

Fiscal year ended March 31, 2024

Financial Results

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

May 10, 2024



高千穂交易株式会社

TAKACHIHO KOHEKI CO.,LTD.

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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

[Millions of yen]

■ FY3/24 <Results>

- Sales and profits increased, driven by the Electronics business (Devices)
Operating profit and each level of profit reached their highest levels since the Company's listing
- ROE improved to **8.6%** (YoY +0.9pt)
- Annual dividends per share of **158 yen** (up 21 yen from the most recent forecast and 25 yen from the previous year)

■ FY3/25 <Plan>

- Plan of increased sales and profits mainly due to business growth in Cloud Services & Support
- Annual dividends per share is forecast at **160 yen** (+2 yen from the previous year)

	FY3/23 Results	FY3/24 Plan	FY3/24 Results	FY3/25 Plan
Net sales	23,360	24,800	25,224	26,900
Operating profit	1,376	1,620	1,465	2,050
Ordinary profit	1,588	1,600	1,835	2,000
Profit attributable to owners of the parent	1,205	1,249	1,437	1,490
ROE	7.7%	7.7%	8.6%	8.6%
Annual dividends per share	133 yen	137 yen	158 yen	160 yen

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Consolidated Financial Highlights

[Millions of yen]

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 8.6% due to the contribution of foreign exchange gains and gain on sale of cross-shareholdings

	FY3/23 Results	FY3/24 Plan	FY3/24 Results	Year-on-Year	Compared to plan
Net sales	23,360	24,800	25,224	+8.0%	+1.7%
Gross profit on sales	5,838	6,210	6,051	+3.7%	(2.6%)
Gross profit ratio (%)	25.0%	25.0%	24.0%	(1.0pt)	(1.0pt)
Selling, general and administrative expenses	4,461	4,590	4,585	+2.8%	(0.1%)
Operating profit	1,376	1,620	1,465	+6.5%	(9.5%)
Operating profit ratio (%)	5.9%	6.5%	5.8%	(0.1pt)	(0.7pt)
Foreign exchange gains	191	-	293	+53.8%	-
Ordinary profit	1,588	1,600	1,835	+15.6%	+14.7%
Ordinary profit ratio (%)	6.8%	6.5%	7.3%	+0.5pt	+0.8pt
Profit before tax	1,485	-	2,116	+42.5%	-
Profit attributable to owners of the parent	1,205	1,249	1,437	+19.3%	+15.1%
ROE	7.7%	7.7%	8.6%	+0.9pt	+0.9pt
EPS	134.69 yen	137.69 yen	158.46 yen	+23.77 yen	+20.77 yen

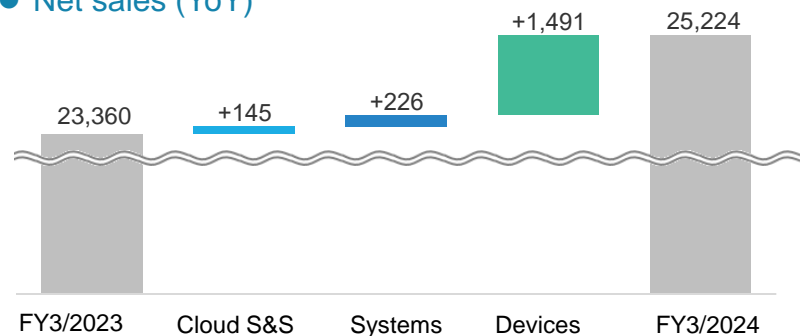
Results by Segment

[Millions of yen]

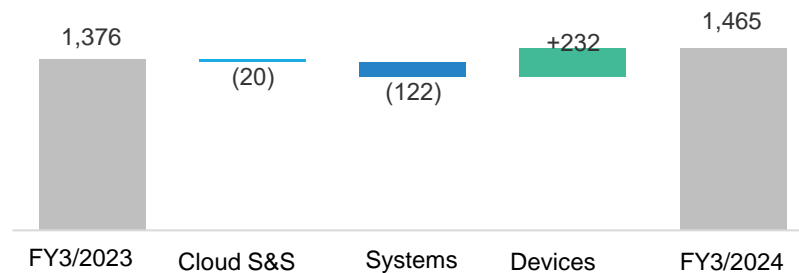
Fire protection systems business additional construction costs (one-time) will result in operating loss for the Systems segment, but sales and profits increased due to the strong performance of the Devices segment.

		FY3/23 Results	FY3/24 Results	Increase/ Decrease	Percentage change	FY3/24 Plan	Increase/ Decrease	Percentage change
Cloud Services & Support	Net sales	2,385	2,531	+145	+6.1%	2,800	(268)	(9.6%)
	Operating profit	506	486	(20)	(4.1%)	600	(113)	(19.0%)
	Operating profit ratio	21.2%	19.2%	(2.0pt)	-	21.4%	(2.2pt)	-
Systems	Net sales	9,630	9,857	+226	+2.4%	9,800	+57	+0.6%
	Operating profit	92	(29)	(122)	-	160	(189)	-
	Operating profit ratio	1.0%	(0.3%)	(1.3pt)	-	1.6%	(1.9pt)	-
Devices	Net sales	11,344	12,835	+1,491	+13.1%	12,200	+635	+5.2%
	Operating profit	776	1,008	+232	+29.9%	860	+148	+17.3%
	Operating profit ratio	6.8%	7.9%	+1.1pt	-	7.0%	+0.9pt	-
Consolidated total	Net sales	23,360	25,224	+1,863	+8.0%	24,800	+424	+1.7%
	Operating profit	1,376	1,465	+89	+6.5%	1,620	(154)	(9.5%)
	Operating profit ratio	5.9%	5.8%	(0.1pt)	-	6.5%	(0.7pt)	-

● Net sales (YoY)



● Operating profit (YoY)



Results by Segment (Cloud Services & Support)

[Millions of yen]

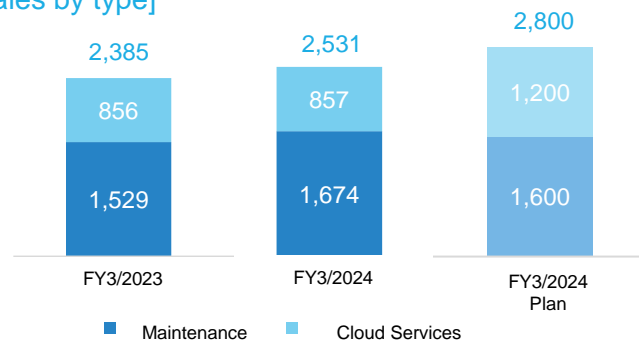
Net sales 2,531 million yen (+145 million yen)

Increased sales due to an increase in the number of maintenance contracts, price revisions, and an increase in licenses and strong sales of other Cloud Services

Operating profit 486 million yen ((20 million) yen)

Decreased profits due to increased procurement costs of maintenance parts due to exchange rate impacts (depreciating yen and strong Franc) and decrease in spot income from MSP service

[Net sales by type]

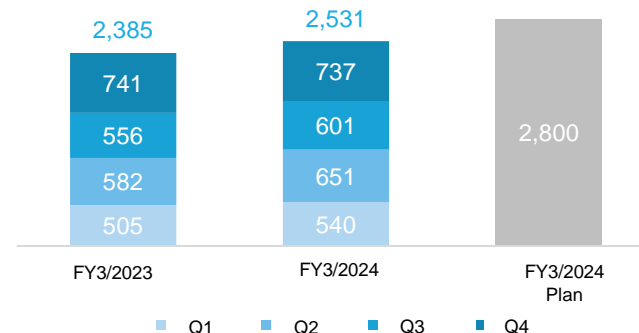


[Net sales change factors]

- **Maintenance business +144 million yen**
 - (+) Maintenance contracts increased from data centers and offices of foreign-affiliated companies
 - (+) Implemented some price revisions
- **Cloud Services business +1 million yen**
 - (+) Strong sales of other cloud services
 - (-) MSP service
 - ...Subscription revenue increased 79 million, although spot income decreased 163 million due to partner inventory adjustments

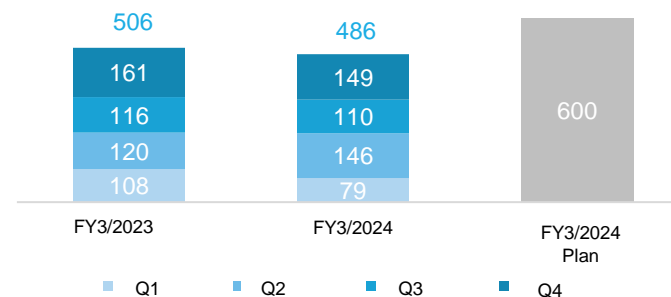
● Net sales

YoY +6.1%

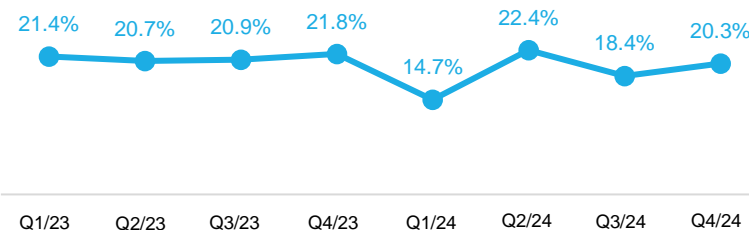


● Operating profit

YoY (4.1%)



● Operating profit ratio (by quarter)



MSP Services Contract Status

MSP Services KPIs

Number of contracts

As of March 31, 2024

18,305 licenses

Number of new contracts

April 2023 to March 2024

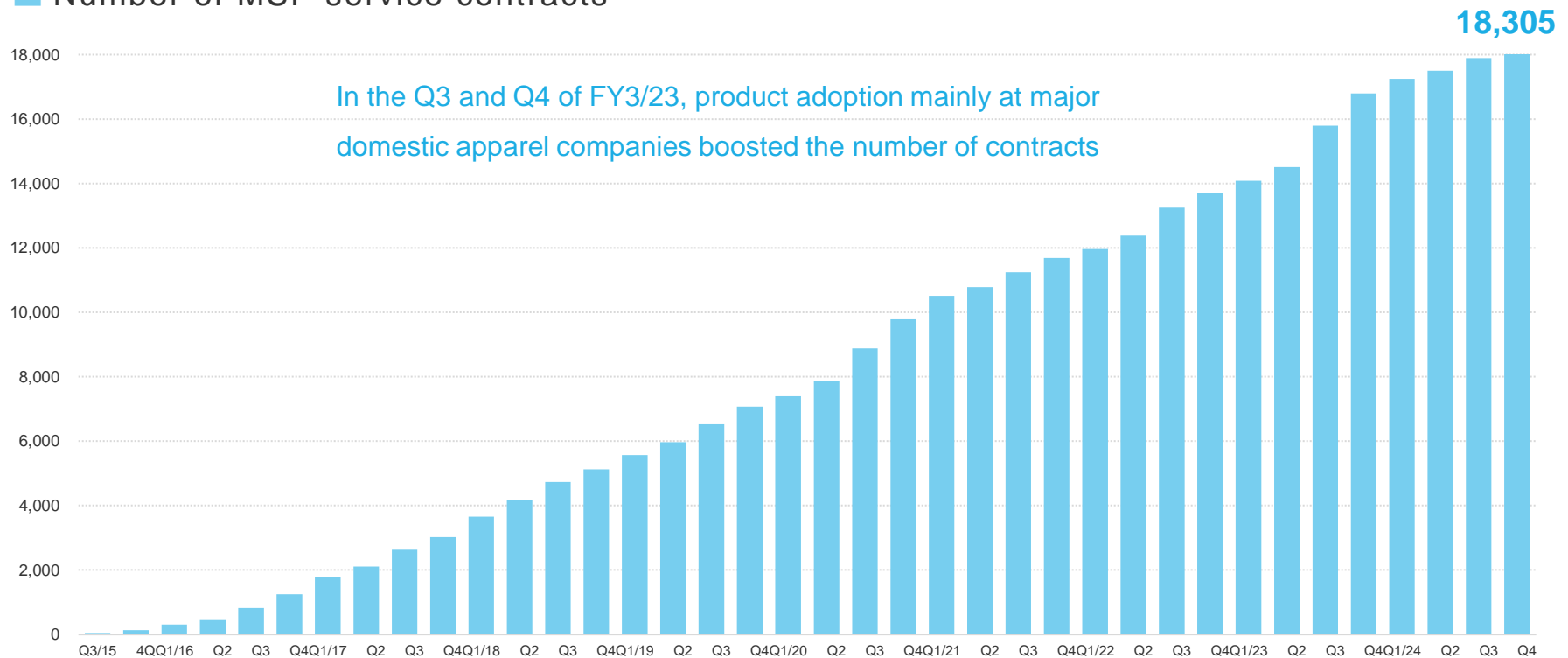
2,912 licenses

Monthly cancellation rate*

April 2023 to March 2024

0.48%

■ 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

Results by Segment (Systems)

[Millions of yen]

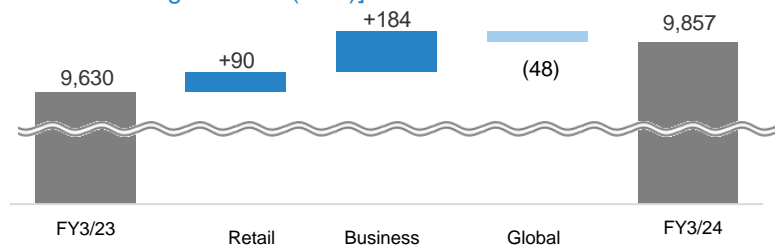
Net sales 9,857 million yen (+226 million yen)

Increased sales of Auto Mailing Insertion Systems (Business Solutions) and apparel stores (Retail Solutions)

Operating profit (29 million) yen ((122 million) yen)

Strong performance of Retail and Business, although approximately 0.2 billion yen was recorded as expenses with the occurrence of fire protection systems business additional construction costs (one-time)

[Net sales change factors (YoY)]



● **Retail Solutions +90 million yen**

- (+) Strong sales to apparel stores
 - ... Adoption of RFID used in merchandise management as a measure to solve staff shortages
 - ... Sales of security systems grew with the increase in new and renovated stores
- (+) Strong sales to drug stores

● **Business Solutions +184 million yen**

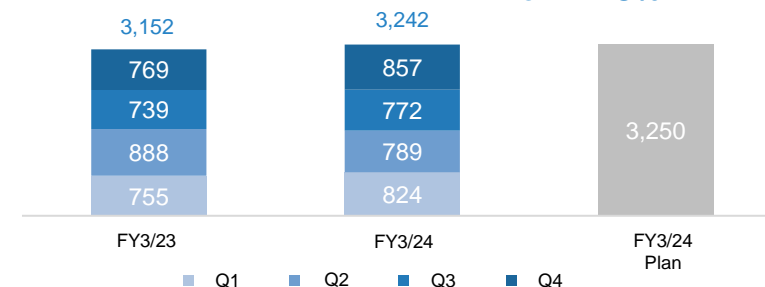
- (+) Increased sales of Auto Mailing Insertion Systems (envelope sealing machines)
- (+) Access control systems and surveillance cameras for offices of foreign-affiliated companies

● **Global (48 million) yen**

- (-) Decreased sales of fire protection systems with the delay in Thailand's power plant construction plans
- (+) Yen-translated earnings of overseas subsidiaries

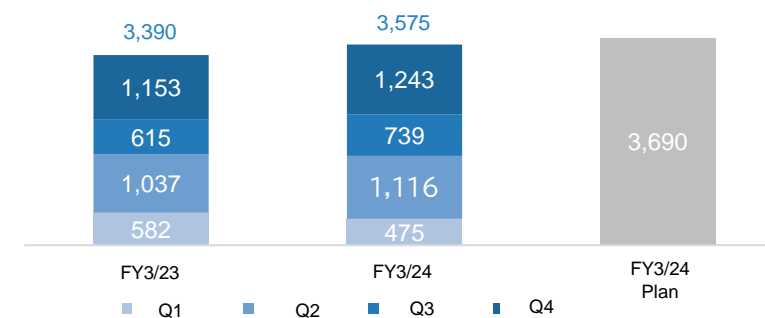
● **Retail Solutions**

YoY +2.9%



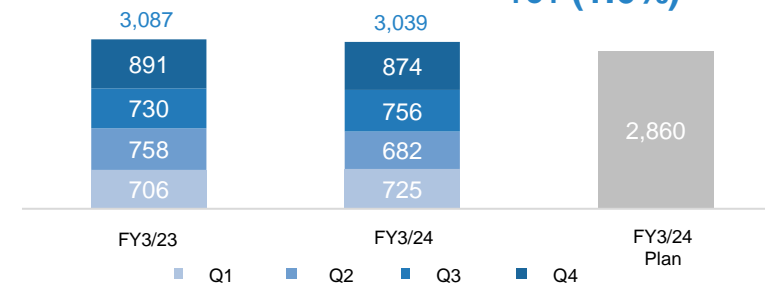
● **Business Solutions**

YoY +5.5%



● **Global**

YoY (1.6%)



Results by Segment (Devices)

[Millions of yen]

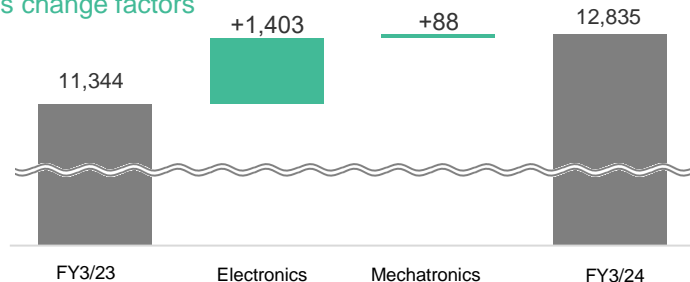
Net sales 12,835 million yen (+1,491 million yen)

Significantly increased sales in Electronics...delivery of backlog from the previous fiscal year, increased new adoption of consumer equipment, etc., and new distributor contracts

Operating profit 1,008 million yen (+232 million yen)

Increased the scale of sales due to increased sales in the Electronics business, and SG&A expenses restrained compared to increased sales

[Net sales change factors (YoY)]



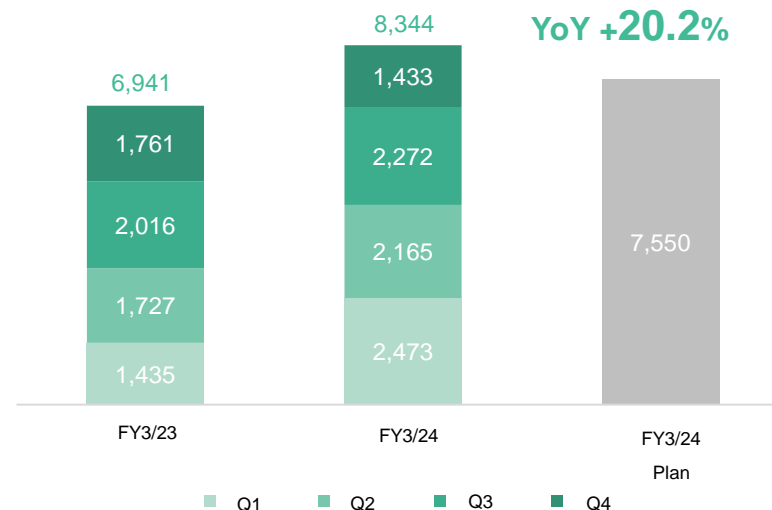
● Electronics +1,403 million yen

- (+) Progress in delivery of backlog from the previous fiscal year
- (+) New adoption increased due to product expansion, success of customer contact strategies, and acquisition of product distribution
 - ...Mainly consumer equipment, business equipment, automotive, and amusement
- (+) Significantly increased sales due to acquisition of a distributor contract with NTCJ (*)
- (-) Some customers adjusted inventory during Q4

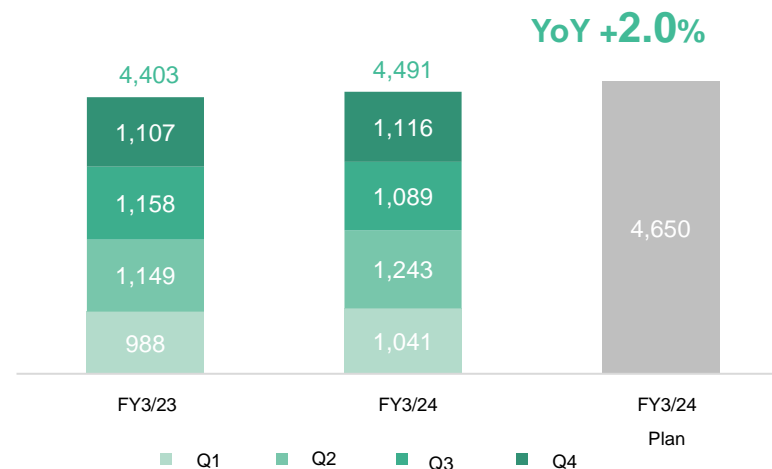
● Mechtronics +88 million yen

- (+) Mechanical components for cash equipment
 - ...Capturing demand for replacing equipment for new banknote printing (July 2024)
- (-) Soft-close components for U.S. housing equipment

● Electronics



● Mechtronics



(*) Nuvoton Technology Corporation Japan. Please refer to the July 26, 2021 [press release](#) (Japanese) for details.

Capital Efficiency Improvement Status

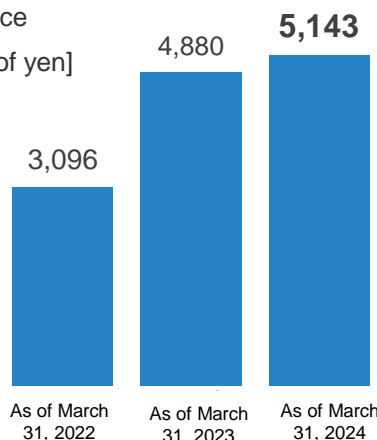
- Inventories・・・Increased due to impacts of inventory adjustment in the Semiconductor business, even though there were some results with reducing excess inventory
- Receivables and payables・・・Progress in improving cash flow by reviewing the transaction terms and proceeding with negotiations

Inventories

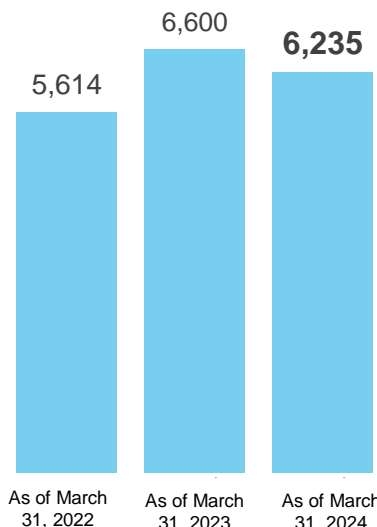
Number of days for turnover



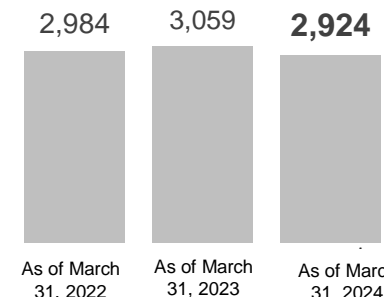
Balance
[Millions of yen]



Trade receivables



Trade payables



[Calculation Formula]

- Turnover of inventories = Inventories (average balance at beginning and end of period) / Cost of sales x number of days (365 days)
- Turnover of trade receivables = Trade receivables (average balance at beginning and end of period) / Net sales x number of days (365 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 (365 days)

Shareholder Returns

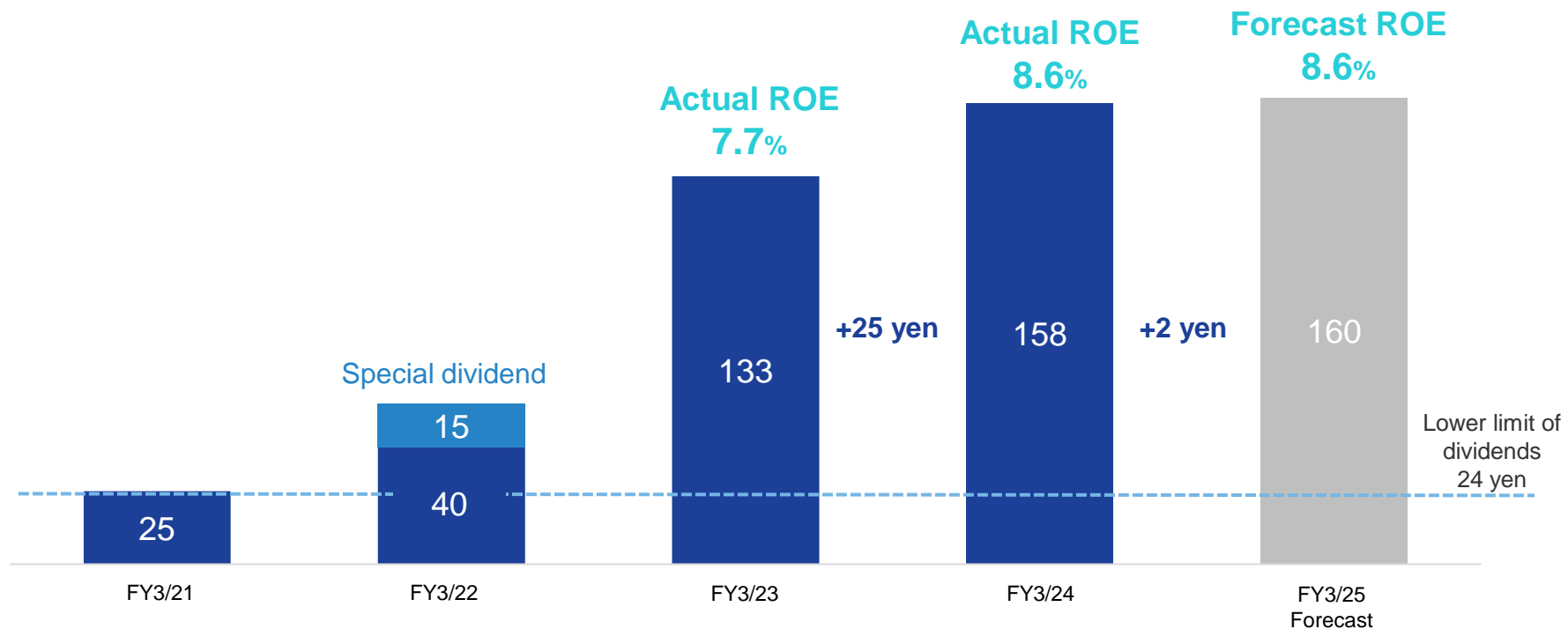
Annual dividends for the FY3/25 are planned to be **160 yen per share** (interim: 58 yen per share, year-end: 102 yen per share)

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

■ Annual dividends per share (yen)

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



(*) 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>

[Millions of yen]

Increased sales and profit is forecast by shaking off one-time expenses (Systems) in the previous fiscal year and growth, mainly in the Cloud Services & Support business

	FY3/24 Results	FY3/25 Plan	Increase	Year-on-Year
Net sales	25,224	26,900	+1,675	+6.6%
Gross profit on sales	6,051	6,900	+848	+14.0%
Gross profit ratio (%)	24.0%	25.7%	-	+1.7pt
Selling, general and administrative expenses	4,585	4,850	+264	+5.8%
Operating profit	1,465	2,050	+584	+39.9%
Operating profit ratio (%)	5.8%	7.6%	—	+1.8pt
Ordinary profit	1,835	2,000	+164	+8.9%
Ordinary profit ratio (%)	7.3%	7.4%	-	+0.1pt
Profit attributable to owners of the parent	1,437	1,490	+52	+3.6%
ROE (%)	8.6%	8.6%	-	-
EPS	158.46 yen	163.92 yen	+5.46 yen	-
Annual dividends per share (*)	158 yen	160 yen	+2 yen	-

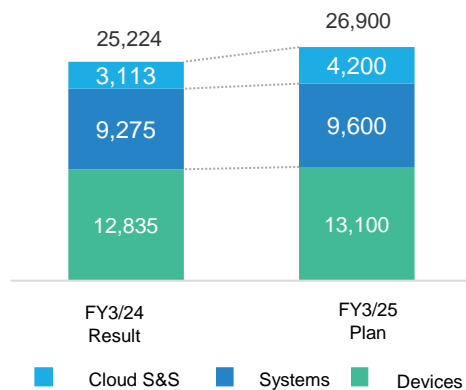
(*) Annual dividends per share: Calculated by dividing the full amount of net profit by the number of shares at the end of the period, in accordance with the 100% payout ratio policy (EPS is calculated by dividing net profit by the average number of shares outstanding during the period)

Net Sales and Operating Profit by Segment <Forecast>

[Millions of yen]

		FY3/24 Results (*)	FY3/25 Plan	FY3/25 Plan (after revision)	Increase/ Decrease	Percentage change
Cloud Services & Support	Net sales	3,113	4,000	4,200	+1,086	+34.9%
	Operating profit	529	900	730	+200	+37.9%
	Operating profit ratio	17.0%	22.5%	17.4%	+0.4pt	-
Systems	Net sales	9,275	9,600	9,600	+324	+3.5%
	Operating profit	(72)	270	380	+452	-
	Operating profit ratio	(0.8%)	2.8%	4.0%	+4.8pt	-
Devices	Net sales	12,835	12,400	13,100	+264	+2.1%
	Operating profit	1,008	880	940	(68)	(6.8%)
	Operating profit ratio	7.9%	7.1%	7.2%	(0.7pt)	-
Consolidated total	Net sales	25,224	26,000	26,900	+1,675	+6.6%
	Operating profit	1,465	2,050	2,050	+584	+39.9%
	Operating profit ratio	5.8%	7.9%	7.6%	+1.8pt	-

● Net sales by segment



● Points of revision of segment forecast

1. Partial revision of classification category of "Cloud Services & Support"

Results of "cloud-based network products" have been recategorized from Systems (Business Solutions and Retail Solutions) to Cloud Services & Support

(*) Reclassified 582 million yen in FY3/24 results

(Cloud Services & Support +582 million yen, and Systems (582 million) yen)

➡ Please refer to P.17 for details

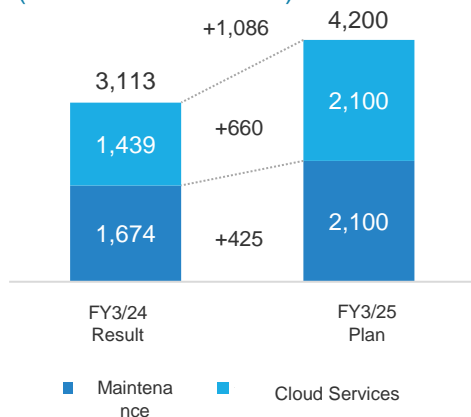
2. Revised numerical targets in line with the latest conditions of each segment

(There will be no changes to the operating profit total)

Cloud Services & Support Net Sales <Plan>

[Millions of yen]

Cloud Services & Support net sales (after reclassification)



Details of the reasons for recategorizing segments



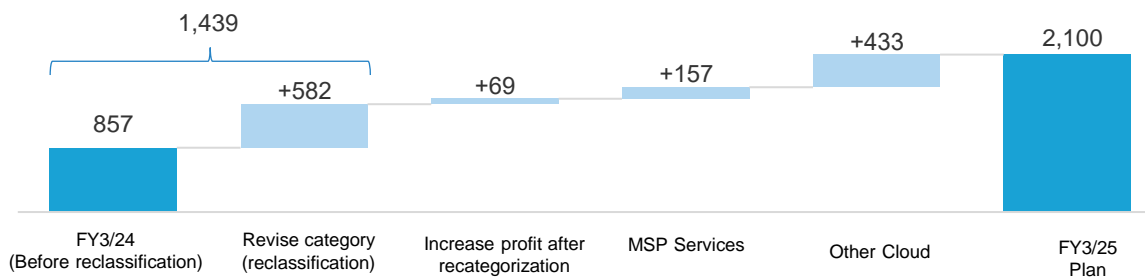
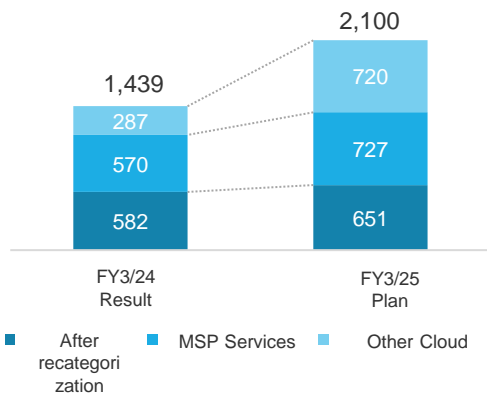
Cloud-based wireless LAN

Recategorized: **Cloud-based network products**

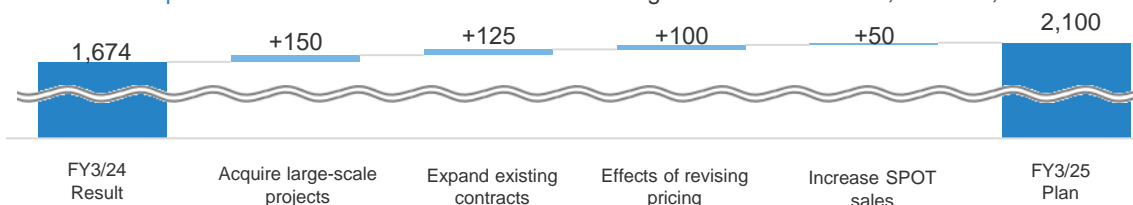
- Differentiate with MSP services (provision through integrated subscriptions of equipment, licenses, and maintenance), which were recorded in the Systems segment
- On the other hand, classification methods are complicated as a cloud product, license sales are recording during the period, the same as other cloud products

- ➔ By uniformly recording cloud services in “Cloud Services & Support,” accelerate business growth by conveying growing the Cloud Services business as company policy internally in an easy to understand manner
- ➔ The forecast operating profit ratio was revised to 17.4% as the sales composition ratio of MSP services will relatively decrease

[Cloud Services net sales breakdown]



- **MSP Services**... Strengthen distributor measures and grow number of licenses targeting large companies
- **Other Cloud Services**... Increase cross-sales with the platform “Cloom” as a starting point, and increase new products
- **Network products on the cloud**... Increase sales through relocation of offices, factories, etc.



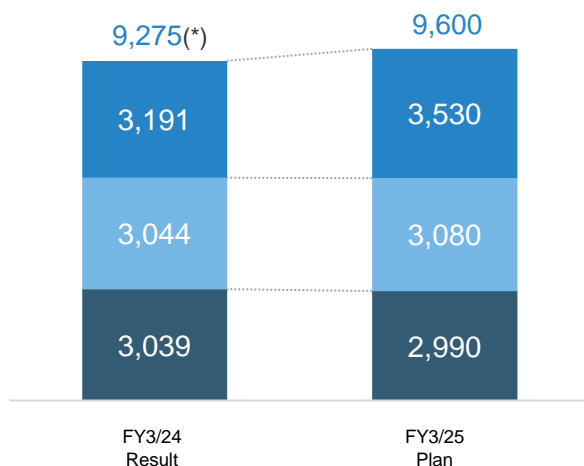
[Maintenance net sales change factors]

- (+) Acquired large-scale maintenance contracts
- (+) Expansion due to increasing locations of existing contracts, etc.
- (+) Effects of revising existing contracts and SPOT pricing

Systems and Devices Net Sales <Plan>

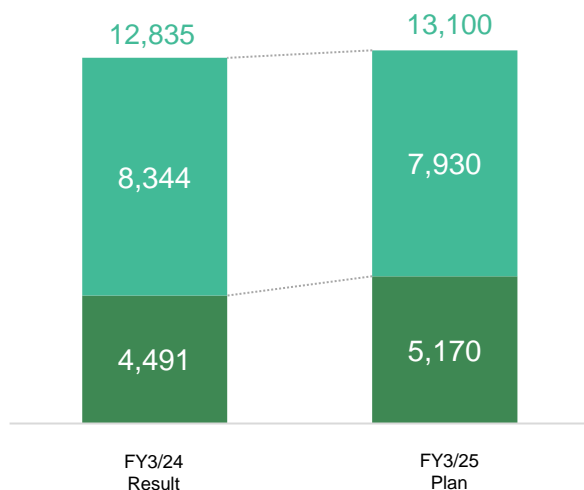
[Millions of yen]

● Systems Net Sales



Sub-segment	Increase/Decrease	Main factors
Retail Solutions(*)	+338	(+) Security systems for GMS ...Increased sales to replace facial recognition and surveillance cameras, etc. (-) For apparel... Reactionary fall to large projects in the previous year.
Business Solutions (*)	+35	(+) Access control systems and surveillance cameras for offices of foreign-affiliated companies ...Increased sales due to strengthening bases, relocations, etc. (+) Access control systems for domestic factories
Global	(49)	(-) Decreased sales due to focusing on projects with high profitability (-) Forecast of decreased yen-translated earnings

● Devices Net Sales



Sub-segment	Increase/Decrease	Main factors
Electronics	(414)	(-) Affected by production adjustments of customers (+) Consumer equipment ...Increased production of products newly adopted in the previous fiscal year
Mechatronics	+678	(+) Mechanical components for cash equipment ...Demand for replacing equipment for new banknote printing from July 2024 (+) Mechanical components for housing equipment ...Increased adoption of planning and development products for the U.S.

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

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 FY3/25.
- 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*

Review of the Current Medium-Term Management Plan and Direction of the Next Medium-Term Management Plan

1. Review of the current Medium-Term Management Plan to the Second Year

- Achieved conformance with the “Criteria for Maintaining Prime Market Listing” at the end of March 2023, the basis when formulating the Medium-Term Management Plan
- Improve return on invested capital・・・Forecast to achieve the “ROE for three years exceeds 8% average” target in FY3/25
- △ Delayed results of new businesses and M&A
- △ Progress of strategies per business vary by segment・・・Devices is progressing, and Cloud Services & Support is behind

2. Important issues to be addressed in FY2024

- M&A using the strategic investment framework
- Launch new businesses such as cyber-security [➡ See P.26 for details](#)
- Recover Cloud Services & Support and achieve the numerical targets in the final year [➡ See P.17, P.24 for details](#)
- Review allotment of resources, including overseas affiliates

3. Direction of the next Medium-Term Management Plan

Accelerate growth towards 2030 through expanding the scale of businesses through M&A and growth in the service business, both drivers for improved profitability

Business



- Growth of service business
- Increase added value of Systems and Devices
- Accelerate business growth through M&A

Capital policies

Aim to **maintain and increase dividends per share** through growth in profit (policy to not significantly decrease dividends)

Management base

Strengthen HR development and investment to realize business growth



Progress of the Loyal Customer Strategy

■ Loyal Customer Strategy

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

The strategy aims to create satisfied customers by providing added value and seeks to strengthen relationships.

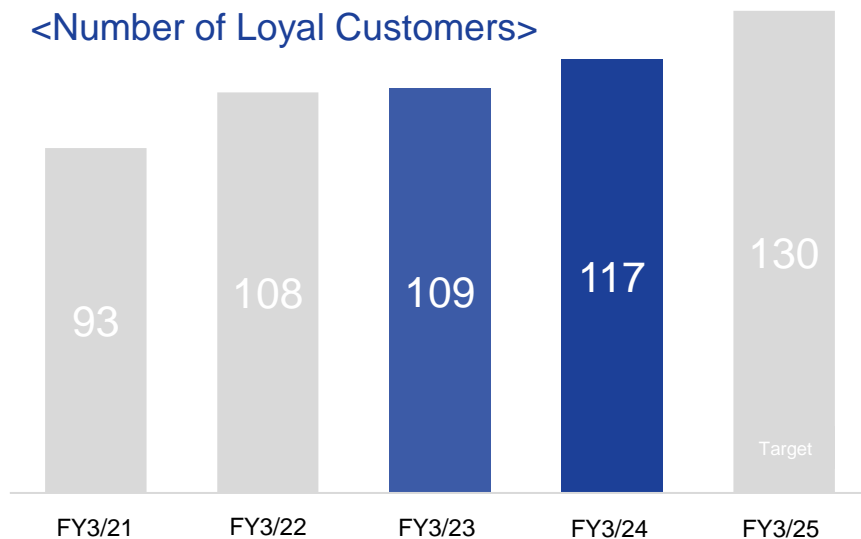
Numerical target (1)
Loyal customers:
Over **130**
Companies

Numerical target (2)
Average net sales to
all customers
up **20%**

<Average annual net sales of all customers>



<Number of Loyal Customers>



Second year of the Medium-Term Management Plan (FY3/24)

Loyal Customers: 117 companies (+8 companies YoY)

Average net sales of all customers: up 28%
(compared to FY3/22)

➔ **Achieved the target one year early for** average net sales of all customers

Revised target for FY3/25 to **14 million**

● Review of FY3/24

Although average net sales of all customers steadily increased, the number of Loyal Customers failed to increase as expected

- ➔ The main factors were starting adoption of the Company's products were slower than scheduled in Mechatronics, some customers' investment were pushed back to the next fiscal year in Systems, etc.
(Increase of 6 customers with net sales of 20 million yen or more and less than 30 million yen)

● Forecast for FY3/25

13 more companies until the target of 130 Loyal Customers is reached

- ➔ Increase through acquiring large-scale maintenance projects and strengthening combined proposals to Systems customers, and meet the needs of Loyal Customers with proposals of unique products in Devices

Unique Solutions in the Devices Segment

In the Devices segment, strengthen unique solution proposals aiming to increase Loyal Customers and improve profitability

● Planning and development products in Mechatronics

・・・In Mechatronics, promote a strategy to plan and develop products that meet the needs of customers and increase added value

Obtained a patent



Soft down stay

- Metal fitting the allows the bottom-swinging door of a TV cabinet, etc. to open slowly and hold it horizontally
- Advantages include the ability to shorten the furniture manufacturing process through telescoping specifications and the stylish design of metal fittings covered in resin
- Expect sales to increase with the horizontal expansion into housing equipment (TV cabinets and kitchens)



Spiral shaft
(linear component)

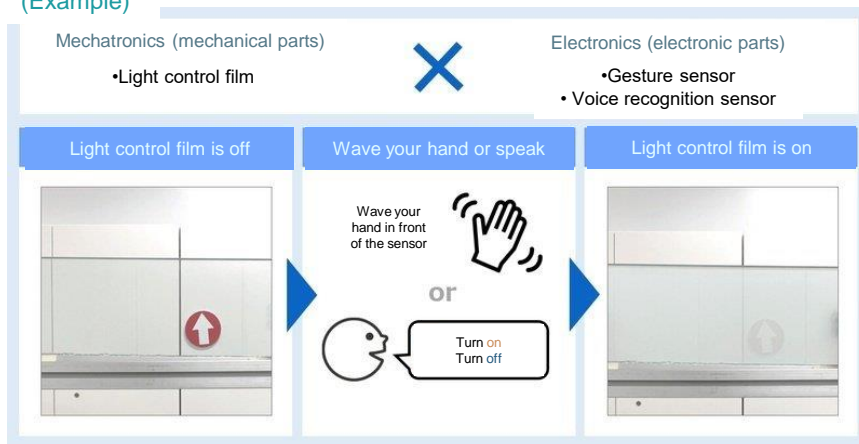
- The resin part at the end can be processed according to customer specifications
- Expect sales to increase with the adoption in smart gaming machines

● Unique solutions in Devices

Electronics

Mechanics

(Example)



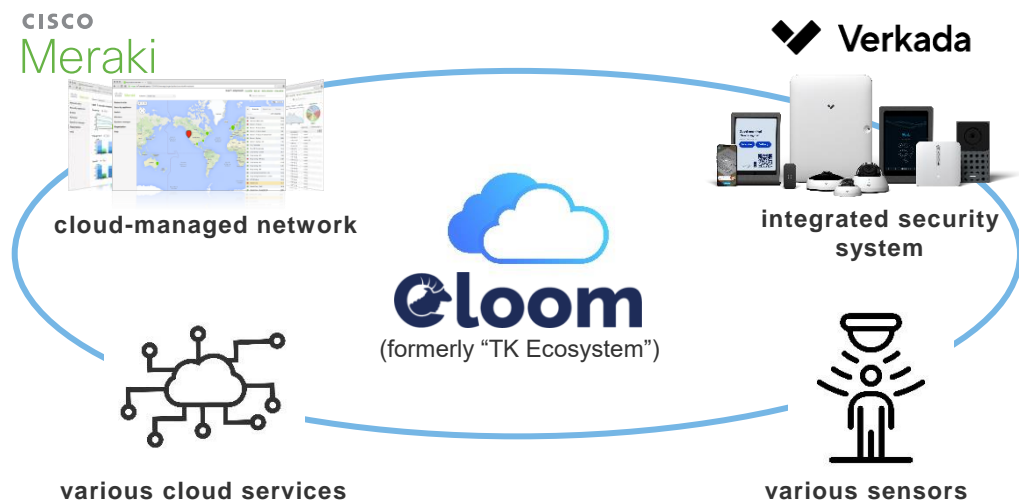
- The Company's unique solution that combines electronics (electronic parts) and mechatronics (mechanical parts) (*)
- Full-scale activities with making "device innovation project" a project from the start of the Medium-Term Management Plan
- Sales and technical members across business divisions plan, develop, and propose solutions to solve issues facing Loyal Customers

➡ Aim to be a pillar of profitability in the Devices segment

(*) Please see the [note](#) (Japanese) for a detailed explanation of Solutions

“Growth of Service Businesses” ~Initiatives of the Cloud Services Business~

1. Expand Cloud Services business with the Company’s unique platform “Cloom” as a starting point



- “Cloom,” based on the concept of realizing a smart office, offers proposals to customers who use one or more of applicable equipment
- Continuing additional development to meet the needs of customers, and Ver 2.0, updated in April, added support for various sensors, etc. from Cisco
- Aim to expand Cloud Services business by strengthening **combined proposals** of cloud products through increasing products that can interface with Cloom in the future

2. Growth in Cloud Services for retailers

➡Expand stock income by strengthening sales of Cloud Services that can manage and analyze data collected from various equipment



AI vending machine that can be manage operations through the cloud

Launched a freezer version in March
Demand for unmanned store operations is high, and inquiries are increasing



Store analysis tool using a counter for store entrances

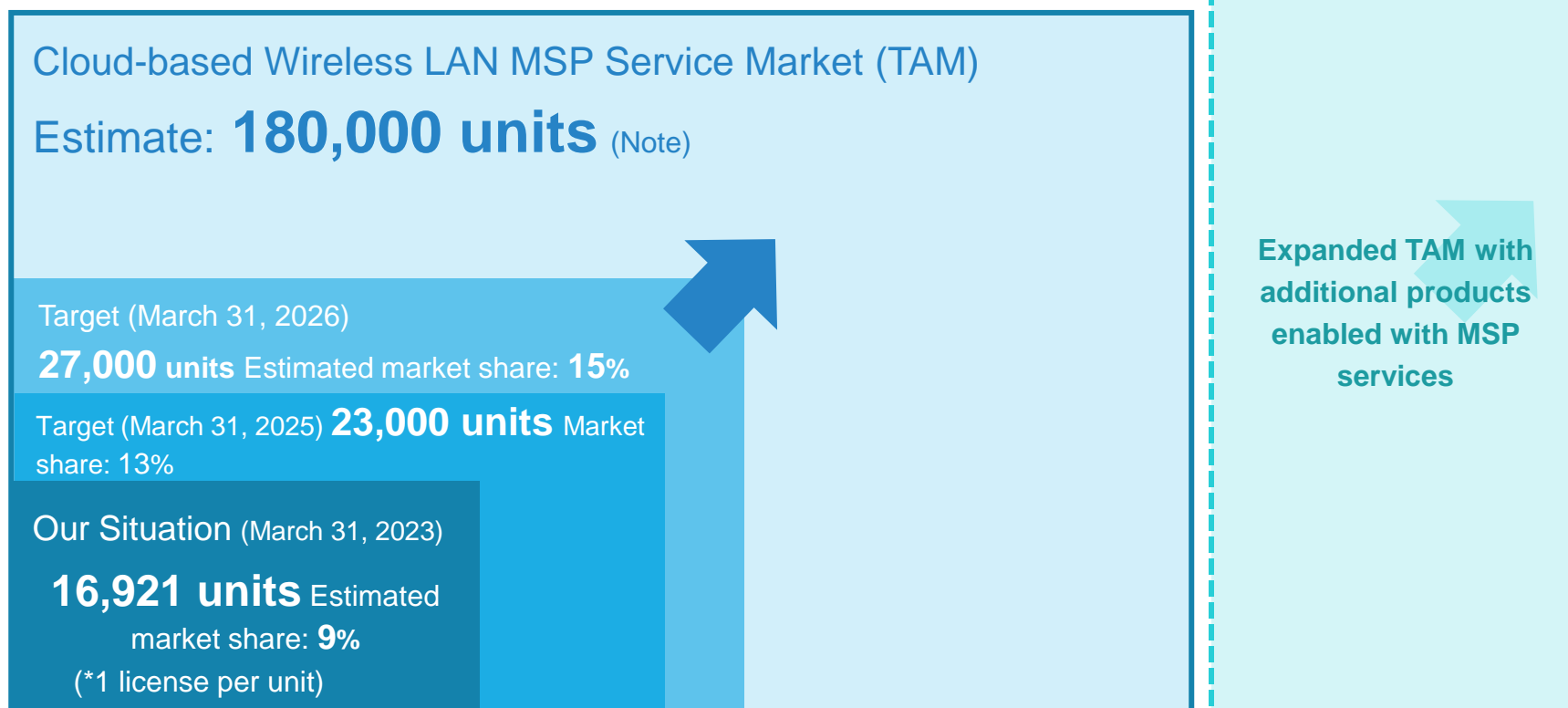


RFID data management platform

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-Fi 6. **Demand for outsourcing due to labor saving measures is also strong, and the MSP service market is expanding.**
- Considering the delay in setting up new partners, the target for number of licenses was revised to **23,000** by March 31, 2025.
- Aim to achieve the original target of **27,000** units for the final year of the Medium-Term Management Plan by March 31, 2026.

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 “Creation of Future Core Businesses”

1. Status of launching new businesses and business model

Cyber-security

▶ Launched OT Security business

- **Cyber-security measures for the manufacturing industry**, where risks of cyber attacks are increasing due to factory automation, etc.
- **Business partnerships** with Terilogy, which has a track record of many adoptions, as a sales distributor for Nozomi Networks USA, a market leader in the OT/IoT security market
- Started proposals to Loyal Customers in the manufacturing industry

*OT (Operational Technology)

Control and operation technology for optimized use of physical systems and equipment used in factories, etc.



Cloud-based crime-prevention information service “EMLINX”

- Additional development of functionality that have been necessary from before (changes in the scope of information disclosure, etc.) and Ver 2.0 released in April 2024.
- Strengthen combined proposals of theft-prevention systems and surveillance cameras for retailers, with a target of **10,000 store adoptions** by FY3/27.

Cloud-based video system

- Market growing and projects increasing for cloud-based video system that can perform image confirmation and AI image analysis in the cloud
- Mainly strengthen sales to existing customers in the future, capture replacement demand from on-premises systems

2. Status of use of 3.0 billion yen of strategic investment framework

Use approximately 0.8 billion yen by FY3/24

<Breakdown>

Purpose	Amount
Launch new businesses (fund investment)	0.35 billion yen
Strengthen internal base (IT investments, etc.)	0.25 billion yen
Develop new services and new products	0.2 billion yen

3. Status of M&A and alliances

- 1 alliance in the H1 FY3/25 (Terilogy, announced on May 9, 2024)
- Continue activities through the task force aiming for M&A and alliances that will contribute to the medium- to long-term results this fiscal year



Strengthen HR Development and Investment

Medium-Term Management Plan 2022-2024

Profit Structure Reform

- (1) Transition from “product sales” to “service sales”
- (2) Strengthen business portfolio
- (3) Improve operational efficiency through DX



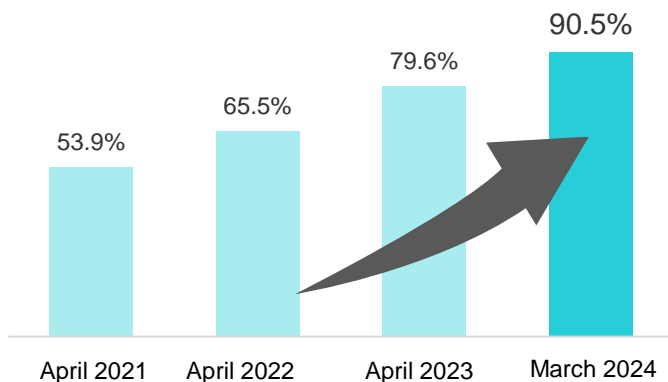
Direction of Human Resource Strategy



- ✓ Acquire the skills necessary for “service sales”
- ✓ Develop human resources to achieve agile staffing and business efficiency through DX
- ✓ Improving the internal environment to increase engagement

Human capital management initiatives

■ Membership rate in Employee Stock Ownership Plan



- Membership rate increased to **90.5%** due to incentive increasing to 50%, etc.
- Aim to further increase awareness of management participation towards the final year of the Medium-Term Management Plan by strengthening internal IR in the future

■ Increase in average annual income

FY2023 **up 6%** YoY, FY2024 expected to be **up 3%** YoY

*The policy is not to increase the amount uniformly, but based on one's duties, abilities, and results

[Main factors for the increase (FY2024)]

- Revised personnel system
 - (1) Made classifications of levels more minute in order to **increase opportunities for promotions and raises**
 - (2) Established new levels to make it easier for **young people to be appointed to management positions**
- Expand employee benefits: introduced cafeteria plans, and increased amount of housing allowance

■ Hiring

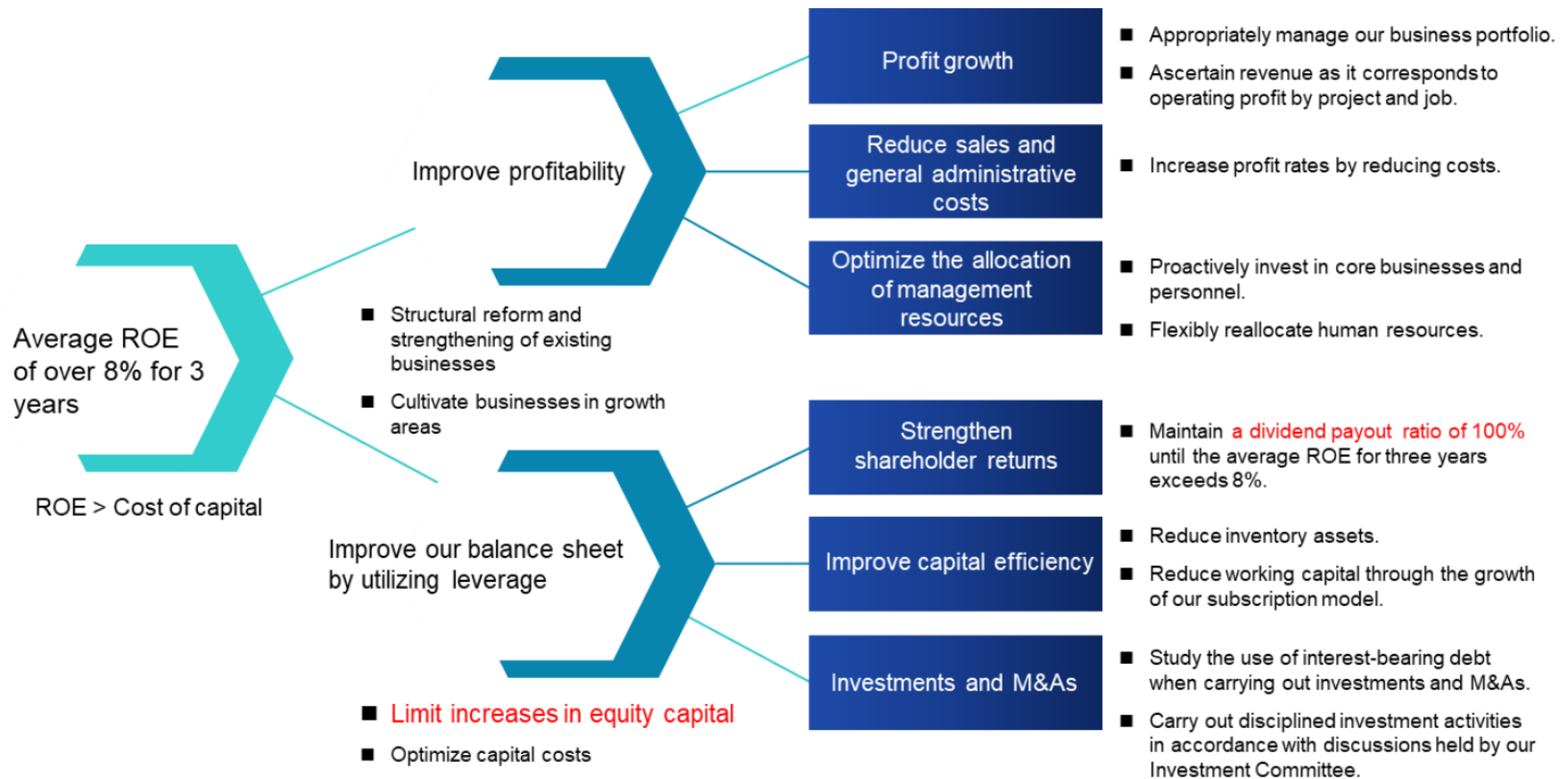
- Aiming to raise hiring competitiveness, raised the initial salary for new graduates in 2025 (those with four-year degrees and regular positions) **300,000 yen**
- **47%** (from FY2022) of mid-career hires joined the company as referral hires

Table of Contents

1. Executive Summary
2. Financial Results for the Fiscal Year Ended March 31, 2024
3. Forecast for the Fiscal Year Ending March 31, 2025
4. Progress of the Medium-Term Management Plan 2022-2024
5. Appendix

Measures to realize management with an awareness of capital costs and stock prices (1)

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)



Measures to realize management with an awareness of capital costs and stock prices (2)

1. Capital costs

- Calculated using [CAPM](#), and cost of capital uses [cost of shareholders' equity](#) since there is no interest-bearing debt as of March 31, 2024
- Recognize that the Company's cost of shareholder's equity is approximately 7% at this time
- (In the future) Grasp capital costs demanded from investors through conducting hearings with institutional investors and analysts during interviews

Risk free rate Set the 10-year government bond interest rate as the base	+	Beta (β) Using 2-year weekly β	×	Risk premium 6% to 7%	=	Cost of shareholder's equity
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2. Return on invested capital (ROE)

- Set the average ROE for three years to exceed 8% as the target for the Medium-Term Management Plan 2022-2024, [and adopt ROE as a KPI for compensation for officers](#)
- ROE for FY3/23 improved to 7.7%, and 8.6% for FY3/24, due to [profit growth](#) and [stronger shareholder returns](#)
- (In the future) Aim to achieve the forecasted targets of 8.6% ROE in FY3/25 and average ROE for three years to exceed 8% through profit growth

3. Market evaluation

- In addition to improved ROE, approximately double PBR by promoting understanding of the Company's strategy through the Medium-Term Management Plan
- [Set internal targets using average PBR and PER of the information and communications industry as a reference](#) as we are in the midst of a strategy to grow the service business
- (In the future) Expand explanations of growth businesses and aim to increase market evaluation based on expected growth potential

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023	As of March 31, 2024
Stock price	1,125 yen	1,483 yen	2,473 yen	3,800 yen
ROE	4.0%	6.0%	7.7%	8.6%
PBR	0.71x	0.88x	1.37x	2.05x
PER	18.27x	15.04x	18.36x	23.98x

Status of Dialogue with Shareholders and Investors

● FY2023 (April 2023 to March 2024) Results

Type	Count	Main responder
Financial results briefing	2	President, General Manager of Management Planning Department, and General Manager of Administrative Department
Small meeting	2	President, General Manager of Management Planning Department, and General Manager of Administrative Department
Financial results briefing for individual investors	2	President and General Manager of Management Planning Department
IR talks with institutional investors and analysts	42	General Manager of Management Planning Department
General Meeting of Shareholders	1	Directors including President, Audit & Supervisory Board Members, and Corporate Officers

● Overview of IR talks with investors

- Wide variety of investment styles with domestic and foreign institutional investors
- Areas of responsibility include analysts, fund managers, and portfolio managers

● Main points of discussion in IR talks

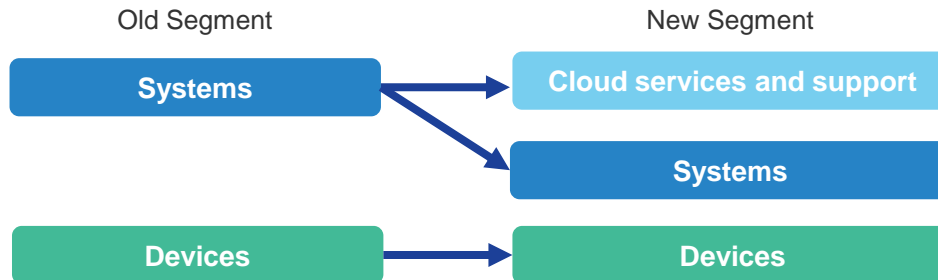
- Strengths of the Company's business model
- Progress of the Mid-term Management Plan strategy
- Direction of shareholder returns after achieving ROE target ➡ Disclosed on P.21 of this document
- Human capital management initiatives
- Expand and improve disclosure ➡ Continue to improve Financial Results and Fact Book

● Status of feedback to management

- Each time: Report details of IR talks in the minutes
- Once a quarter: Report opinions and interests of investors
- Once a year: Report to the Board of Directors

Segments and Main Products/Services

■ Segment System



From the period of the Medium-Term Management Plan (FY3/23), 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 & Support



Cloud-based wireless LAN

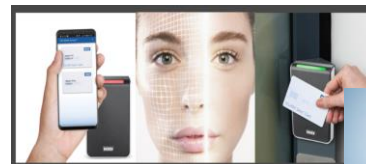
Cloud Services

- MSP and other services that integrate “equipment, cloud services, and operations management”

Maintenance

- Maintenance services for products in the Systems segment

Systems



Access control systems



Facial recognition systems

Retail

- The electronic article surveillance system
- Surveillance camera systems, facial recognition systems
- Store management systems · RFID systems
- Display products security systems

Business

- Access control systems, surveillance camera systems
- Auto Mailing Insertion Systems
- RFID systems · Network systems

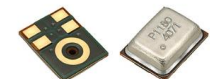
Global

- Fire protection systems

Devices



Power modules



Silicon microphones



Soft-close units

Electronics

- Semiconductors, ICs, electronic components, sensors
- Various types of modules

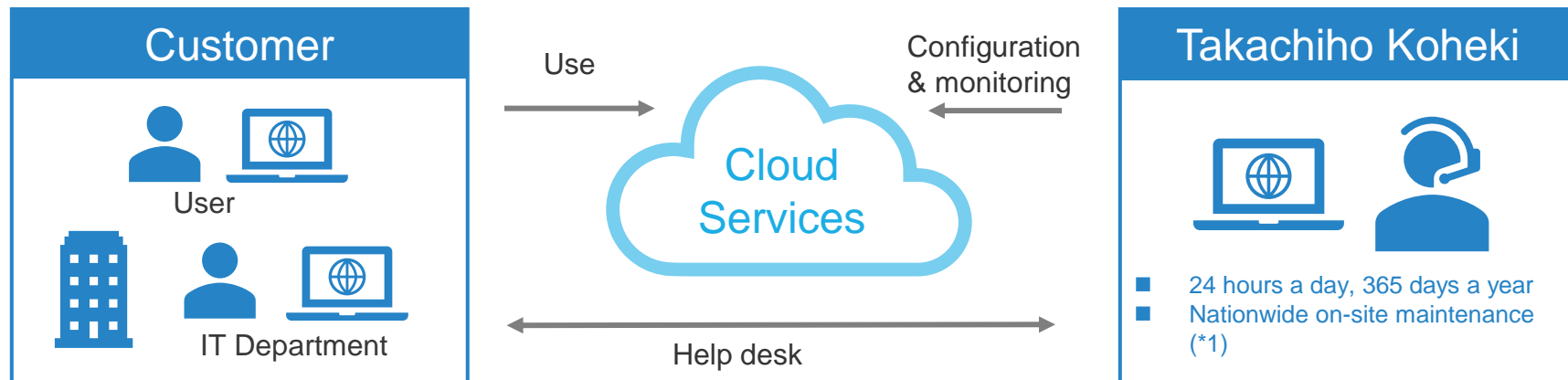
Mechatronics

- Slide rails, gas springs
- Soft-close units, electronic locks

Overview of MSP Services

What are MSP (Managed Service Provider) Services?

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



MSP Service Products

CISCO
Meraki



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

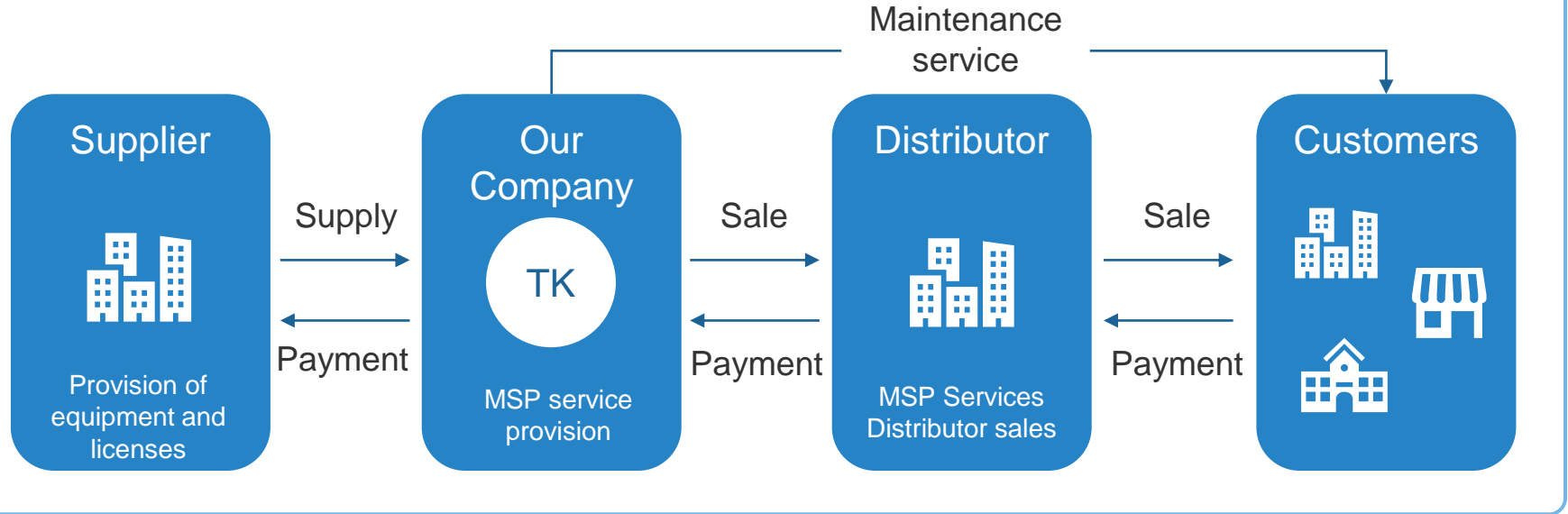
(1) to (3) are provided as an integrated service on a monthly payment basis (*2)

- (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)

MSP Services Business Model



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



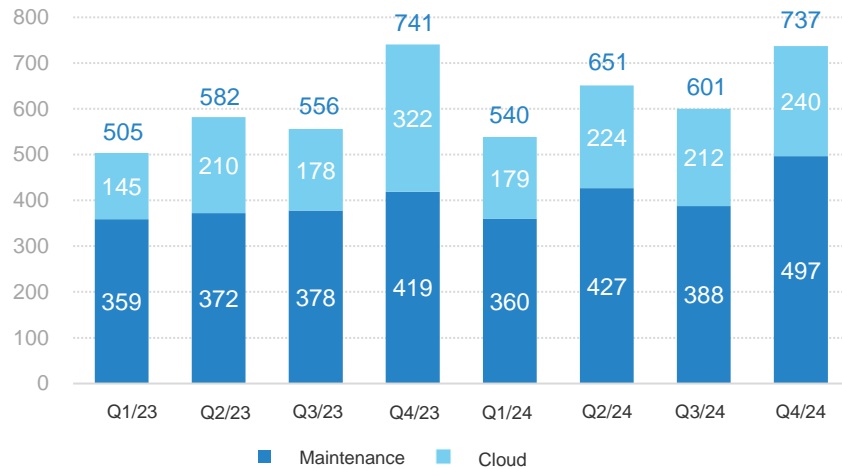
Also used in **factories, nursing homes, hospitals, schools**, and many other locations.



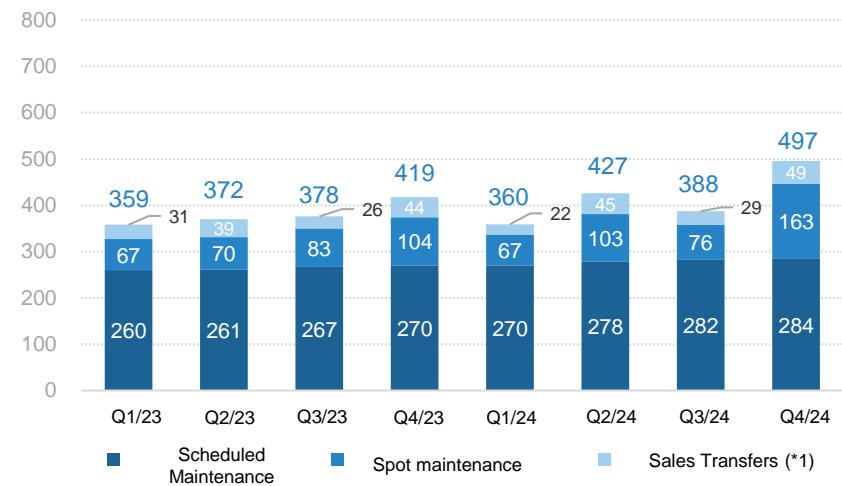
Quarterly Net Sales Breakdown (Cloud Services & Support)

[Millions of yen]

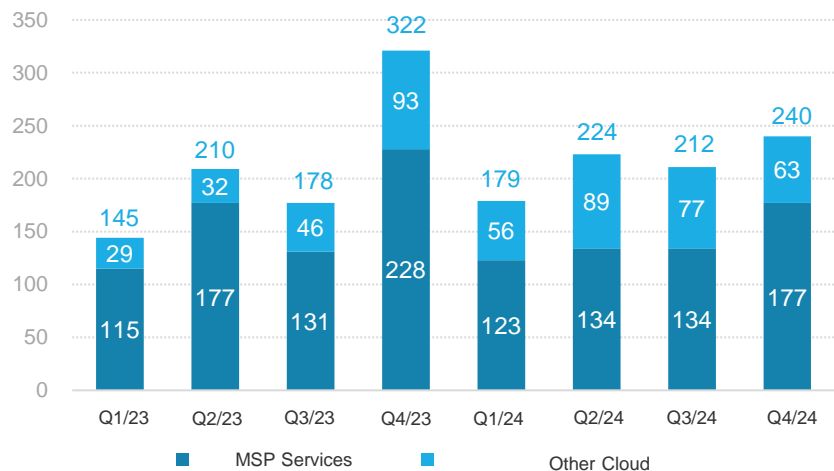
1 Cloud Services & Support Net Sales Breakdown



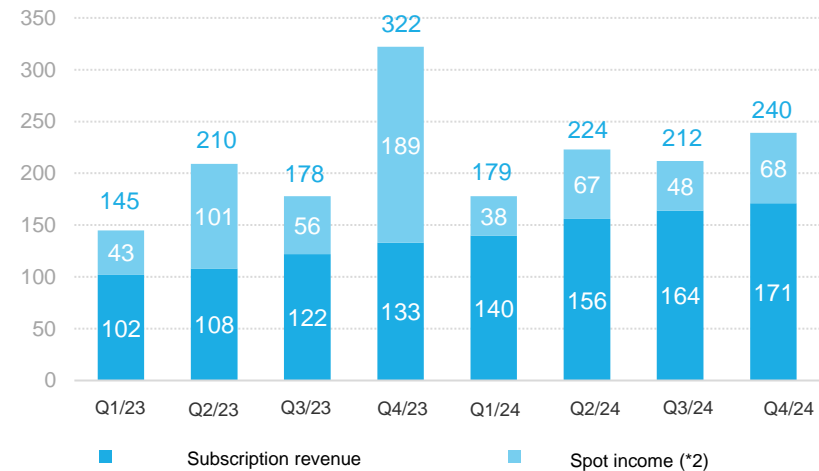
2 Maintenance Net Sales Breakdown (by type)



3 Cloud Services Net Sales Breakdown (by service)



4 Cloud Services Net Sales Breakdown (by type)

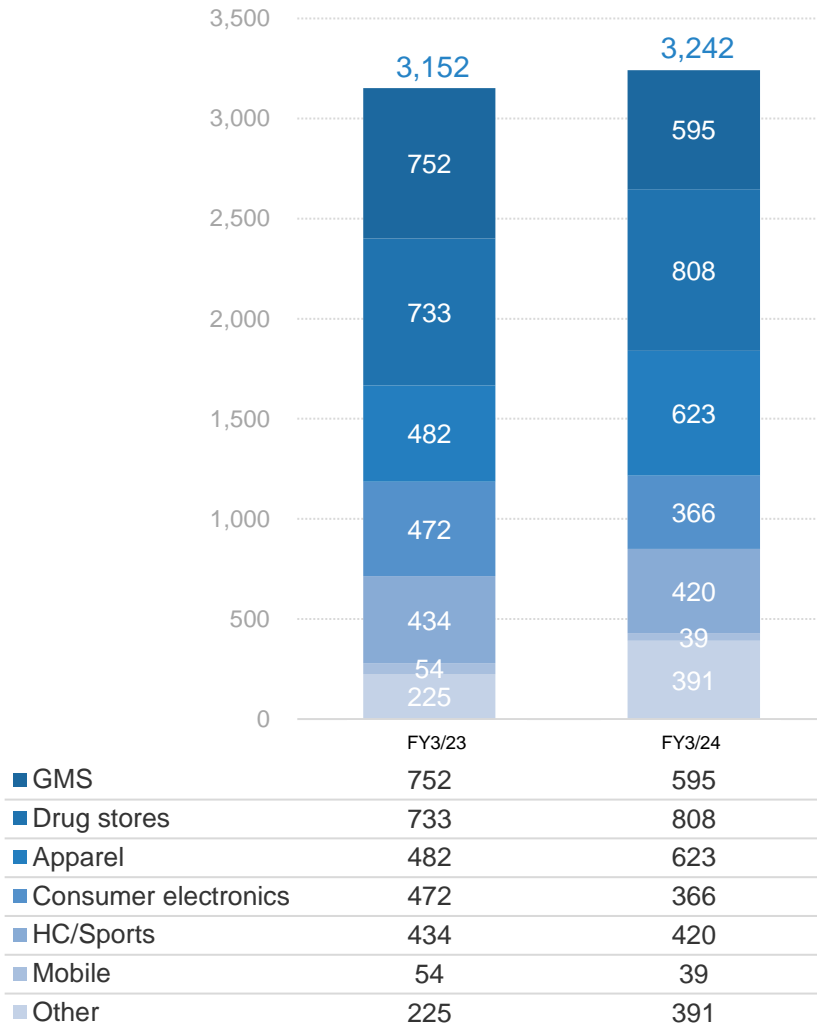


(*1) Concerning the maintenance provided free of charge in the first year after the sales of products in the Systems segment, an amount equivalent to the cost of the maintenance is transferred to Cloud Services & Support sales

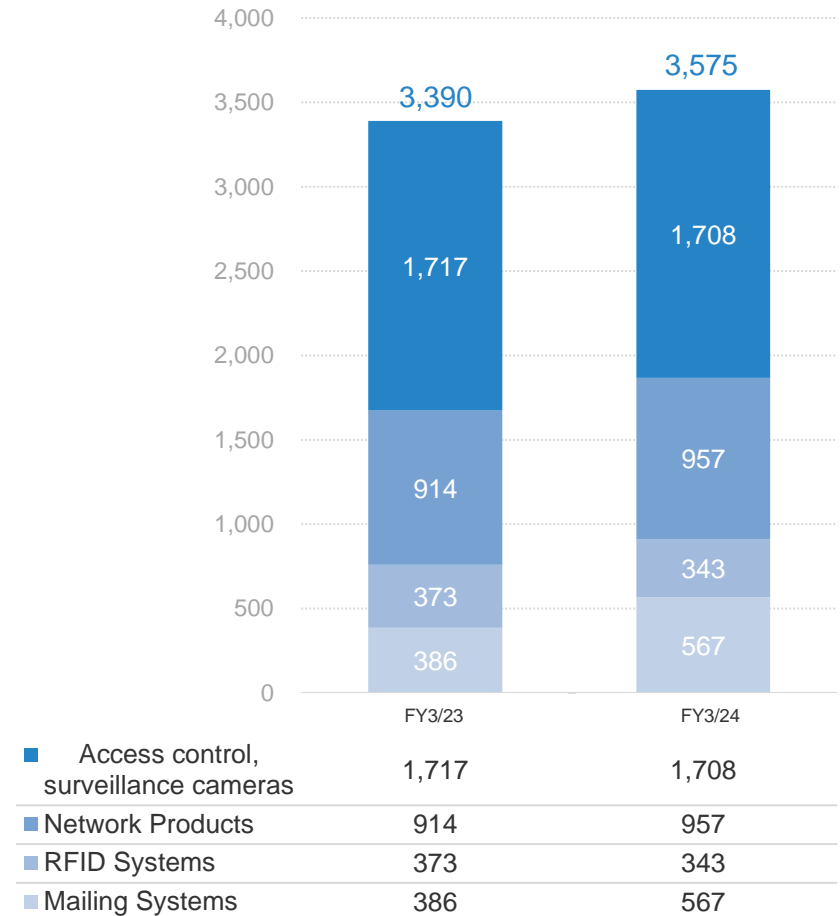
(*2) Lump-sum payment of initial costs, purchase of equipment for MSP Service, etc.

Net Sales Breakdown (Retail Solutions and Business Solutions) [Millions of yen]

Retail Solutions Net Sales



Business Solutions Net Sales

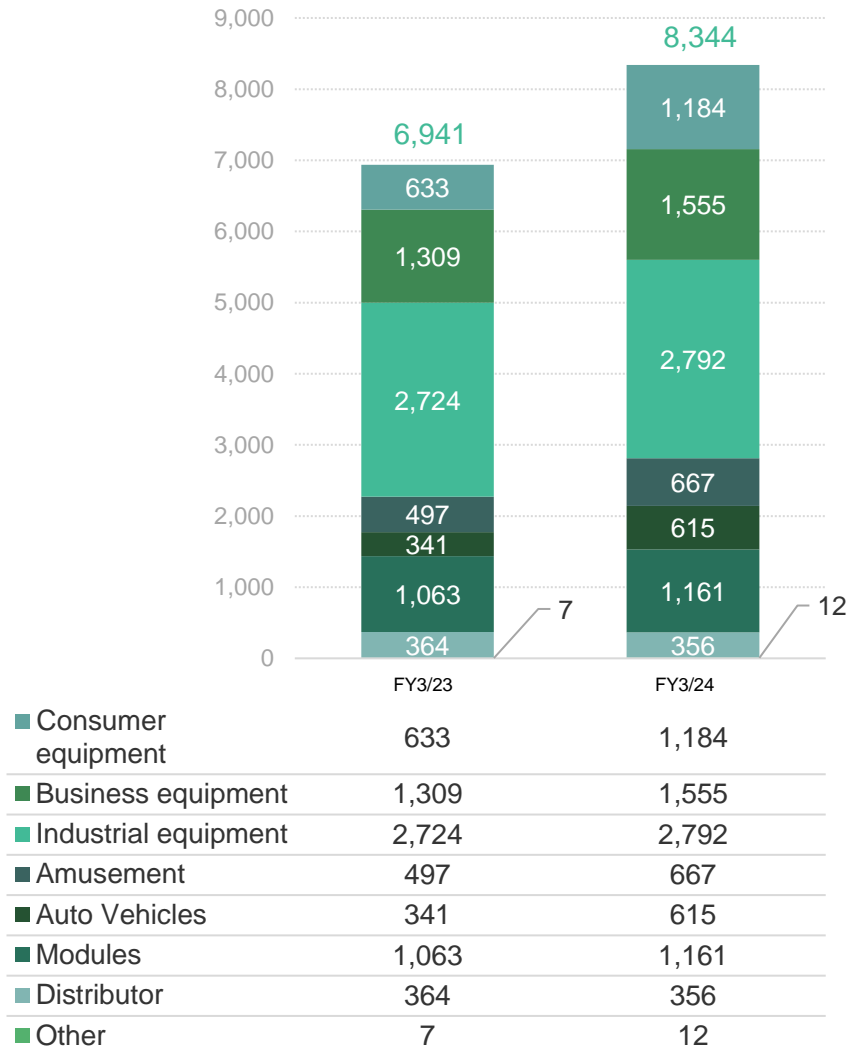


- RFID: A contactless system that uses radio waves to read and write data on IC tags
- Mailing Systems: Envelope sealing machine (A machine that automates the series of tasks, from putting documents inside an envelope to sealing the envelope)

Net Sales Breakdown (Devices)

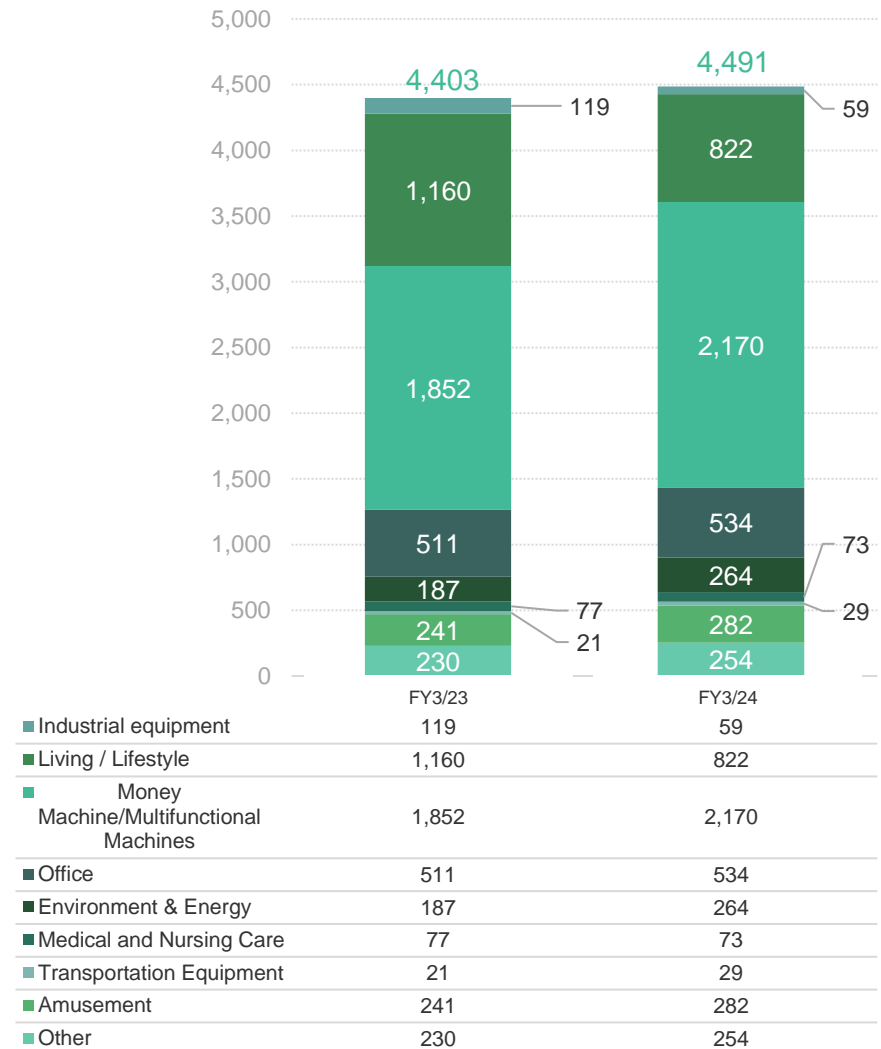
[Millions of yen]

● Electronics Net Sales



(*) Auto Vehicles: Automotive equipment, railway equipment, ships, and transportation equipment

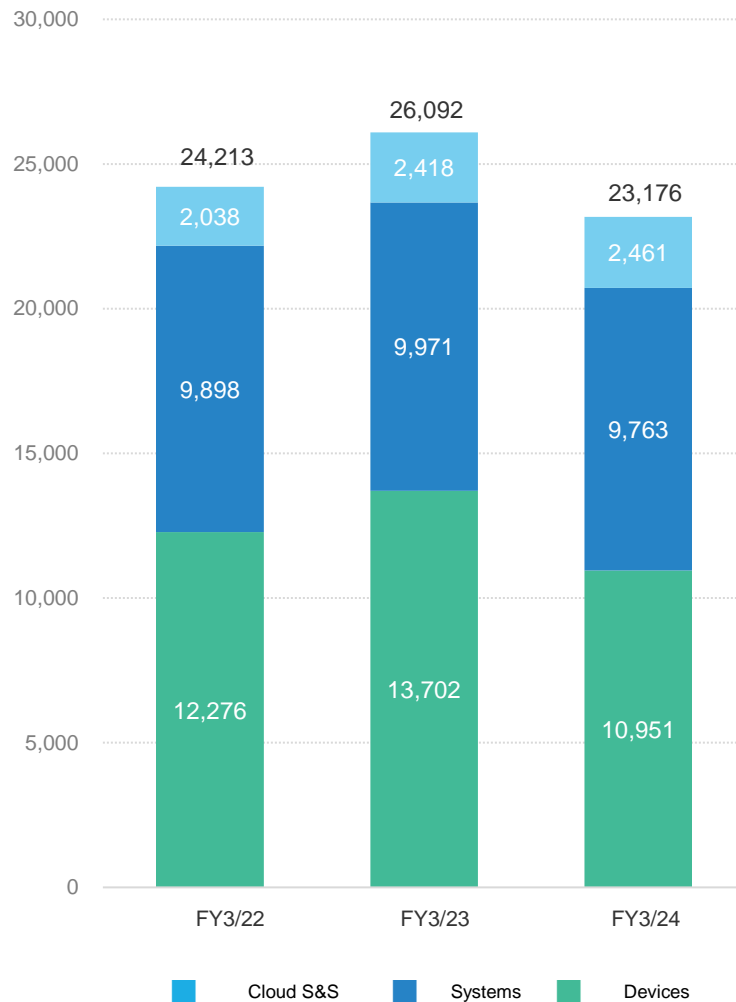
● Mechatronics Net Sales



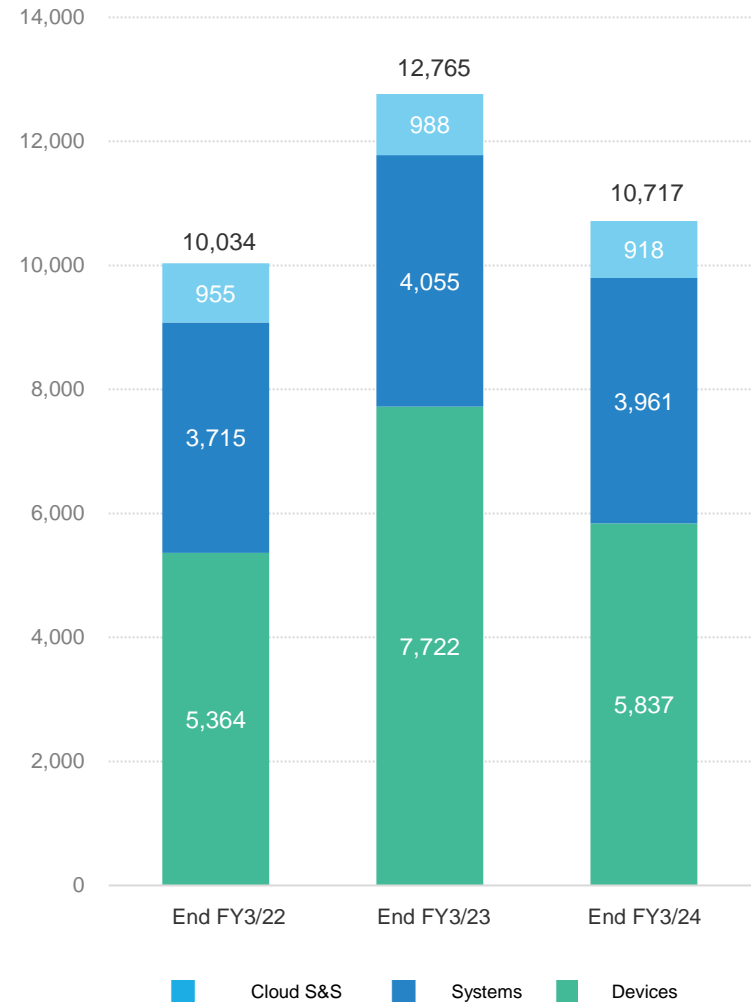
(*) Living / Lifestyle: Housing equipment, automotive interiors / Environment & Energy: Power storage and solar power generation

Orders Received / Backlog

● Orders Received



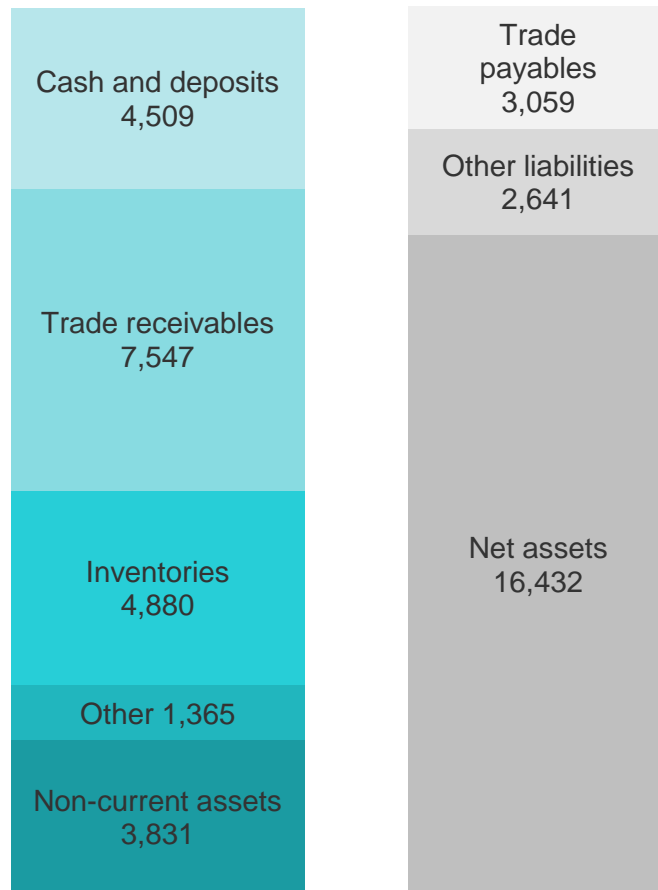
● Backlog



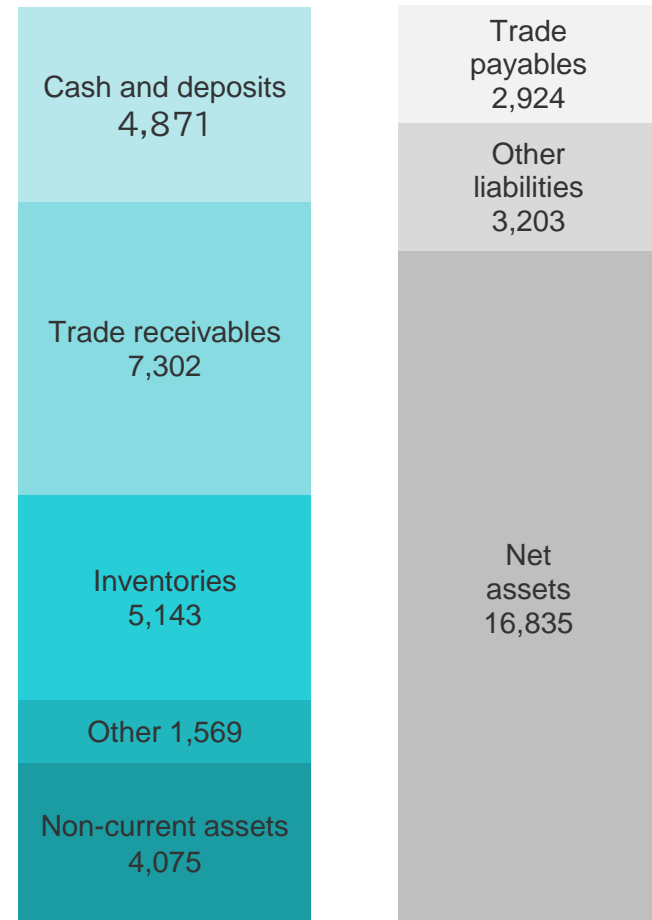
Consolidated Balance Sheet

[Millions of yen]

As of March 31, 2023



As of March 31, 2024



(Change factors) Net assets +403・・・Dividends paid (1,478), Profit +1,437, and accumulated other comprehensive income +419

Company Profile

Company Name	Takachiho Koheki Co., Ltd.
Securities Code	TSE Prime (code: 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: 474, Non-consolidated: 244 (as of March 31, 2024)
Consolidated Subsidiaries	One domestic company, eight overseas companies (Shanghai, Hong Kong, Bangkok, Singapore, Chicago)



- Video of interview with the CEO now available



<https://youtu.be/t24f-4ypyOY?si=JMvgZZ48yv2AJloW>

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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 ir@takachiho-kk.co.jp

 03-3355-1201



Takachiho Koheki official account

note
(Japanese)

