

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

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

February 4, 2025

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] 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]

✓ Third Quarter of the Fiscal Year Ending March 31, 2025 <Results>

[Net Sales and Operating Profit] Sales and profit increased year on year. Main points by segment are as follows.

- **Cloud Services & Support:** The cloud services business grew due to the increase in the number of licenses and the acquisition of new large customers. Profitability in the maintenance business improved due to the success of efforts such as price revisions.
- **Systems:** Sales of security systems for offices of foreign companies grew. Profitability improved by shaking off one-time expenses in the fire protection systems business in the previous fiscal year.
- **Devices:** Despite growth in sales of mechanical components for cash equipment and multifunction machines, sales decreased in the semiconductor business due to the impact of customer inventory adjustments.

[Net income] Net income increased year on year due to an increase in operating profit despite a decrease in foreign exchange gains and the dissipation of gains on sales of investment securities recorded in the previous fiscal year.

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

- The consolidated financial results forecast announced on May 10, 2024 remains unchanged, and the annual dividend per share is expected to be 160 yen (year-end dividend of 102 yen).
- The operating profit ratio of **Cloud Services & Support** is expected to remain at the same level as it was through the third quarter. **Systems** is expected to book large projects in the fourth quarter, in line with the previous year's trend. The semiconductor business of **Devices** is expected to recover as some customers have ended adjusting their inventories in the third quarter.

	FY3/24 Q3 Results	FY3/25 Q3 Results	Change	FY3/25 Full Year Plan	Rate of progress
Net Sales	18,960	19,648	+688	26,900	73.0%
Operating profit	980	1,362	+382	2,050	66.5%
Ordinary profit	1,267	1,441	+173	2,000	72.1%
Net income	1,021	1,071	+49	1,490	71.9%

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Consolidated Financial Highlights

[Millions of yen]

Operating profit increased 39% YoY due to **increased sales** and **improved profitability** of Cloud Services & Support and Systems
Net income increased YoY despite a decrease in foreign exchange gains and the dissipation of gain on sales of investment securities

	FY3/24 Q3 Results	FY3/25 Q3 Results	YoY change	FY3/25 Full Year Plan	Rate of progress
Net sales	18,960	19,648	+3.6%	26,900	73.0%
Gross profit	4,382	4,949	+12.9%	6,900	71.7%
Gross profit ratio (%)	23.1%	25.2%	+2.1pt	25.7%	-
Selling, general and administrative expenses	3,402	3,586	+5.4%	4,850	-
Operating profit	980	1,362	+39.0%	2,050	66.5%
Operating profit ratio (%)	5.2%	6.9%	+1.7pt	7.6%	-
Foreign exchange gains	206	27	(86.9%)	-	-
Ordinary profit	1,267	1,441	+13.7%	2,000	72.1%
Ordinary profit ratio(%)	6.7%	7.3%	+0.6pt	7.4%	-
Extraordinary income	280	55	(80.1%)	-	-
Profit before income taxes	1,548	1,496	(3.3%)	-	-
Profit attributable to owners of the parent	1,021	1,071	+4.8%	1,490	71.9%
EPS	112.66 yen	116.55 yen	+3.89 yen	162.13 yen	-

Results by Segment

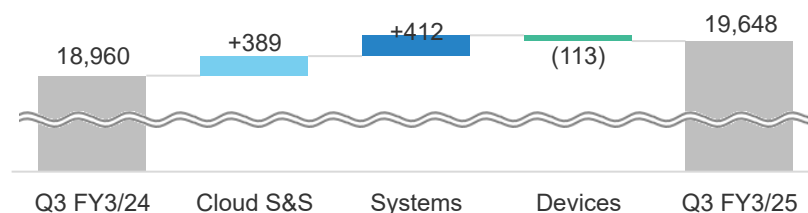
[Millions of yen]

Sales Increased in Systems and Cloud Services & Support

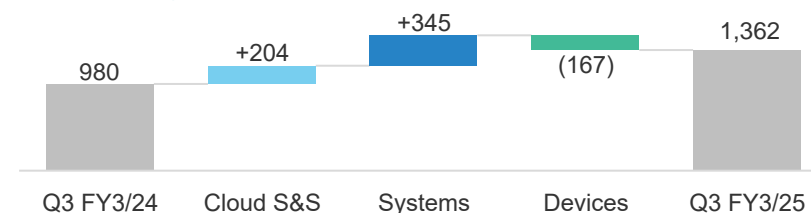
Profits increased by shaking off one-time expenses for Systems and benefitting from profitability initiatives in Cloud Services & Support

		FY3/24 Q3 Results (*)	FY3/25 Q3 Results	Increase/ Decrease	Percentage change	FY3/25 Plan	Rate of progress
Cloud Services & Support	Net sales	2,177	2,567	+389	+17.9%	4,200	61.1%
	Operating profit	360	565	+204	+56.8%	730	77.5%
	Operating profit ratio (%)	16.6%	22.0%	+5.4pt	-	17.4%	-
Systems	Net sales	6,497	6,909	+412	+6.3%	9,600	72.0%
	Operating profit	(269)	76	+345	-	380	20.1%
	Operating profit ratio (%)	(4.1%)	1.1%	+5.2pt	-	4.0%	-
Devices	Net sales	10,285	10,172	(113)	(1.1%)	13,100	77.7%
	Operating profit	888	720	(167)	(18.9%)	940	76.7%
	Operating profit ratio (%)	8.6%	7.1%	(1.5pt)	-	7.2%	-
Consolidated total	Net sales	18,960	19,648	+688	+3.6%	26,900	73.0%
	Operating profit	980	1,362	+382	+39.0%	2,050	66.5%
	Operating profit ratio (%)	5.2%	6.9%	+1.7pt	-	7.6%	-

■ Net sales (YoY)



■ Operating profit (YoY)



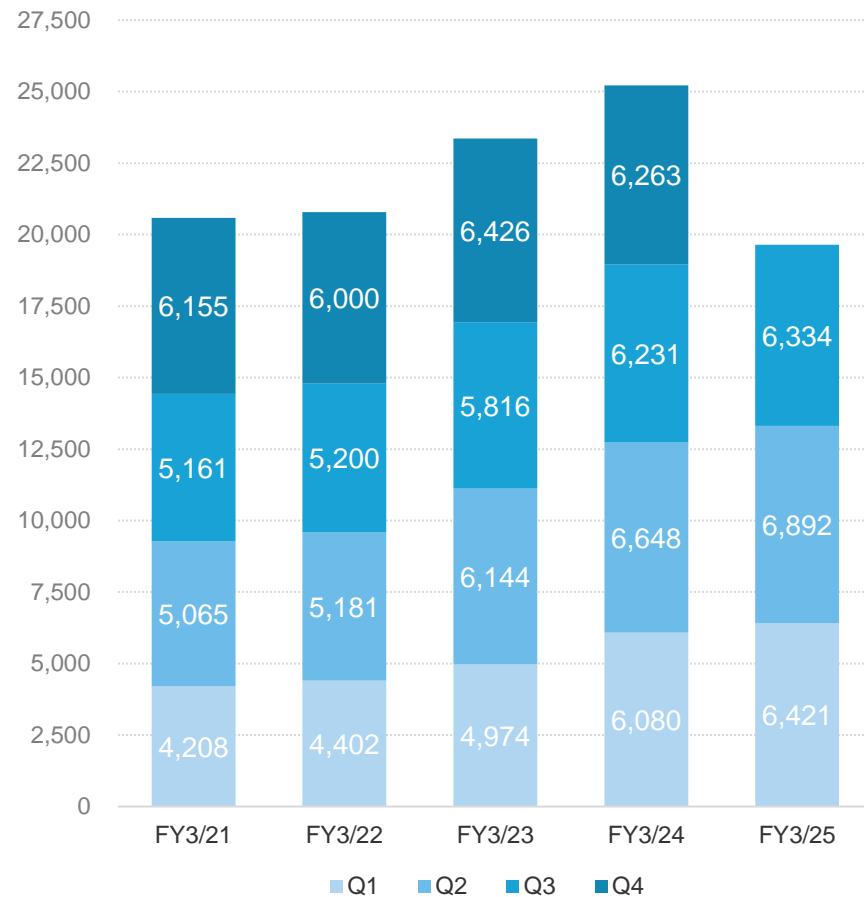
* Figures for the fiscal year ended March 2024 reflect changes in segment classification (For details, refer to "[Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025](#)" on page 16.)

Quarterly Performance Trends

[Millions of yen]

As our products are frequently associated with facility investments, mainly in the Systems segment, results are typically weighted towards Q4 and Q2, aligning with customers' investment periods.

■ Net sales by quarter



■ Operating profit by quarter



Results by Segment (Cloud Services & Support)

[Millions of yen]

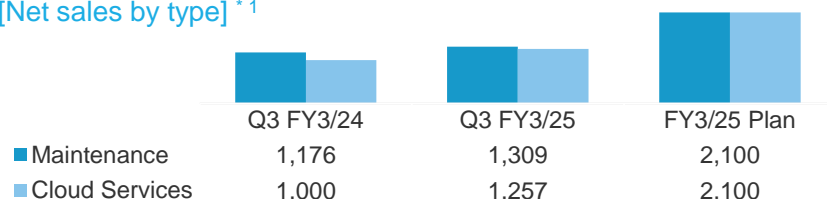
Net sales **2,567** million yen(+ 389 million yen) Year-on-Year

Growth due to accumulation of cloud service licenses, acquisition of new large customers, acquisition of new maintenance contracts and expansion of existing contracts

Operating profit **565** million yen (+ 204 million yen) Year-on-Year

Growth due to increased sales of cloud services and initiatives to improve profitability in the maintenance business

[Net sales by type] * 1



[Net sales change factors (YoY)]

● Maintenance business

(+) Acquired new contracts

(+) Expansion of existing contracts due to expansion of customers' locations

● Cloud services business

(+) Increase in the number of licenses

(+) Payment for purchase of equipment and initial costs for the network products on the cloud

・・・Acquisition of new large-scale customers (hotels, restaurant chains, etc.)

[Quarterly operating profit ratio change factors (YoY)]

Q1: Increase in transfer of sales (*2) with increased sales of Auto Mailing Insertion Systems and decrease in part of selling, general and administrative expenses

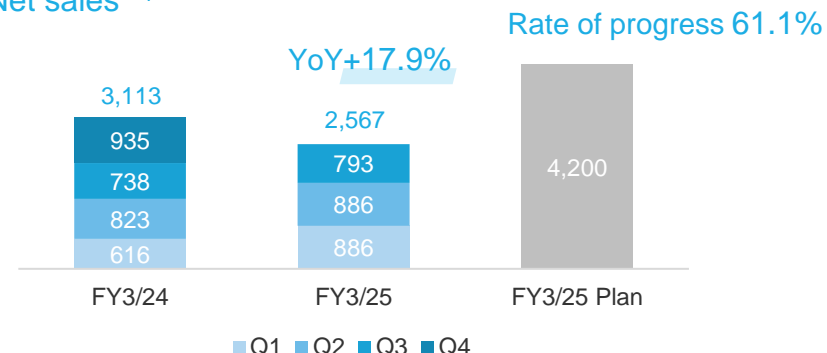
Q2: Increase in sales for Cloud Services, maintenance contracts price revision, and decrease in part of selling, general and administrative expenses

Q3: Increase in the spot maintenance of Auto Mailing Insertion Systems and sales for Cloud Services, maintenance contract price revision, decrease in part of selling, general and administrative expenses

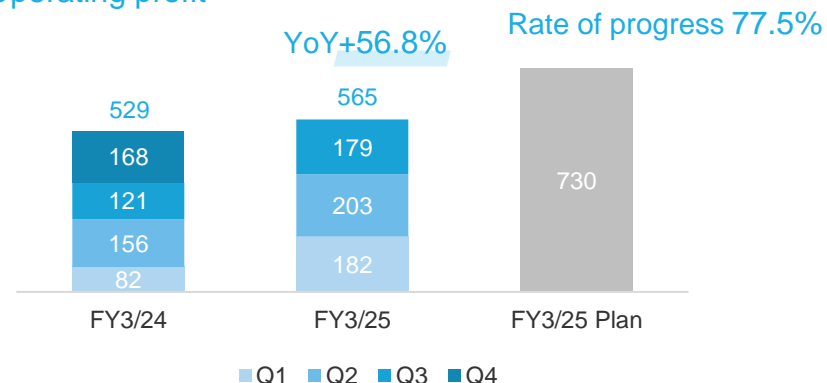
(*1) Figures for the fiscal year ended March 2024 reflect changes in segment classification (For details, refer to "[Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025](#)" on page 16.)

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

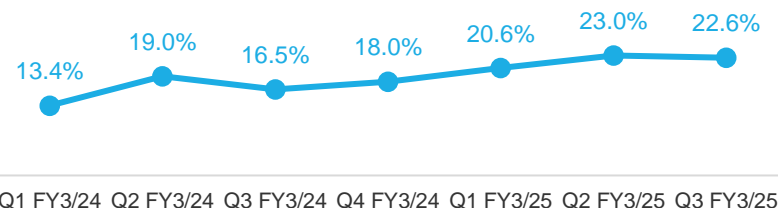
■ Net sales * 1



■ Operating profit * 1



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



Subscription status of the cloud service MSP Service ^{* 1}

MSP Service KPI

Number of contracts

As of Dec 31, 2024

19,084 licenses

Number of new contracts

April to Dec 2024

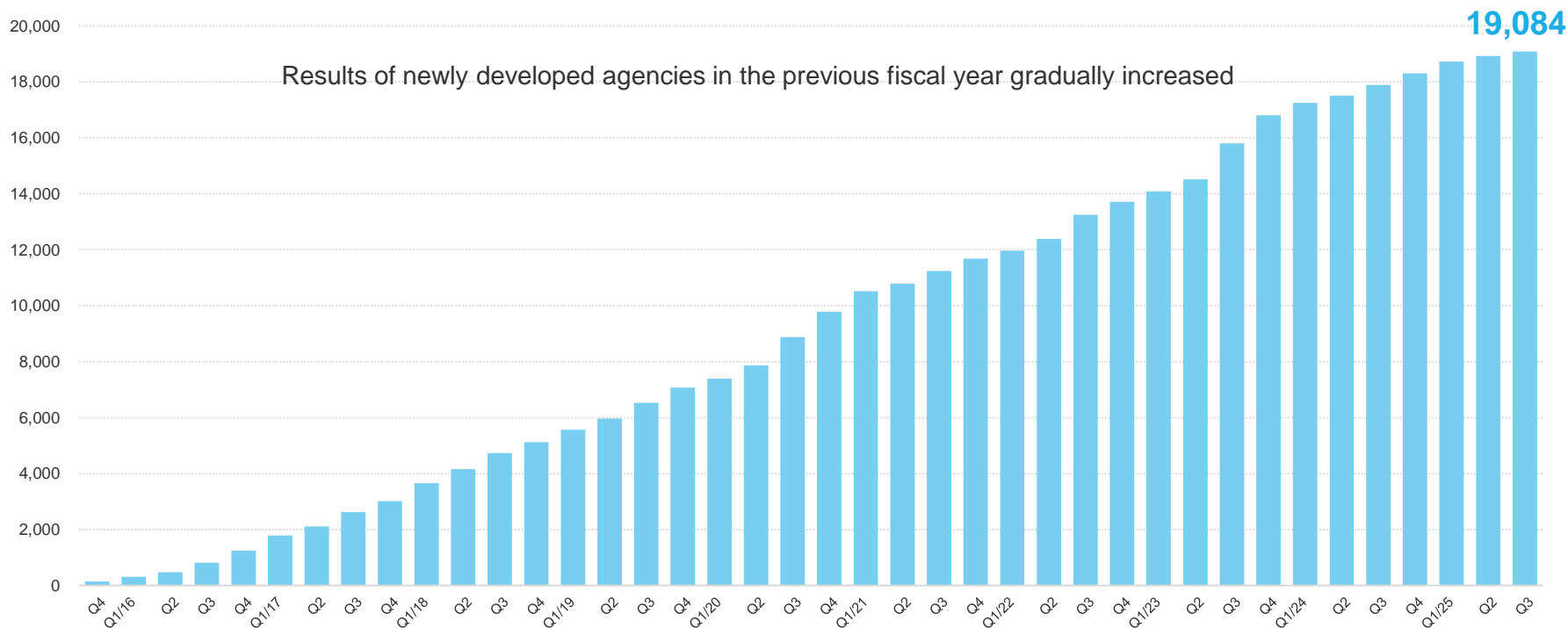
2,209 licenses
(Year-on-Year +85)

Monthly cancellation rate ^{* 2}

April to Dec 2024

0.62%

■ Number of MSP service contracts(for cloud-based network products only)



^{*1} MSP Service: For details, see [here](#).

^{*2} 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

6,909 million yen (+412 million yen)
Year-on-Year

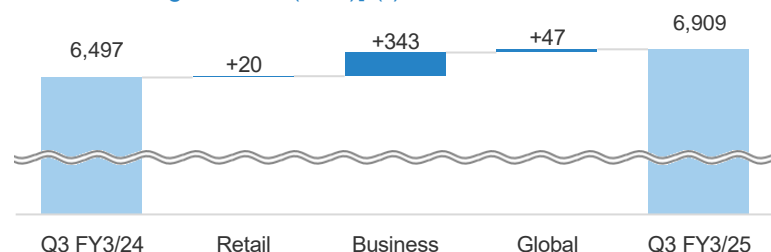
Growth of sales of security systems for offices of foreign-affiliated companies in Business Solutions

Operating profit

76 million yen (+345 million yen)
Year-on-Year

Improvement in the global fire protection system business due to reduction of one-time expenses in the previous fiscal year and focus on projects with high profitability

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



● Retail solutions

(+) Surveillance cameras and facial recognition systems for GMS

- • • Capturing replacement demand

(-) Security systems for apparel stores

- • • Absence of sales for large projects in the previous year

● Business solutions

(+) Access control systems and surveillance cameras for offices of foreign-affiliated companies

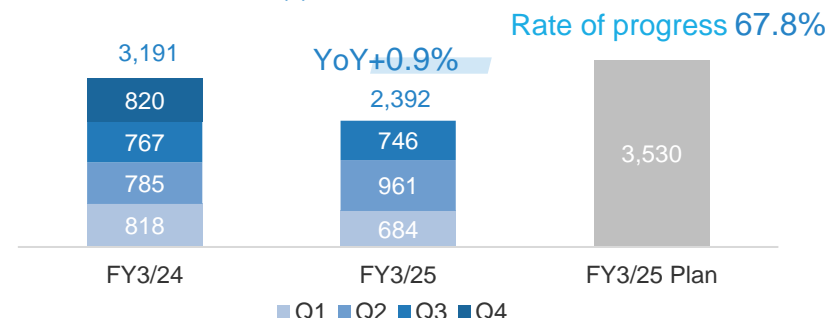
- • • Capturing demand related to office expansions and relocations

● Global

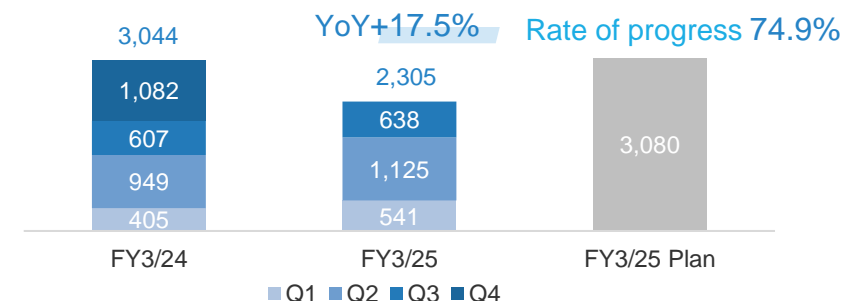
(+) Yen-conversion revenue of overseas subsidiaries

(-) Focusing on high-margin projects in the fire protection systems business

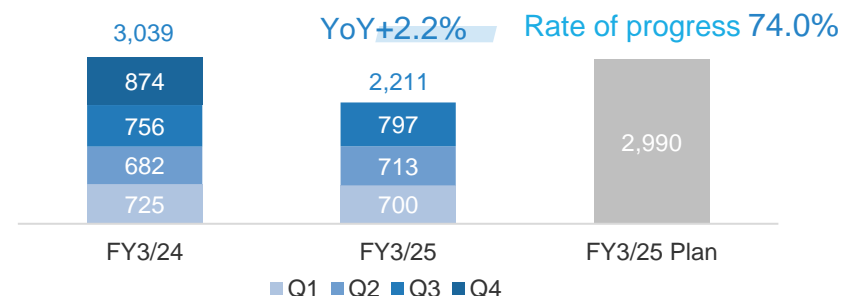
● Retail Solutions (*)



● Business Solutions (*)



● Global



* Figures for the fiscal year ended March 2024 reflect changes in segment classification (For details, refer to "Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025" on page 16.)

Results by Segment (Devices)

[Millions of yen]

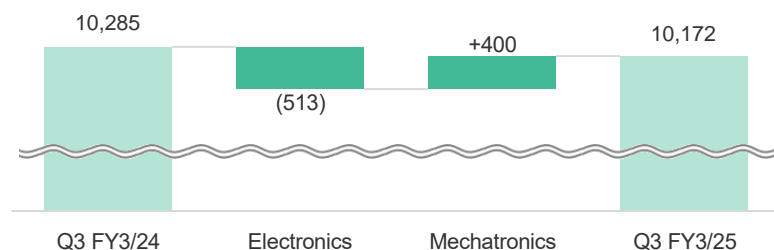
Net sales 10,172 million yen ((113 million) yen) Year-on-Year

Decreased due to production adjustments of customers in Electronics. Growth of sales for cash equipment and multifunctional machines in Mechatronics

Operating profit 720 million yen ((167 million) yen) Year-on-Year

Affected by decreased sales in Electronics, recording of one-off expenses

[Net sales change factors (YoY)]



● Electronics

(-) Customer inventory adjustment

... Especially impacted products for amusement and industrial equipment

(+) Electronic components for consumer equipment

... Production of final products increased due to strong sales

[Compared to plan]: Inventory adjustments by some business equipment customers ended earlier than expected in the third quarter, and sales gradually recovered.

● Mechatronics

(+) Mechanical components for cash equipment and multifunctional machines

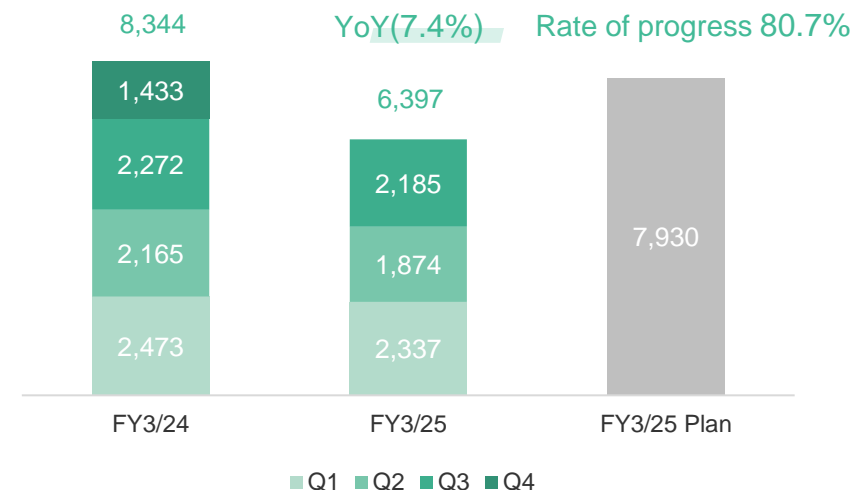
... Cash equipment: Increased demand for replacing cash equipment for new banknote printing in July 2024

... Multifunction machines: Production units increased due to the progress of "return-to-office"

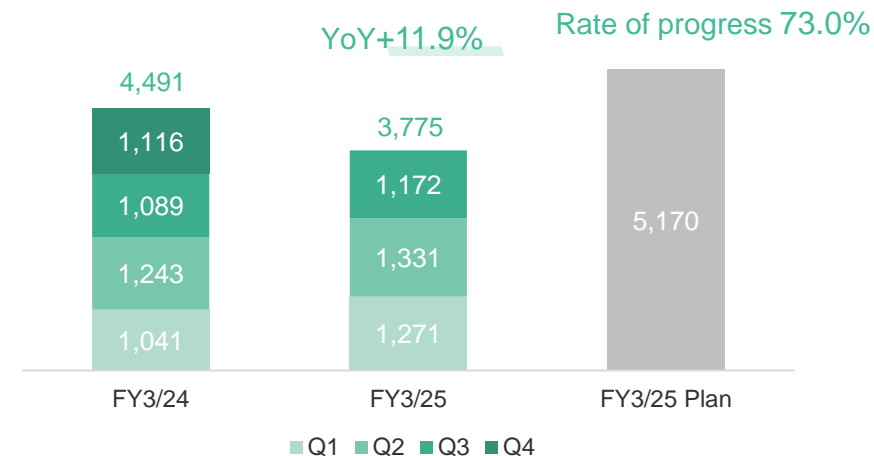
(+) Mechanical components housing equipment

... Adoption of planning and development products and their horizontal expansion proceeded

● Electronics



● Mechatronics



Capital Efficiency Improvement Status

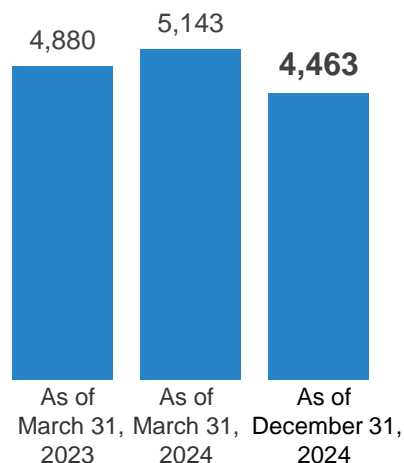
Hold inventories to appropriate levels by capturing backlogs of orders and strengthening order control
Review the transaction terms of receivables and payables and aim to improve capital efficiency

Inventories

Number of days for turnover

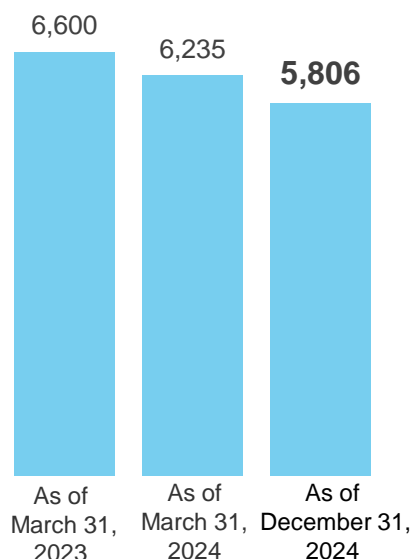


Balance
[Millions of yen]

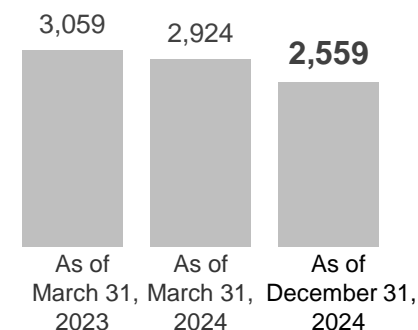


Mainly due to a decrease in orders and deliveries of devices (electronics)

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
- 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 December 31: Calculated on 275 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	162.13 yen	+3.67 yen	-
Annual dividends per share (*)	158 yen	160 yen	+2 yen	-

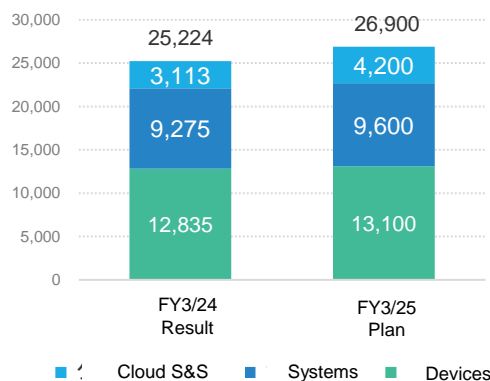
(*) Annual dividends per share: Calculated by dividing the full amount of net profit by the number of shares at the end of the period, in accordance with the 100% payout ratio policy (EPS is calculated by dividing net profit by the average number of shares outstanding during the period)

Net Sales and Operating Profit by Segment <Forecast>

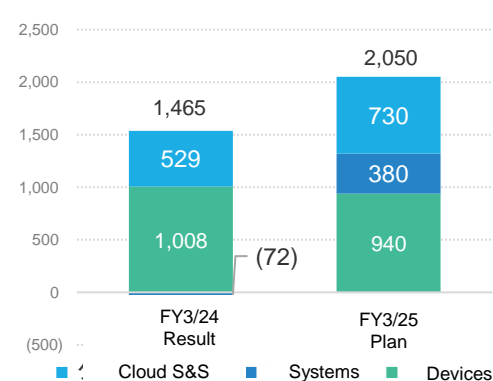
[Millions of yen]

		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



* Figures for the fiscal year ended March 2024 reflect changes in segment classification (For details, refer to "Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025" on page 16.)

Shareholder Returns

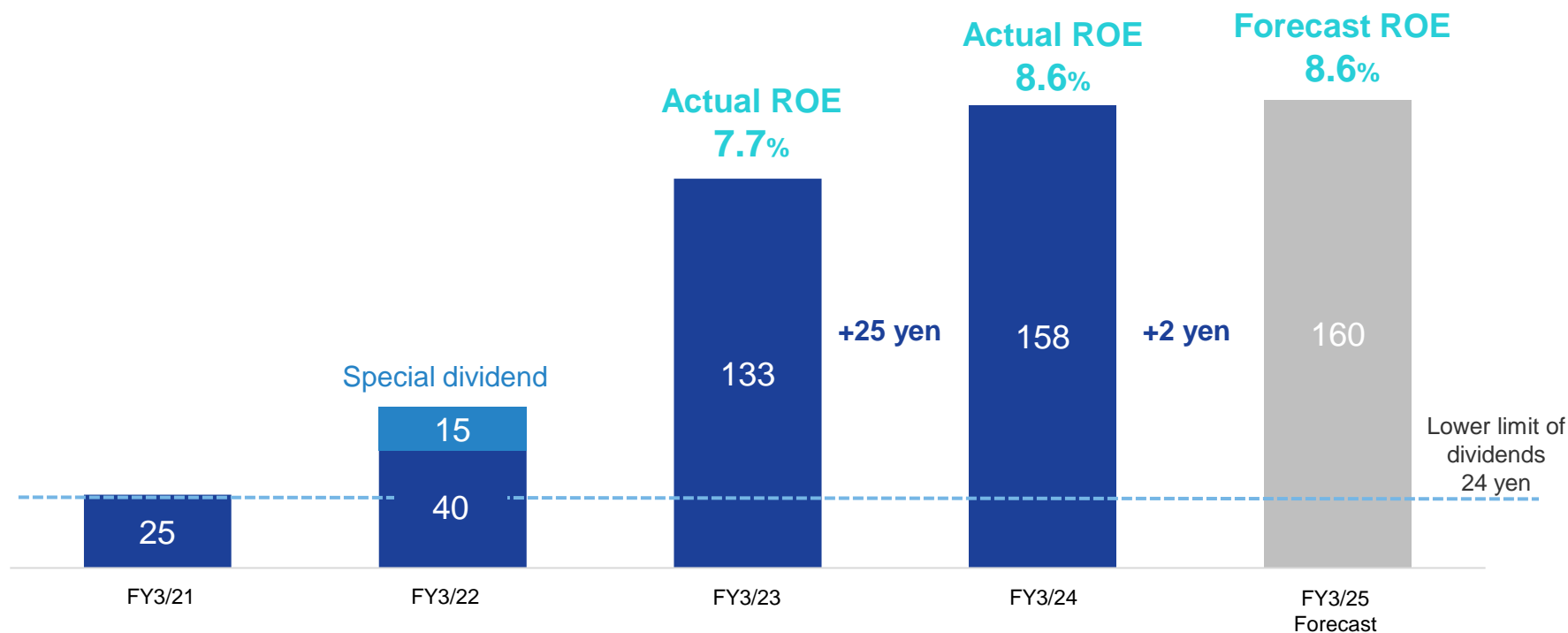
Annual dividends for the FY3/25 are planned to be **160 yen per share** (interim: 58 yen per share, year-end: 102 yen per share)

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



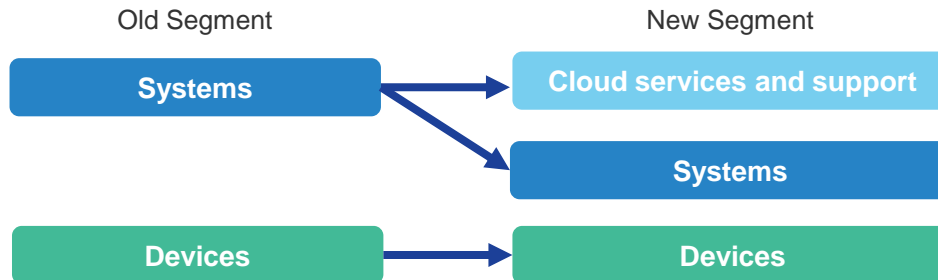
(*) Average over three fiscal years: Average of the three most recent fiscal years from the fiscal year ended March 31, 2023, the first year of the Medium-Term Management Plan.

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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

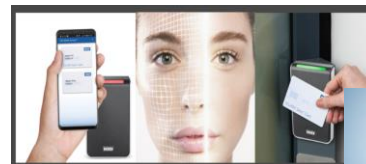
Cloud Services

- MSP services that integrate “equipment, cloud services, and operations management”
- Cloud network products
- Other

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

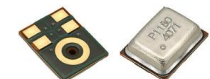
Global

- Fire protection systems

Devices



Power modules



Silicon microphones



Soft-close units

Electronics

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

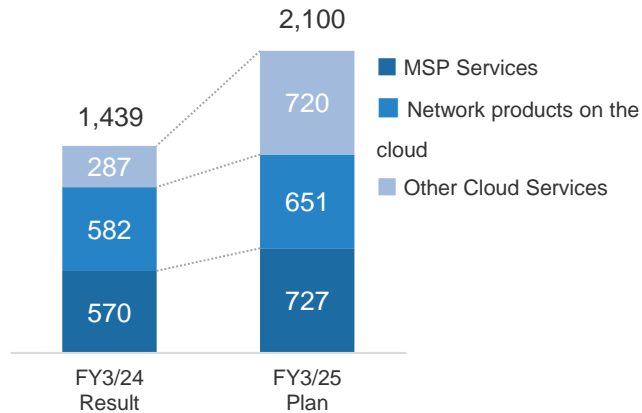
Mechatronics

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

Cloud Services Lineup

[Millions of yen]

[Cloud Services net sales breakdown]



MSP Services

Maintenance Service + License +
(Equipment)

CISCO
Meraki

Cisco Secure Connect



Cloud-based Network Products

License + Equipment

CISCO
Meraki



* Categorized in "Other Cloud Services" in the financial results for the first quarter of fiscal year ending March 31, 2025

Other Cloud Services

Category (1) Cloud-based Physical Security



- Surveillance cameras
- Access control systems

Category (2) Network Security

Cisco Secure Connect



onelogin
by ONE IDENTITY



Category (3) Cloud Services for Retail Stores



Store analysis tool using
a counter for store entrances



Employee belongings
inspection services



RFID data
management platform

Category (4) Other



Creating smart offices through integration with
Cisco Meraki, Verkada, and other products

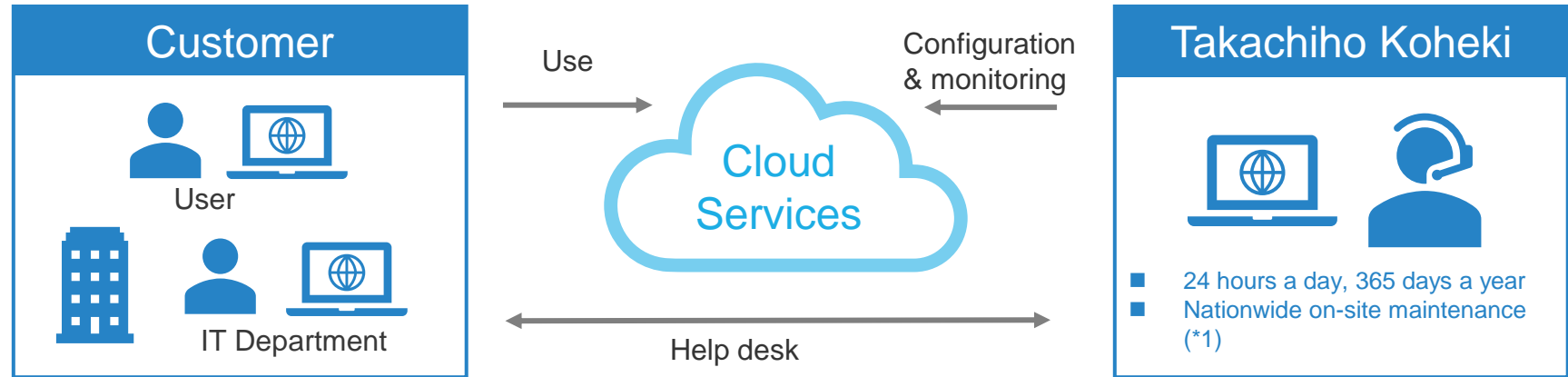
- Confirm employees' locations
- Visualize network operating status

* Figures for the fiscal year ended March 2024 reflect changes in segment classification (For details, refer to "[Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025](#)" on page 16.)

Overview of MSP Services

What are MSP (Managed Service Provider) Services?

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



Main MSP Service Products



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

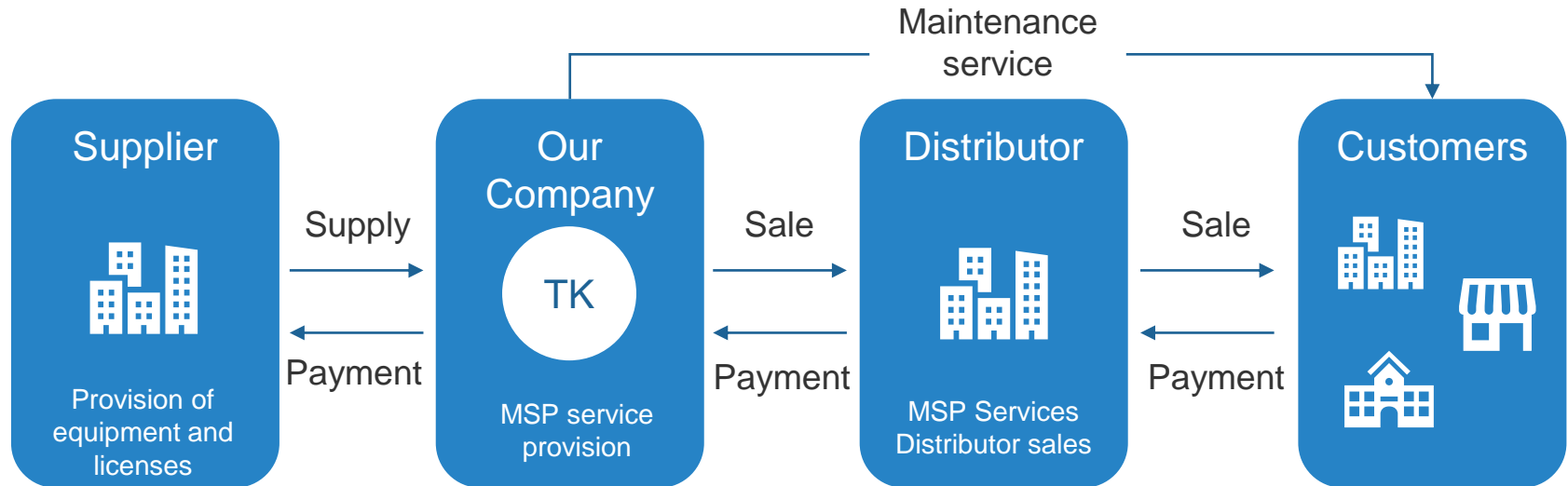
(1) to (3) are provided as an integrated service on a monthly payment basis (*2)

- (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)

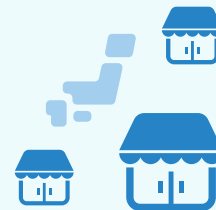
MSP Services Business Model



■ 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



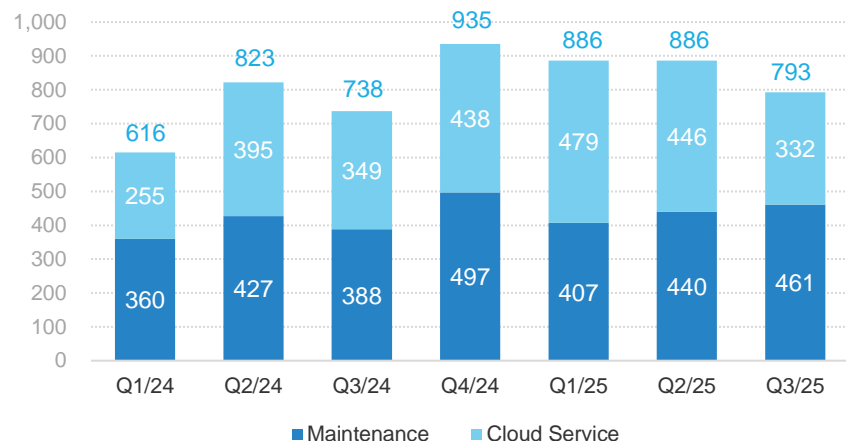
Also used in **factories, nursing homes, hospitals, schools**, and many other locations.



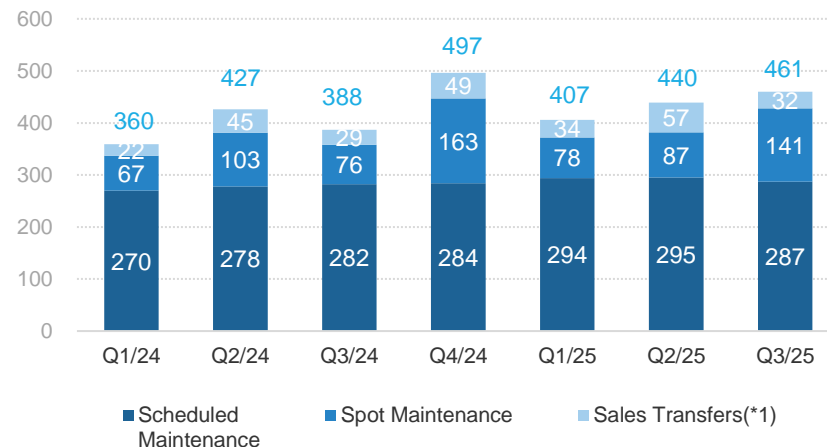
Quarterly Net Sales Breakdown (Cloud Services & Support)

[Millions of yen]

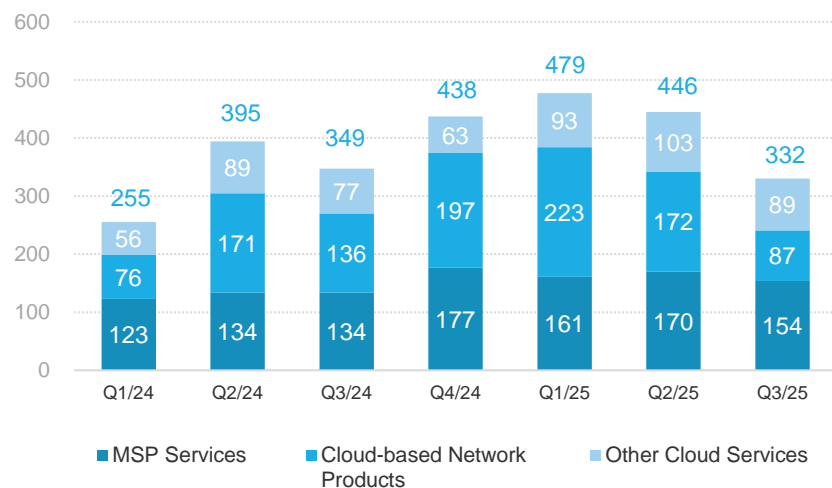
1 Cloud Services & Support Net Sales Breakdown



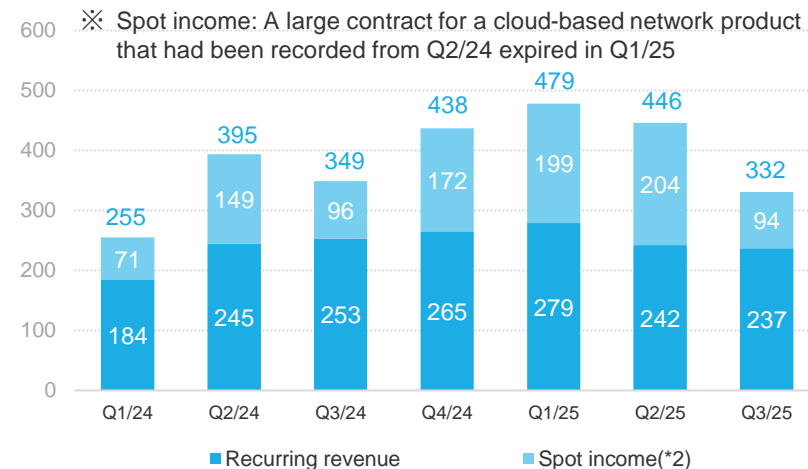
2 Maintenance Net Sales Breakdown (by type)



3 Cloud Services Net Sales Breakdown (by service)



4 Cloud Services Net Sales Breakdown (by type)



(*) The figures for the fiscal year ended March 31, 2024 have been restated to reflect the change in segment classification (For details, refer to "[Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025](#)" on page 16.)

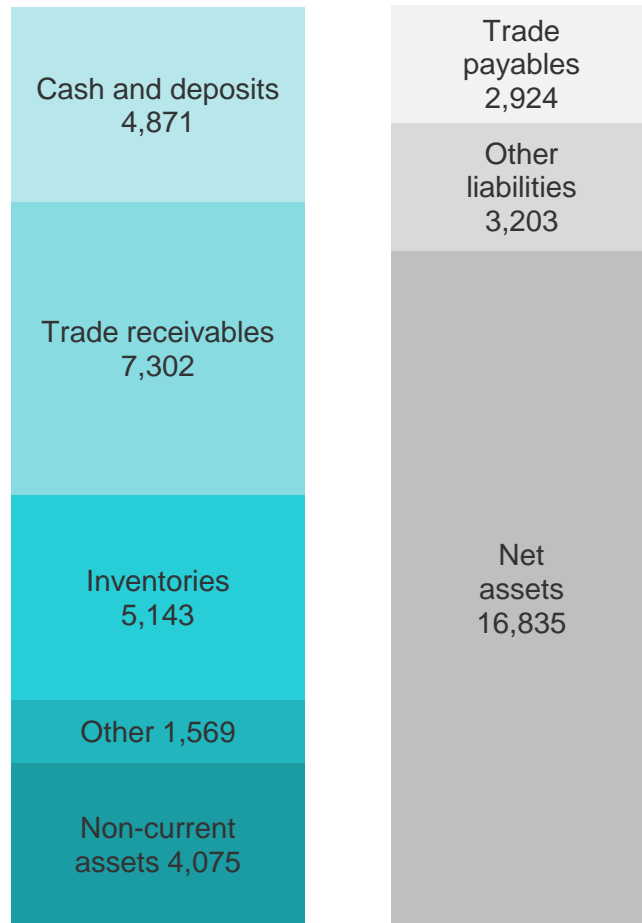
(*1) Concerning the maintenance provided free of charge in the first year after the sales of products in the Systems segment, an amount equivalent to the cost of the maintenance is transferred to Cloud Services & Support sales

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

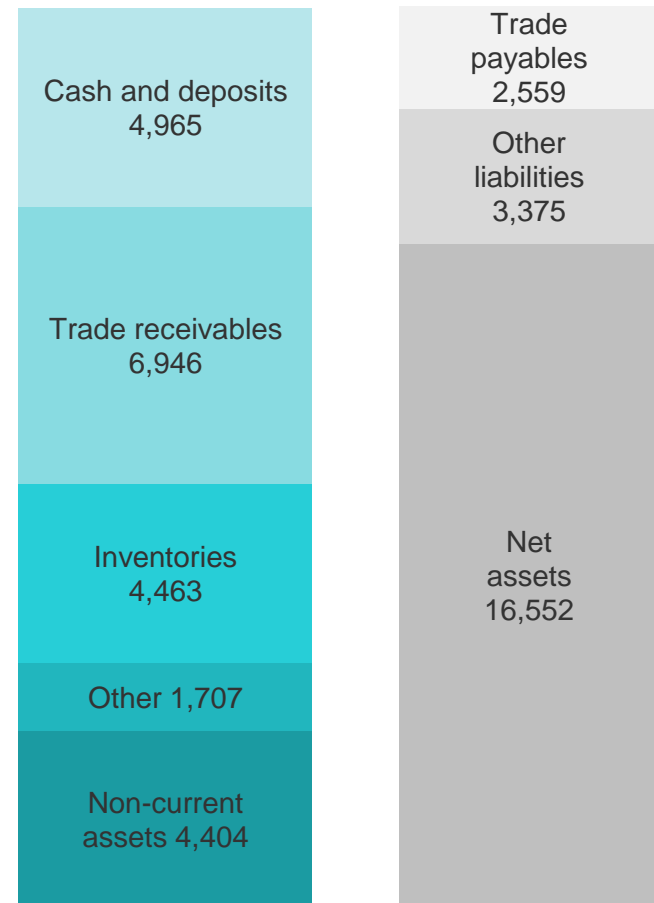
Consolidated Balance Sheet

[Millions of yen]

As of March 31, 2024



As of December 31, 2024



(Change factors)

Net assets(283)・・・Dividends paid(1,503),Profit +1,071,and accumulated other comprehensive income+142

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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IR News Mail



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