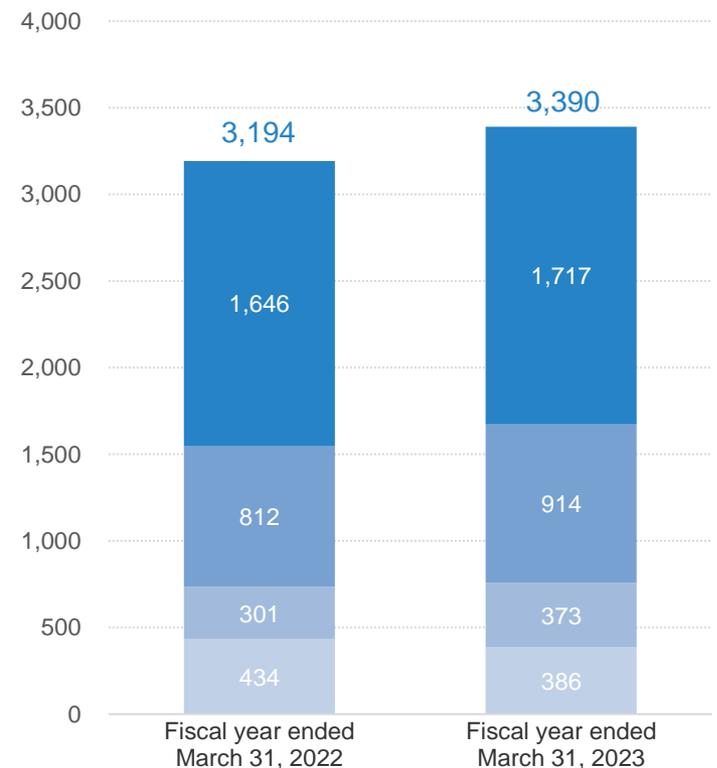
Retail Solutions and Business Solutions Net Sales Breakdown

Retail Solutions Net Sales



■ GMS	1,060	752
■ Drug stores	869	733
■ Apparel	350	482
■ Consumer electronics	326	472
■ HC/Sports	489	434
■ Mobile	111	54
■ Other	569	225

Business Solutions Net Sales



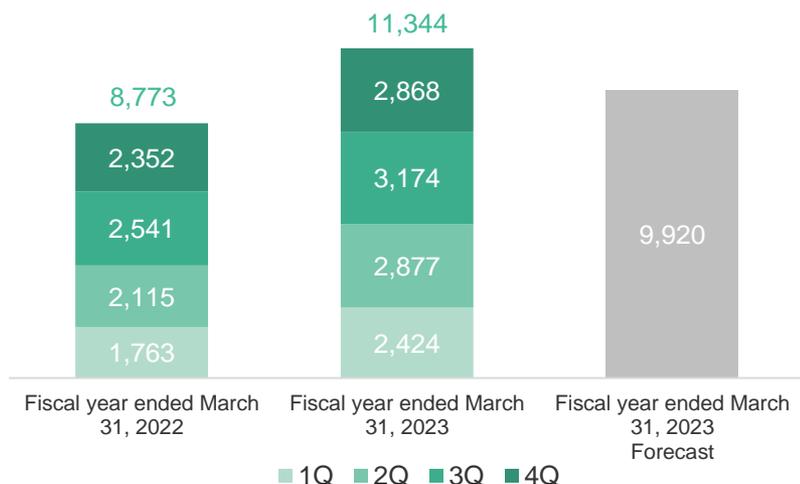
■ Office Security	1,646	1,717
■ Network Products	812	914
■ RFID	301	373
■ Mailing	434	386

* Some reclassification has been made to the results for the fiscal year ended March 31, 2022 due to the change in sub-segment names (Retail +53 million, Business -5.3 million).

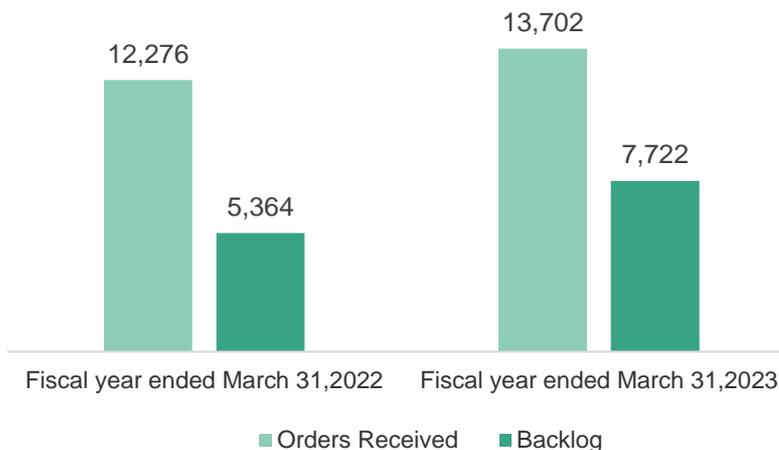
Devices Segment Results

[Millions of yen]

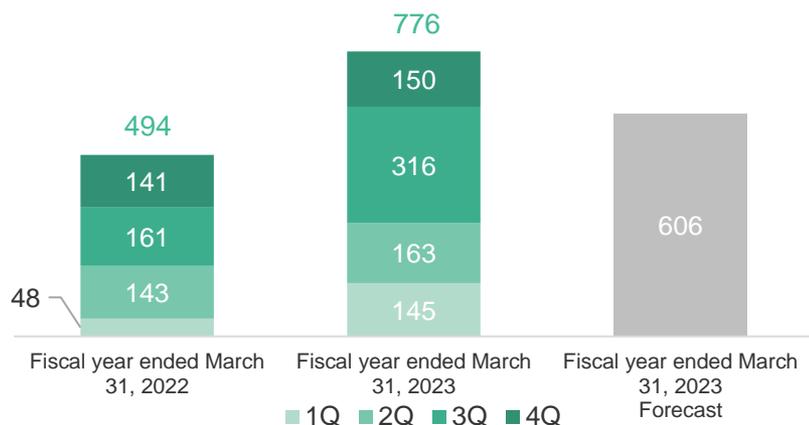
Net sales



Orders Received / Backlog



Operating profit



Operating profit ratio

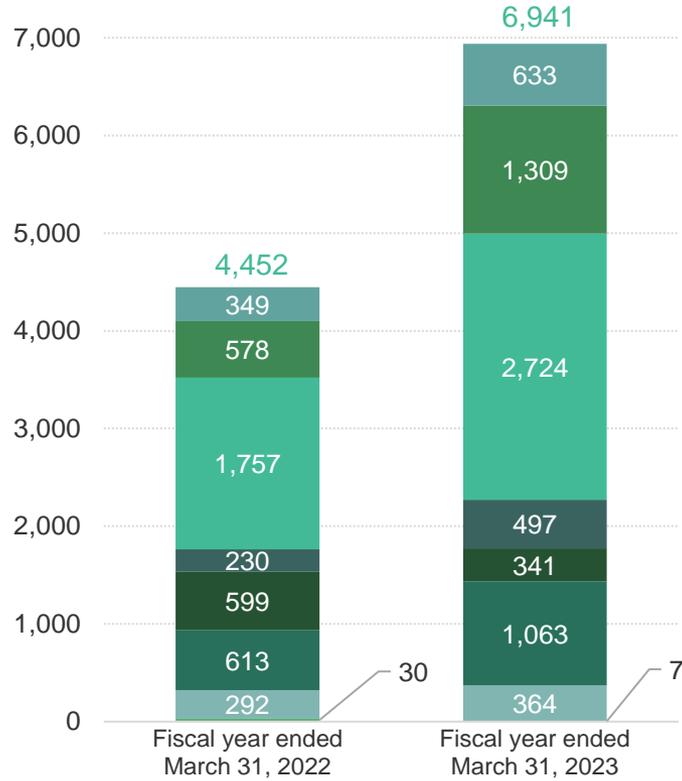
	1Q	2Q	3Q	4Q	Full year
FY3/22	2.8%	6.8%	6.3%	6.0%	5.6%
FY3/23	6.0%	5.7%	10.0%	5.3%	6.8%
Change	+3.2pt	(1.1pt)	+3.7pt	(0.7pt)	+1.2pt

Change factors

- 1Q: Electronics revenue increase effect (+)
- 2Q: Increase in SG&A expenses due to headcount increase, etc. (-), revenue increase effect (+)
- 3Q: Electronics revenue increase effect (+)
- 4Q: Increase in SG&A expenses due to headcount increase, etc. (-)

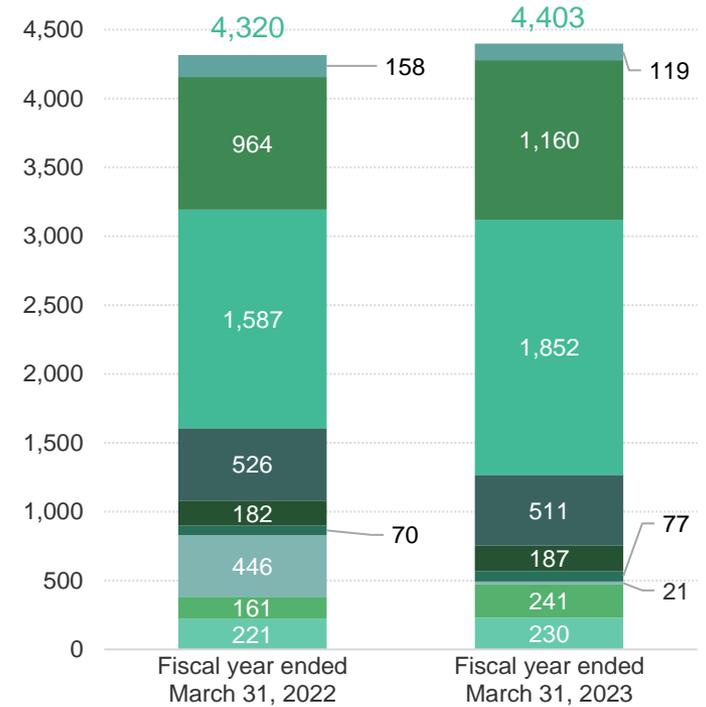
Devices Net Sales Breakdown

Electronics Net Sales



Consumers	349	633
Businesses	578	1,309
Industrial equipment	1,757	2,724
Amusement	230	497
Auto Vehicles	599	341
Modules	613	1,063
Distributor	292	364
Other	30	7

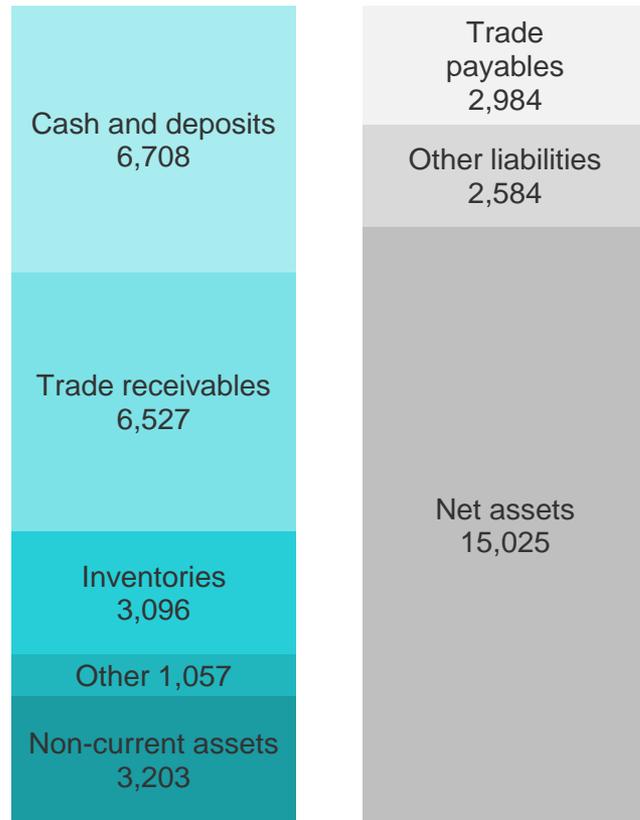
Mechatronics Net Sales



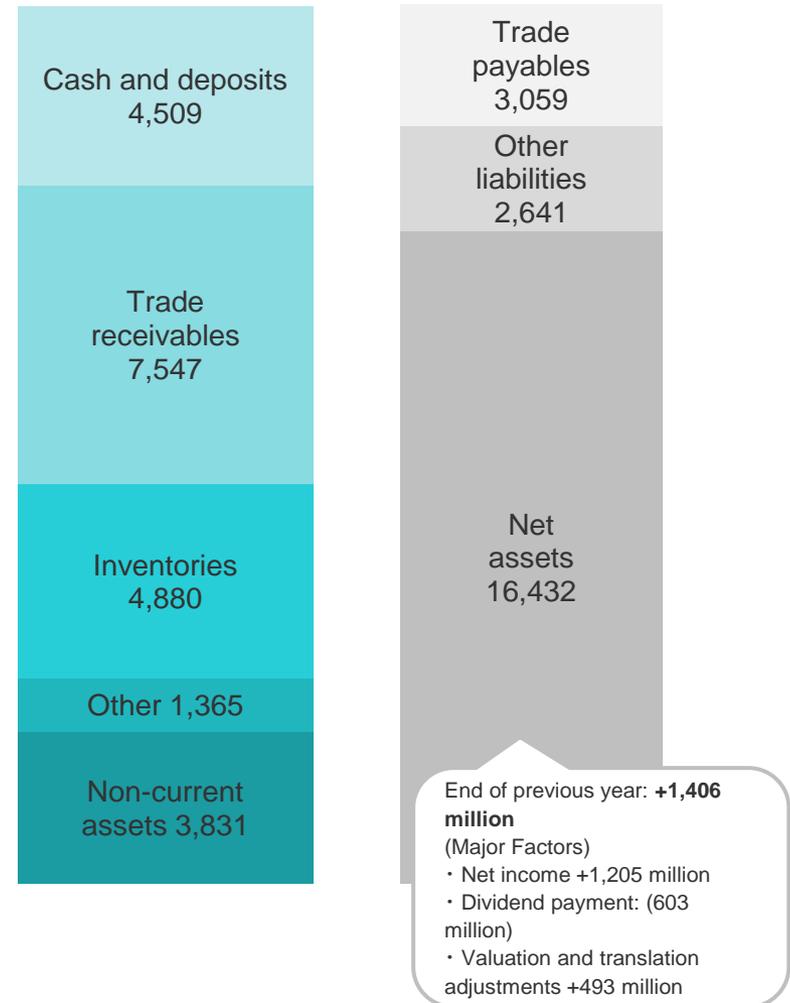
Digital	158	119
Living / Lifestyle	964	1,160
Labor Saving	1,587	1,852
Work and Education	526	511
Environment & Energy	182	187
Medical and Nursing Care	70	77
Traffic	446	21
Amusement	161	241
Broad Market	221	230

Consolidated Balance Sheet [Millions of yen]

As of March 31, 2022



As of March 31, 2023



Company Profile

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



Precautions Regarding this Document

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

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