

Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025

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

August 2, 2024

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



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]

■ First Quarter of the Fiscal Year Ending March 31, 2025 <Results>

- Sales and profits increased year on year

(1) **Cloud Services & Support:**

Growth due to an increase in the number of licenses in Cloud Services and acquisition of new maintenance contracts

(2) **Mechatronics (Devices):** Strong performance mainly in mechanical components for cash equipment and multi functional machines due to increased number of units produced

- Operating profit ratio increased 2.0 points due to the improved profitability of the Maintenance business, in addition to the reasons above

■ Full Fiscal Year Ending March 31, 2025 <Plan>

- Aim to achieve the full-year plan mainly through business growth in **Cloud Services & Support**
- Annual dividends per share is forecast at **160** yen (+2 yen from the previous year)

	FY3/24 Q1 Results	FY3/25 Q1 Results	Change	FY3/25 Full Year Plan	Rate of progress
Net sales	6,080	6,421	+341	26,900	23.9%
Operating profit	314	464	+149	2,050	22.7%
Ordinary profit	574	631	+57	2,000	31.6%
Net income	393	458	+64	1,490	30.7%

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Consolidated Financial Highlights

[Millions of yen]

Sales and profits increased year on year due to an increase in the number of licenses in **Cloud Services** and other reasons. The operating profit ratio increased 2 points thanks to the increased sales and the improved profitability of the Maintenance business.

	FY3/24 Q1 Results	FY3/25 Q1 Results	YoY change	FY3/25 Full Year Plan	Rate of progress
Net sales	6,080	6,421	+5.6%	26,900	23.9%
Gross profit on sales	1,454	1,621	+11.5%	6,900	23.5%
Gross profit ratio (%)	23.9%	25.2%	+1.3pt	25.7%	-
Selling, general and administrative expenses	1,139	1,157	+1.6%	4,850	-
Operating profit	314	464	+47.5%	2,050	22.7%
Operating profit ratio (%)	5.2%	7.2%	+2.0pt	7.6%	-
Foreign exchange gains	212	117	(44.4%)	-	-
Ordinary profit	574	631	+10.0%	2,000	31.6%
Ordinary profit ratio (%)	9.4%	9.8%	+0.4pt	7.4%	-
Profit before tax	574	631	+10.0%	-	-
Profit attributable to owners of the parent	393	458	+16.4%	1,490	30.7%
EPS	43.40 yen	50.40 yen	+7.00 yen	163.92 yen	-

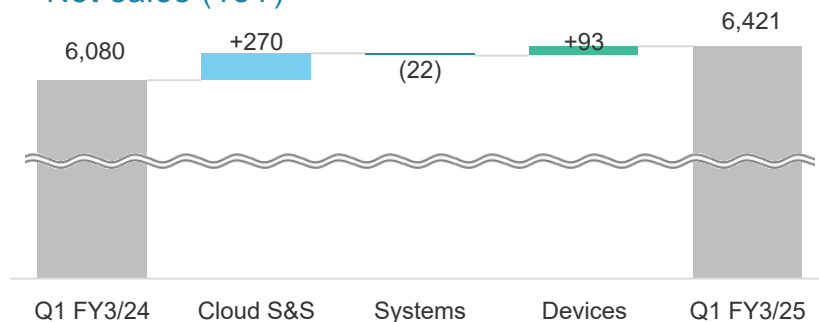
Results by Segment

[Millions of yen]

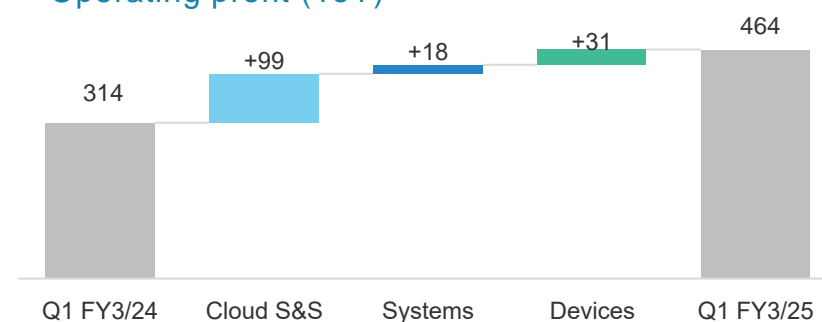
Sales and profits increased due to an increase in the number of licenses in **Cloud Services** and the favorable performance of **Mechatronics**.

		FY3/24 Q1 Results (*)	FY3/25 Q1 Results	Increase/ Decrease	Percentage change	FY3/25 Plan	Rate of progress
Cloud Services & Support	Net sales	616	886	+270	+43.9%	4,200	21.1%
	Operating profit	82	182	+99	+120.0%	730	25.0%
	Operating profit ratio	13.4%	20.6%	+7.2pt	-	17.4%	-
Systems	Net sales	1,949	1,926	(22)	(1.1%)	9,600	20.1%
	Operating profit	(106)	(88)	+18	-	380	-
	Operating profit ratio	-	-	-	-	4.0%	-
Devices	Net sales	3,514	3,608	+93	+2.7%	13,100	27.5%
	Operating profit	338	370	+31	+9.4%	940	39.4%
	Operating profit ratio	9.6%	10.3%	+0.7pt	-	7.2%	-
Consolidated total	Net sales	6,080	6,421	+341	+5.6%	26,900	23.9%
	Operating profit	314	464	+149	+47.5%	2,050	22.7%
	Operating profit ratio	5.2%	7.2%	+2.0pt	-	7.6%	-

● Net sales (YoY)



● Operating profit (YoY)



(*) The figures for the fiscal year ended March 31, 2024 have been restated to reflect the change in segment classification (Please refer to page 16 of the "Fiscal year ended March 31, 2024 Financial Results" for details)

Results by Segment (Cloud Services & Support)

[Millions of yen]

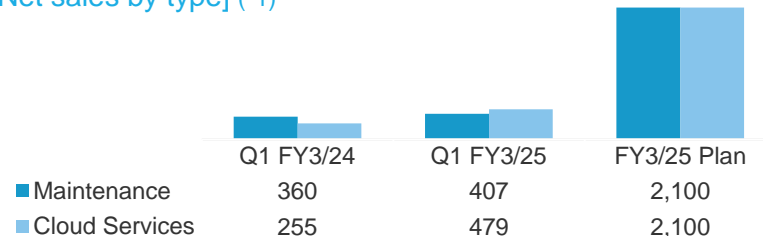
Net sales 886 million yen (+270 million yen)

Growth due to an increase in the number of licenses in the Cloud Services and acquisition of new maintenance contracts

Operating profit 182 million yen (+99 million yen)

Growth due to increased sales in Cloud Services and improved profitability of the Maintenance business

[Net sales by type] (*1)



[Net sales change factors]

● Maintenance business

(+) Acquired new maintenance contracts

● Cloud Services business

(+) Increase in the number of licenses

... Such as those for cloud-based wireless LAN (categorized in "Other Cloud Services")

[Operating profit ratio change factors]

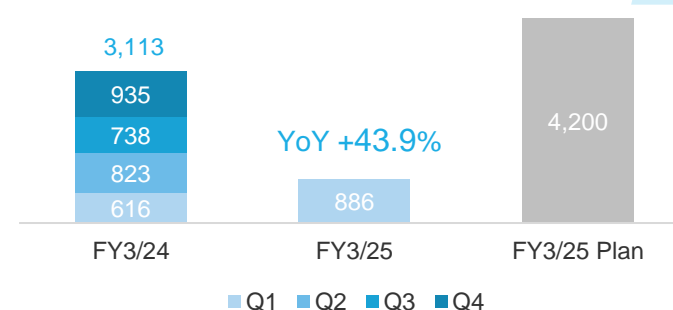
(+) Transfer of sales from the maintenance of Auto Mailing Insertion Systems (*2)

... While there were procurement delays in the first quarter of the previous fiscal year, the number of units sold increased during the period under review

(+) Decrease in selling, general and administrative expenses in the Maintenance business

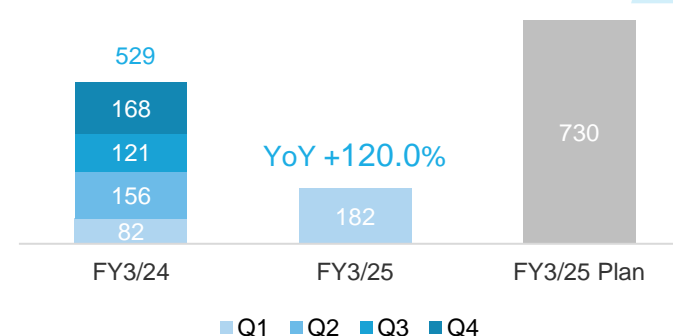
● Net sales (*1)

Rate of progress 21.1%

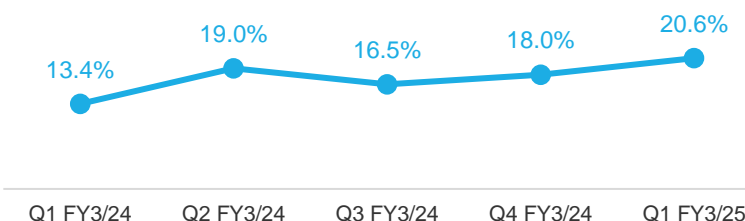


● Operating profit (*1)

Rate of progress 25.0%



● Operating profit ratio (by quarter) (*1)



(*1) The figures for the fiscal year ended March 31, 2024 have been restated to reflect the change in segment classification (Please refer to page 16 of the "Fiscal year ended March 31, 2024 Financial Results" for details)

(*2) 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

MSP Services Contract Status

MSP Services KPIs

Number of contracts

As of June 30, 2024

18,729 licenses

Number of new contracts

April 2024 to June 2024

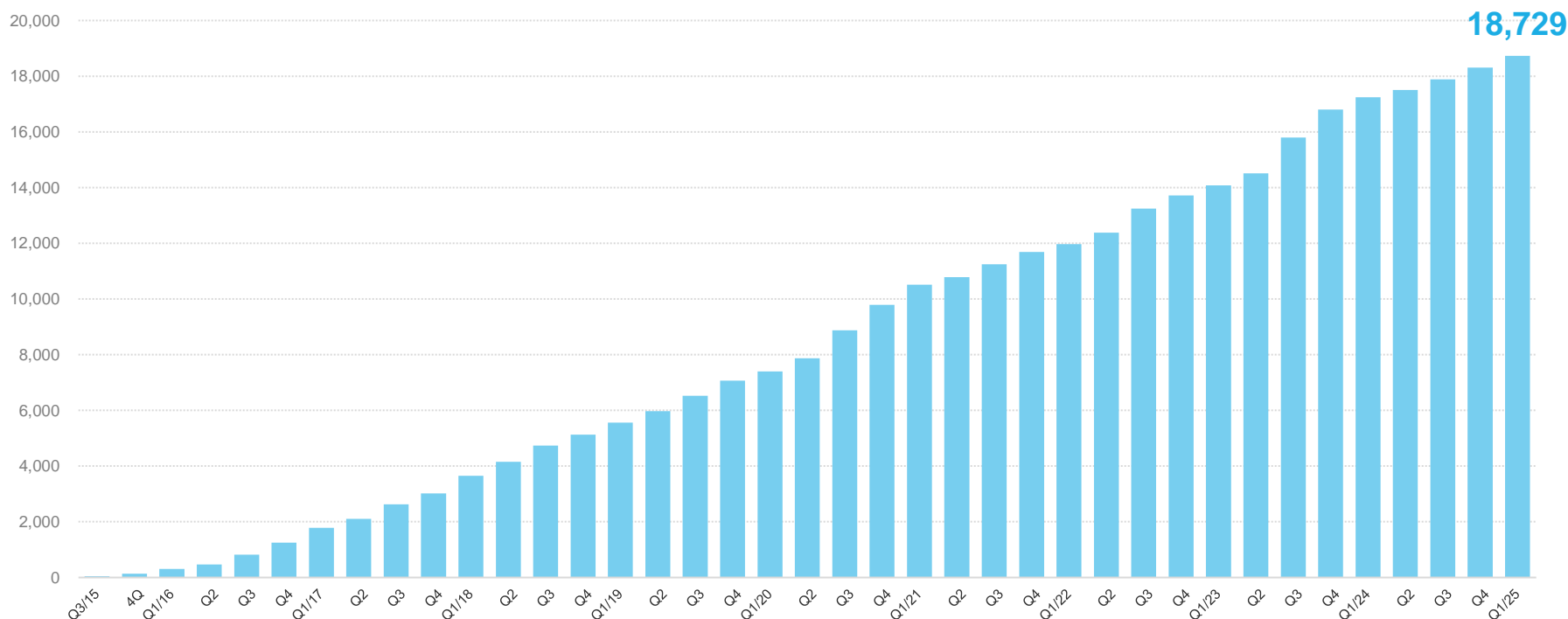
856 licenses

Monthly cancellation rate*

April 2024 to June 2024

0.57%

Number of MSP service contracts



Results by Segment (Systems)

[Millions of yen]

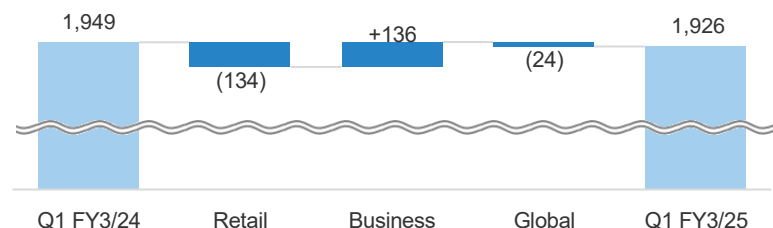
Net sales 1,926 million yen ((22 million) yen)

Growth in Business Solutions. Decrease in Retail Solutions due to the absence of sales for large projects in the previous fiscal year

Operating profit (88 million) yen (+18 million yen)

Improved due to the focus on projects with a high profit ratio in Global and increased sales in Business Solutions

[Net sales change factors (YoY)] (*)



● Retail Solutions (*)

- (-) Surveillance cameras and facial recognition systems for GMS
 - ... Pullback from the strong performance in the previous fiscal year. Some projects have been pushed back to the second quarter and beyond
- (-) Security systems for apparel stores
 - ... Absence of sales for large projects booked in the previous year

● Business Solutions

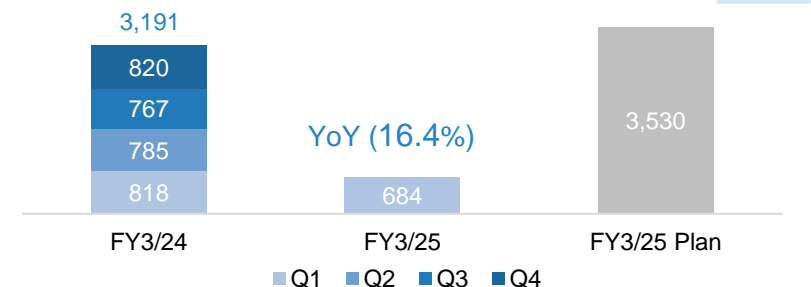
- (+) Auto Mailing Insertion Systems
 - ... Procurement delays in the first quarter of the previous fiscal year
- (+) Access control systems and surveillance cameras for offices of foreign-affiliated companies
 - ... Capturing demand related to office expansions and relocations

● Global

- (-) The amount of sales decreased due to the focus on projects with a high profit ratio

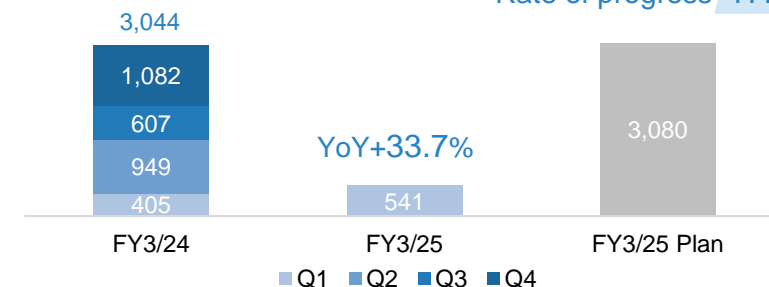
● Retail Solutions (*)

Rate of progress 19.4%



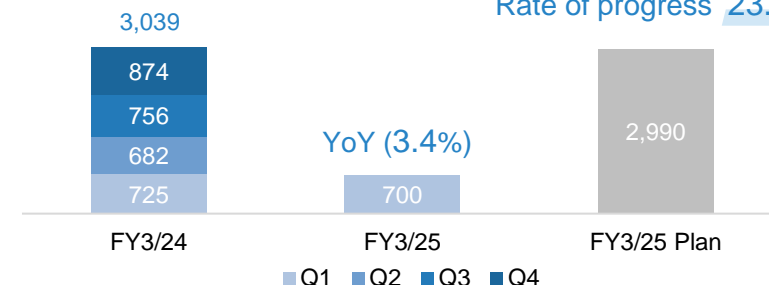
● Business Solutions (*)

Rate of progress 17.6%



● Global

Rate of progress 23.4%



(*) The figures for the fiscal year ended March 31, 2024 have been restated to reflect the change in segment classification (Please refer to page 16 of the "Fiscal year ended March 31, 2024 Financial Results" for details)

Results by Segment (Devices)

[Millions of yen]

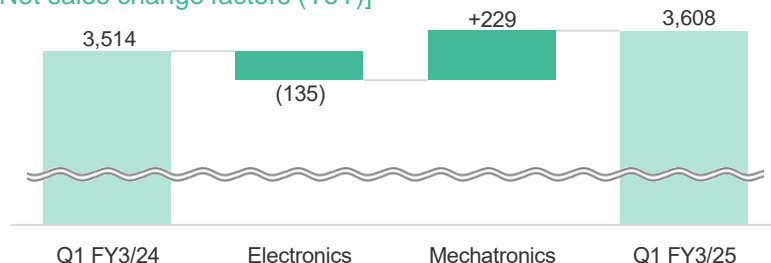
Net sales 3,608 million yen (+93 million yen)

Growth in Mechatronics due to strong sales of cash equipment and multifunctional machines. Electronics was affected by production adjustments, but sales for consumer equipment were strong.

Operating profit 370 million yen (+31 million yen)

Improvement of profit ratio due to increased sales in Mechatronics

[Net sales change factors (YoY)]



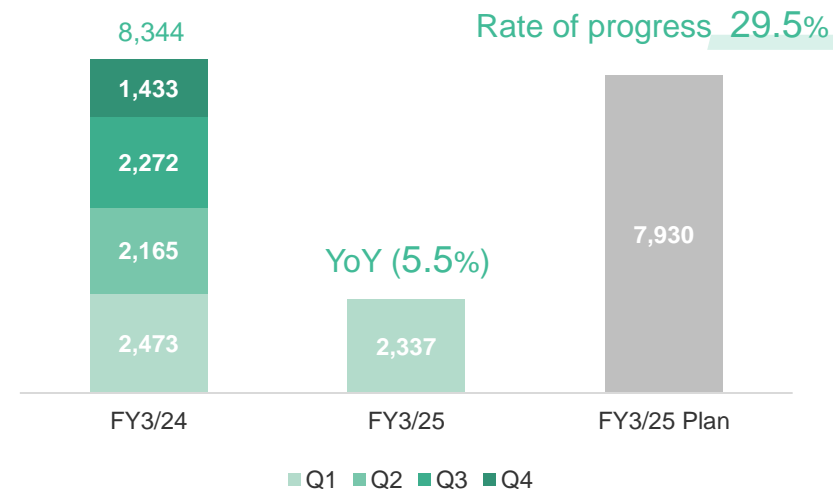
● Electronics

- (-) Production adjustments by customers (mainly for amusement and industrial equipment)
 - (+) Electronic components for consumer equipment
 - ... Production of final products increased due to strong sales
- [Compared to plan]: Delivery proceeded better than expected for projects subject to adjustments in the latter half of the fourth quarter of the previous fiscal year

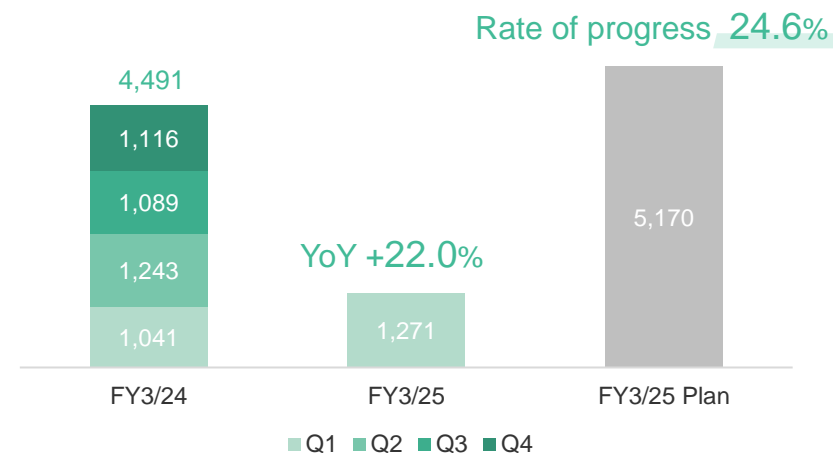
● Mechatronics

- (+) Mechanical components for cash equipment and multifunctional machines
 - ... Increased demand for replacing cash equipment for new banknote printing from July 2024
- (+) Components for renewable energy power generation equipment
 - ... Production increased due to policy support from municipalities and other reasons
- (+) Mechanical components for housing equipment
 - ... Adoption of planning and development products for kitchens

● Electronics



● Mechatronics



Capital Efficiency Improvement Status

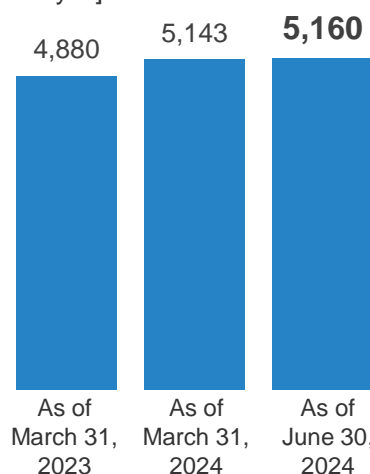
- Inventories・・・While deliveries of semiconductors proceeded, inventories to be sold in the second quarter have increased in the Systems segment
- Receivables and payables・・・Progress in improving cash flow by reviewing the transaction terms and proceeding with negotiations

Inventories

Number of days for turnover

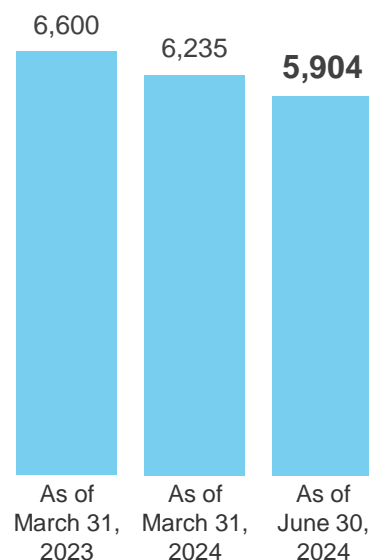


Balance
[Millions of yen]



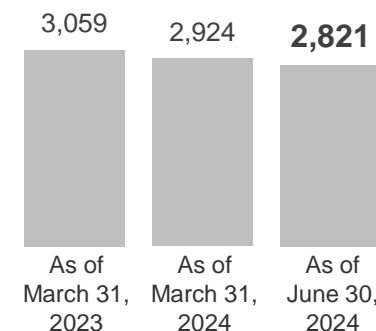
Trade receivables

Number of days for turnover



Trade payables

Number of days for turnover



[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: As of March 31: Calculated on 365 days, As of June 30: Calculated on 91 days

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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	-

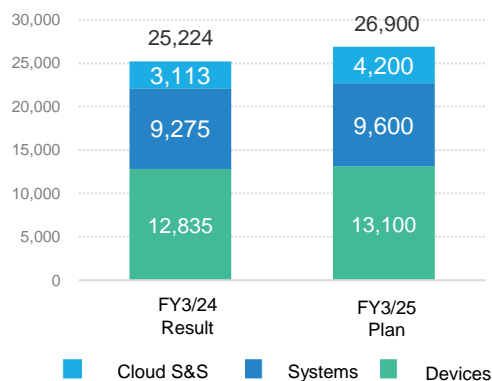
(*) Annual dividends per share: Calculated by dividing the full amount of net profit by the number of shares at the end of the period, in accordance with the 100% payout ratio policy (EPS is calculated by dividing net profit by the average number of shares outstanding during the period)

Net Sales and Operating Profit by Segment <Forecast>

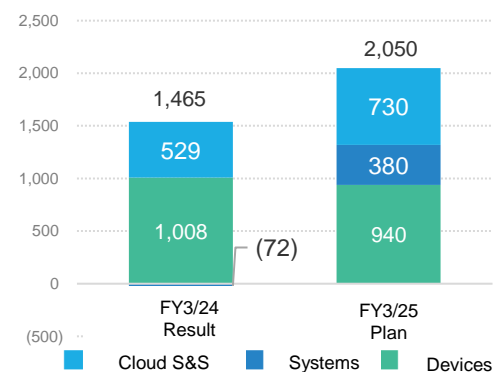
[Millions of yen]

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

● Net sales by segment



● Operating profit by segment



(*) The figures for the fiscal year ended March 31, 2024 have been restated to reflect the change in segment classification (Please refer to page 16 of the "Fiscal year ended March 31, 2024 Financial Results" for details)

Shareholder Returns

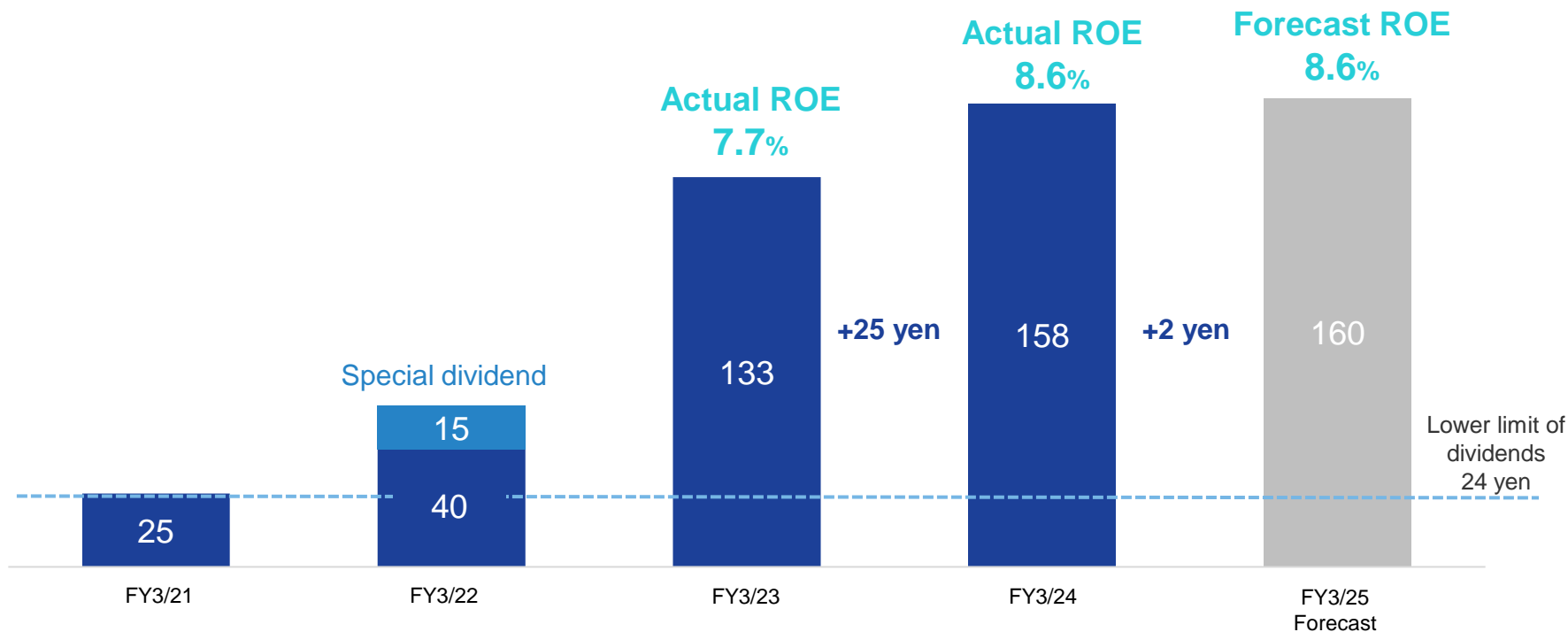
Annual dividends for the FY3/25 are planned to be **160 yen per share** (interim: 58 yen per share, year-end: 102 yen per share)

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



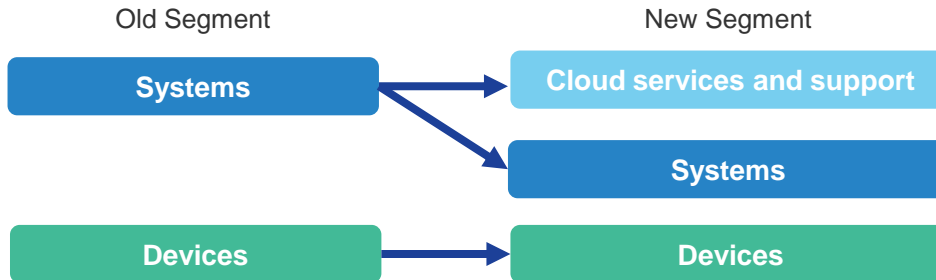
(*) Average over three fiscal years: Average of the three most recent fiscal years from the fiscal year ended March 31, 2023, the first year of the Medium-Term Management Plan.

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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

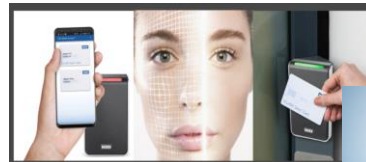
Cloud Services

- 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

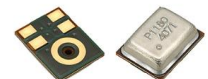
Global

- Fire protection systems

Devices



Power modules



Silicon microphones



Soft-close units

Electronics

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

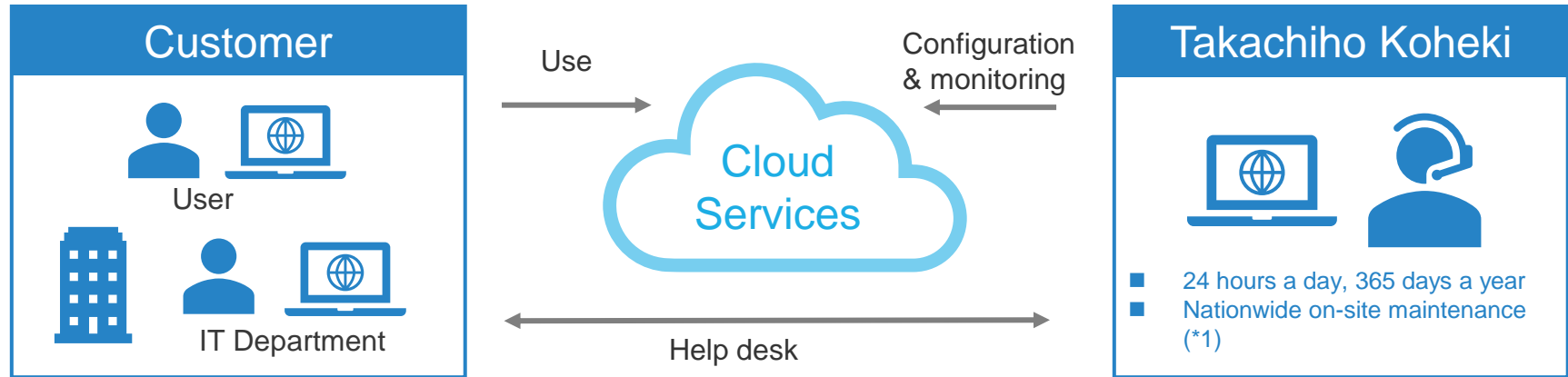
Mechatronics

- 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

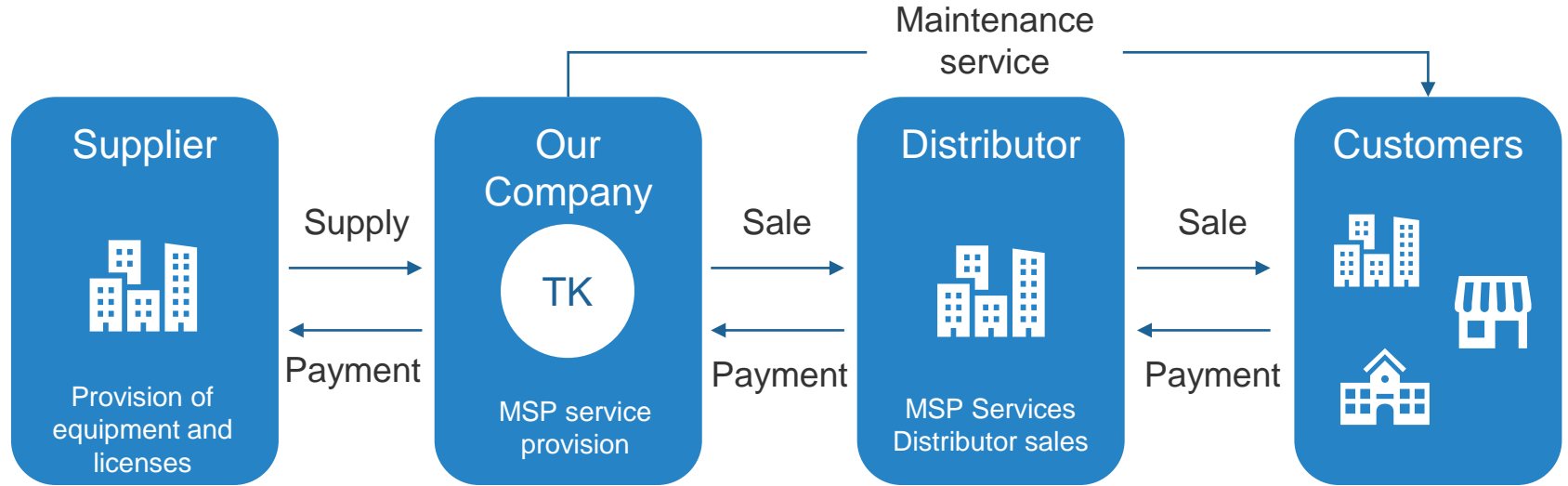
MSP Service Fee Structure

(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

MSP Services (2)

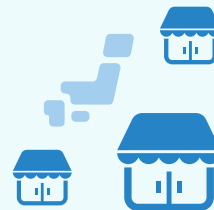
MSP Services Business Model



■ 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.

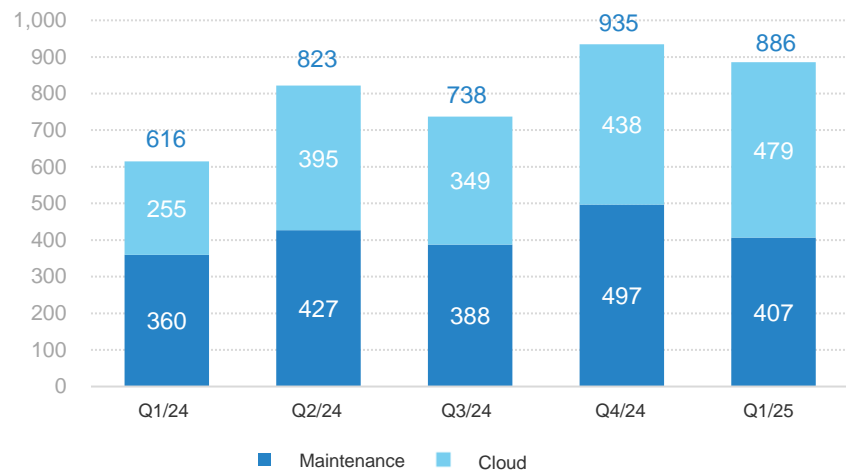


Quarterly Net Sales Breakdown (Cloud Services & Support)

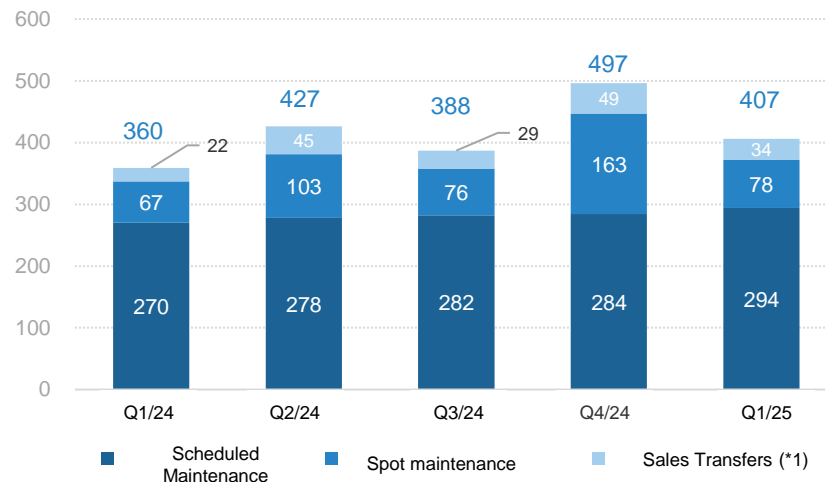
[Millions of yen]

(*) The figures for the fiscal year ended March 31, 2024 have been restated to reflect the change in segment classification (Please refer to page 16 of the "Fiscal year ended March 31, 2024 Financial Results" for details)

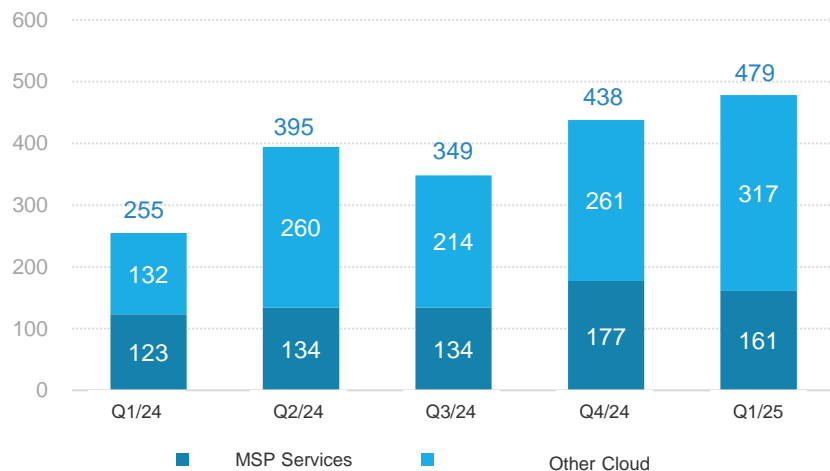
1 Cloud Services & Support Net Sales Breakdown



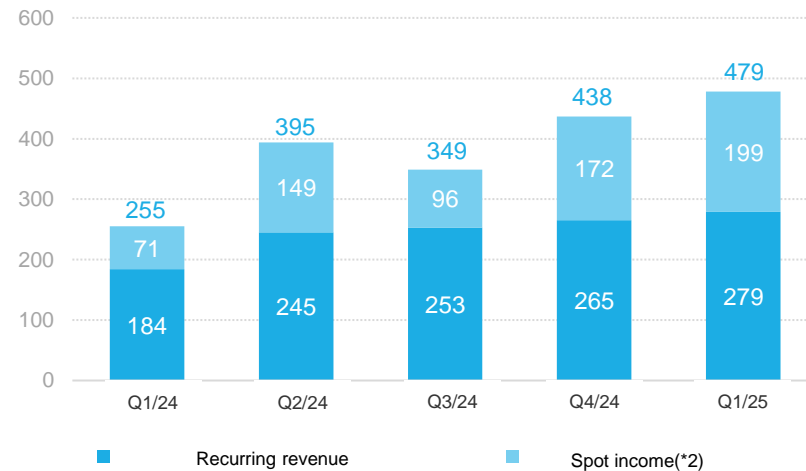
2 Maintenance Net Sales Breakdown (by type)



3 Cloud Services Net Sales Breakdown (by service)



4 Cloud Services Net Sales Breakdown (by type)

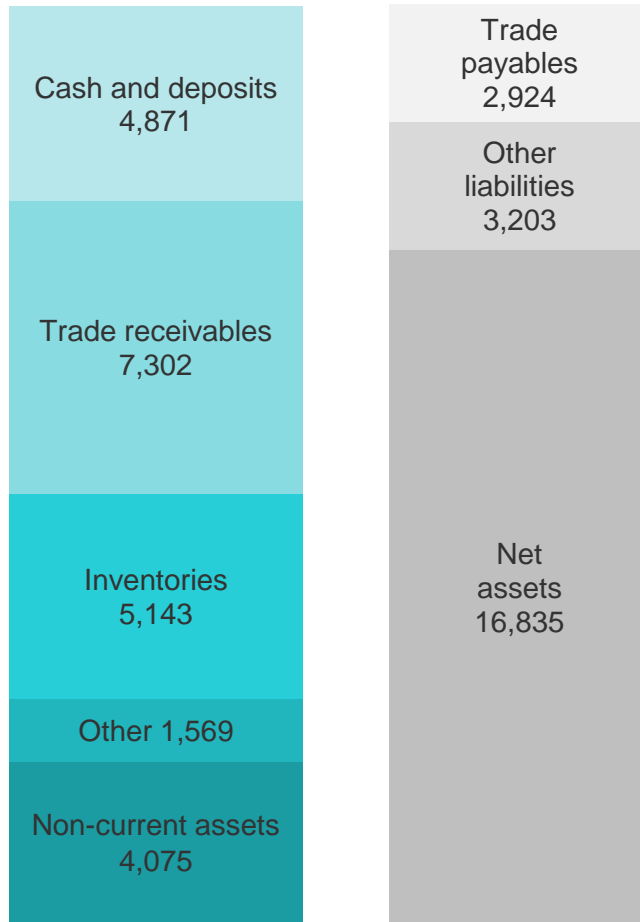


(*1) Concerning the maintenance provided free of charge in the first year after the sales of products in the Systems segment, an amount equivalent to the cost of the maintenance is transferred to Cloud Services & Support sales

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

Consolidated Balance Sheet

As of March 31, 2024



As of June 30, 2024



(Change factors) Net assets (404)・・・Dividends paid (960), Profit +458, and accumulated other comprehensive income +98

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.

For inquiries, please contact:

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03-3355-1201



Takachiho Koheki official account

note
(Japanese)

