

**Financial Results for the Year Ended March 2018 [Based on the Japanese Accounting Standards]
(Consolidated)**

May 9, 2018

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

Stock market: Tokyo Stock Exchange First Section

Code No.: 2676

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

Representative (job title): Hideo Toda (President and CEO)

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

General Manager of the Corporate Management Division)

TEL: 03-3355-1111

Date of the shareholder's meeting: June 27, 2018

Date of dividends payment: June 28, 2018

Registration date of annual securities report: June 28, 2018

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

1. Consolidated Financial Results for the Year ended March 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results

(Percent figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2017	19,570	2.8	663	32.6	706	0.9	130	(53.2)
FY 2016	19,037	(4.8)	500	14.6	700	70.4	279	171.0

Note: Comprehensive income: 340 million yen (Δ 17.4 %) for FY 2017

412 million yen (— %) for FY 2016

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
FY 2017	14.02	14.00	0.9	3.8	3.4
FY 2016	29.66	—	2.0	3.8	2.6

Reference: Equity in earnings (losses) of affiliates: 3 million yen for FY 2017

0 million yen for FY 2016

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY 2017	18,566	13,958	75.1	1,492.86
FY 2016	18,561	13,834	74.5	1,480.61

Reference: Owner's equity: 13,948 million yen for FY 2017

13,825 million yen for FY 2016

(3) Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investment	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY 2017	143	(435)	(218)	5,069
FY 2016	898	(122)	(407)	5,563

2. Dividends

	Annual cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY 2016	—	12.00	—	12.00	24.00	224	80.9	1.6
FY 2017	—	12.00	—	12.00	24.00	224	171.2	1.6
FY 2018 forecast	—	12.00	—	12.00	24.00		28.0	

3. Forecast of Consolidated Operating Results for FY 2018 (from April 1, 2018 to March 31, 2019)

(Percent figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY 2018 1st half	9,700	3.0	260	22.9	260	2.8	150	21.4	16.05
FY 2018	22,500	15.0	1,200	80.8	1,200	69.8	800	511.2	85.62

* Notes:

(1) Changes to principal subsidiaries during the period (changes to specified subsidiary companies accompanying a change to the scope of consolidation): None

(2) Changes in accounting policies and estimates, and retrospective restatement:

(i) Changes in accounting policies due to amendments of accounting standards, etc.: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(3) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury shares)

FY 2017	10,171,800	FY 2016	10,171,800
FY 2017	827,990	FY 2016	833,957
FY 2017	9,339,160	FY 2016	9,431,688

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

(iii) Average number of shares issued during the period

Reference: Non-consolidated Financial Results

Non-consolidated Financial Results for the Year ended March 2018 (from April 1, 2017 to March 31, 2018)

(1) Non-consolidated Operating Results

(Percent figures represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2017	14,259	2.7	596	21.2	650	(7.5)	440	(3.5)
FY 2016	13,889	(5.5)	492	(17.7)	702	13.2	456	11.3

	Net income per share	Fully diluted net income per share
	yen	yen
FY 2017	47.15	47.10
FY 2016	48.39	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2017	17,908	14,401	80.4	1,540.25
FY 2016	17,808	14,056	78.9	1,504.46

Reference: Owner's equity: 14,391 million yen for FY 2017, 14,048 million yen for FY 2016

* This financial summary is not subject to audit procedure.

* Appropriate use of forecasts and other items warranting special mention:

(Note on the forecasts, etc.)

The operating result forecast and other forward-looking statements contained in this report are based on the information currently available to the Company and certain assumptions the Company considers reasonable, and the Company by no means guarantees such achievement. In addition, final results may differ significantly from forecasts due to a variety of factors. With regard to the assumptions for result forecasts, see P. 2 of the attached material, "1. Analysis of Operating Results/Financial Position (1) Analysis of Operating Results."

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1. Analysis of Operating Results/Financial Position

(1) Analysis of Operating Results

(i) Operating Results for current consolidated fiscal year

For the current consolidated fiscal year, the economy showed a trend for continued gradual recovery supported by a turnaround of exports, an upward trend in capital spending, and growth in consumer spending resulting from improvement in the employment/income environment. For the outlook, amid the continuing improvement trend in the employment/income environment, the economy is expected to gradually recover as a result of various economic countermeasures. However, we need to pay attention to the overseas situation, including the geopolitical risk, BREXIT, and the operation of economic policies in the United States.

Although the market environment for our Group remains harsh due to increasingly fierce competition, we are striving to improve profitability by creating original added value to achieve further growth and expand our global business by entering growing markets primarily in Asia.

In the System Segment, we have made efforts to increase the added value of our flagship products, Electronic Article Surveillance Systems and Access Control Systems, develop new markets for RFID Systems, Retail Security Solutions, and Cloud-based Wireless LAN Systems, and expand the Fire Protection System Business, which is operated in Thailand and the ASEAN region.

In the Device Segment Semiconductor Business, we have promoted sales in the telecom infrastructure area and increasing added value, such as unique board designs using a variety of semiconductors. In the Industrial Systems Business, we have focused on sales of Mechanical Components for residential equipment in North America, the ASEAN region and China, in addition to conventional sales of Mechanical Components for ATMs, as well as the development of the automobile interior components market in Japan and overseas.

For operating results for the current consolidated fiscal year, sales increased 2.8 percent YOY to 19,570 million yen due to a growth in the System Segment, despite YOY sales decrease in the Device Segment arising from weakness in Mechanical Component Products.

In terms of the profit and loss status, operating income increased 32.6 percent YOY to 663 million yen as a result of a 183 million yen decrease in selling, general and administrative expenses. Ordinary income increased 0.9 percent YOY to 706 million yen with a 163 million yen increase in operating income, despite a 101 million yen decrease in foreign exchange gains. Net income attributable to shareholders of the parent decreased 53.2 percent YOY to 130 million yen as a result of the recording of an impairment loss of 253 million yen. For the impairment loss, Guardfire, which was acquired in November 2014, faced a shortfall in the plan as a result of a delay in the construction plan for oil and generation plants arising from low crude oil prices for the last three years. Therefore, we carefully considered the collectability of non-current assets, such as goodwill, and reduced a part of the non-current assets to the collectable amount.

The operating results of each Segment are as follows:

(System Segment)

System Segment sales increased 5.6 percent YOY to 11,980 million yen and operating income increased 84.2 percent YOY to 543 million yen.

For Security Solution Products, sales increased 6.7 percent YOY to 7,651 million yen, with a sales increase resulting from obtaining replacement demand for the Electronic Article Surveillance Systems, solid sales of the Display Security Systems for major cellphone carriers and the Access Control Systems for foreign companies, and a YOY sales increase of the Fire Protection Systems in Thailand.

For Other System Solution Products, sales increased 3.5 percent YOY to 1,668 million yen due to solid sales in cloud-based wireless LAN Systems and RFID tags.

For Customer Service Products, sales increased 3.9 percent YOY to 2,661 million yen due to an increase in revenues from installation and maintenance services associated with a sales increase in retail security products and business solution products.

(Device Segment)

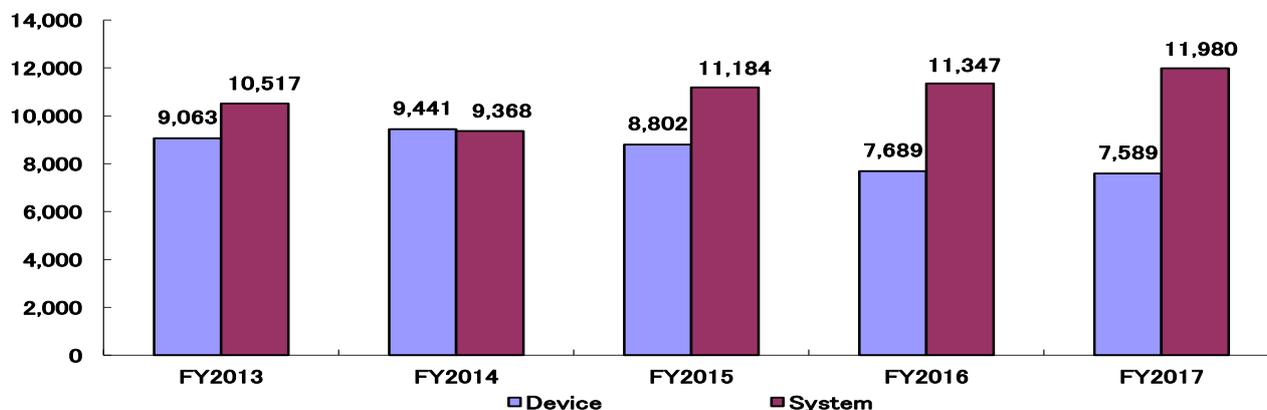
Device Segment sales decreased 1.3 percent YOY to 7,589 million yen and operating income decreased 56.6 percent YOY to 91 million yen.

For Semiconductor Products, sales increased 15.3 percent YOY to 3,529 million yen as a result of solid sales of electronic parts for the automotive market and semiconductor manufacturing equipment, despite weak sales of products for the amusement market.

For Mechanical Component Products, sales decreased 12.3 percent YOY to 4,060 million yen, as a result of weak sales of products for ATMs and the amusement market, despite solid sales in Mechanical Components for office furniture and housing equipment, the operation of which started in the U.S. market.

(millions of yen)

Sales by Segment



(ii) Future Outlook

The economy showed a trend for continued gradual recovery supported by a turnaround of exports, an upward trend in capital spending, and growth in consumer spending resulting from improvement in the employment/income environment. For the outlook, amid the continuing improvement trend in the employment/income environment, the economy is expected to gradually recover as a result of various economic countermeasures. However, we need to pay attention to the overseas situation, including the geopolitical risk, BREXIT, and the operation of economic policies in the United States.

Under such circumstances, our Group will strive to achieve further business growth by conducting the medium-term management plan with the slogan of "Challenge toward 2018 -Beyond Boundaries-."

Specifically, in the System Segment, we will strive to promote sales of composite solutions for the retail industry, which combine image recognition with the Electronic Article Surveillance System, Display Security Systems for cellphone carriers, RFID systems primarily for the apparel market and cloud-based wireless LAN, where the market is rapidly growing. As for global business, we will make efforts to sell distinctive RFID tags (linen tags) in the Europe and U.S. and win deals for fire protection systems for power plants, which are expected to enjoy the expansion of demand of power in the ASEAN region, and for oil industrial complexes, where investment tends to recover due to the higher crude oil prices.

With regard to the Device Segment, we will strive to develop the industrial equipment area – primarily in the telecommunication infrastructure market – in Semiconductor Businesses, and enter the U.S. market through Takachiho America, Inc. in the Industrial Systems Business.

For the result forecast for the next fiscal year, we expect sales to be 22,500 million yen, ordinary income to be 1,200 million yen and net income attributable to owners of parent to be 800 million yen.

Sales forecasts by Segment are as follows:

	System	Device	Total
Net sales (million yen)	13,650	8,850	22,500
Rate of increase compared to FY 2017 (%)	13.9	16.6	15.0

(2) Analysis of Financial Position

(i) Assets, liabilities and net assets

Total assets as of the end of the current consolidated fiscal year increased 5 million yen YOY to 18,566 million yen. This is because investment securities, notes, and accounts receivable - trade, prepaid expenses and merchandise and finished goods increased 403 million yen, 287 million yen, 95 million yen, and 85 million yen, respectively, while securities decreased 500 million yen as a result of the withdrawal of certificate deposits, and goodwill decreased 399 million yen. Liabilities decreased 118 million yen YOY to 4,607 million yen. This is because notes and accounts payable - trade decreased 109 million yen.

Net assets increased 124 million yen YOY to 13,958 million yen. This is because the valuation difference on available-for-sale securities increased 120 million yen. The equity ratio increased 0.6 point from the end of the previous consolidated fiscal year to 75.1 percent.

(ii) Cash flow

Cash and cash equivalents as of the end of the current consolidated fiscal year decreased 494 million yen (8.9 percent) YOY to 5,069 million yen.

(Cash flow from operating activities)

Cash flow from operating activities during the current consolidated fiscal year decreased 755 million yen YOY to 143 million yen. This is because net income before taxes and minority interests amounted to 453 million yen with income taxes paid being 318 million yen, account receivable - trade increasing 177 million yen, accounts payable - trade decreasing 113 million yen, and inventories increasing 106 million yen, while the impairment loss and amortization of goodwill amounted to 253 million yen and 192 million yen, respectively.

(Cash flow from investment)

Cash flow from investment activities during the current consolidated fiscal year decreased 313 million yen YOY to -435 million yen. This is due to -227 million yen from the acquisition of investment securities and -82 million yen from the acquisition of non-current assets, respectively.

(Cash flow from financing activities)

Cash flow from financing activities during the current consolidated fiscal year increased 189 million yen YOY to -218 million yen. This is due to dividend payments of 224 million yen.

Index	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Equity ratio (%)	73.9	75.0	75.8	74.5	75.1
Capital adequacy ratio based on current market value (%)	54.4	50.3	47.5	50.5	67.5
Interest coverage ratio	262.3	937.1	154.8	599.9	72.5

Note: The above indexes are calculated according to the following formula:

$$\text{Equity ratio} = \text{Shareholder's equity} \div \text{Total assets}$$

$$\text{Capital adequacy ratio based on the current market value} = \text{Market capitalization} \div \text{Total assets}$$

$$\text{Interest coverage ratio} = \text{Operating cash flow} \div \text{Interest expenses paid}$$

1. Each index is calculated based on the consolidated financial numerical values.
2. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares issued at the end of the fiscal year (after deduction of treasury shares).
3. Operating cash flow represents cash flow from operating activities. Interest expenses paid represent the relevant amount paid in the Consolidated Cash Flow Statements.

(3) Basic Policy for profit sharing and dividends for the current and next fiscal years:

The Company makes it its basic policy to pay dividends in a stable manner and considers it an important business challenge to return profits to our shareholders and to stably and continuously pay dividends. At the same time, we have focused on investment for future growth and through retained earnings for business expansion.

The year-end dividend for the current fiscal year will be 12 yen per share. Since we distributed an interim dividend of 12 yen per share, the total annual dividend will be 24 yen per share. We also plan to continue paying dividends twice a year with the record dates being September 30 and March 31 in the next fiscal year.

2. Corporate Group

Our Group consists of 13 companies, namely, the Company, 10 consolidated subsidiaries, 1 affiliated company, and 1 non-consolidated subsidiaries. The Group carries out a variety of business operations, and is engaged in export, import and sale of products, and the provision of services such as installation, maintenance, system design and system operation subcontracting by seeking and securing high-tech electronics products from outstanding overseas manufacturers.

The Products currently handled by us are security systems, other system equipment, application software, semiconductor/electronic parts, mechanical components, etc.

The Positioning of products and the correlation between segments and products in our business is as follows:

<System Segment>

(Security Solution Products)

Our Group is engaged in consulting and designing systems in the security of electronic article surveillance/video monitoring, etc., and selling electronic article surveillance systems, access control systems, surveillance cameras, monitoring video recording apparatuses and retail security equipment, such as security tags, as well as store management equipment, such as customer traffic counters and operational support services. The Group conducts sales to a wide variety of customers in the retail and distribution industries, ranging from large-scale stores such as shopping centers to small stores such as drugstores. We are also engaged in designing/establishing Fire Protection Systems for the POG* Business and selling related equipment for office buildings, commercial facilities, power-generating energy-related plants, natural gas/petrochemical plants, etc.

Mighty Cube Co.,Ltd. develops and sells self-alarming tag systems for electronic article surveillance and carries out transactions with various customers, including hardware stores and electronic retail stores.

Takachiho Fire, Security & Services (Thailand) Ltd. of Thailand is engaged in consulting and designing systems in the security of electronic article surveillance/video monitoring, etc., and selling electronic article surveillance systems, access control systems, surveillance cameras, Fire Protection Systems, etc.

Guardfire Limited and Guardfire Singapore Pte. Ltd. are engaged in the system design and sale of fire protection systems for the POG* Business in Southeast Asia.

*Fire protection systems for the oil, gas, petrochemical and power generation industries.

(Other System Solution Products)

Our Group is also engaged in designing/establishing cutting-edge electronics technology systems and selling related equipment, such as network system equipment (Cloud-based Wireless LAN Systems), RFID tags for logistics/inventory control systems, etc., related peripheral equipment and automated postal mail inserters (folding and inserting machines) capable of enclosing postal mail, printing addresses, sorting postal mail, etc.

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

Mighty Cube Co.,Ltd. as the leading RFID technology company in Japan, is engaged in the system development, sales, etc., of RFID Tags (contactless IC chips) and peripheral equipment (Reader/writer).

(Customer Service Products)

Our Group is engaged in system design, delivery and installation, maintenance, subcontracting of system operations and operational surveillance services for various products handled in the System Segment.

To enhance customer satisfaction through a prompt response, we also offer services 24 hours a day, 365 days a year and from 300 service bases throughout Japan.

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

<Device Segment>

(Semiconductors Products)

Our group is engaged in sales and consulting (design support for electronic equipment) of various types of semiconductors as represented by analog IC, sensors such as silicon microphone and electronic parts. These products are used in various areas, such as industrial electronics equipment, IP-PBX (private branch exchange) and information-telecommunications equipment including smartphones.

TAKACHIHO KOHEKI (H.K.) LIMITED and TAKACHIHO TRADING (SHANGHAI) Co., Ltd. are engaged in selling the above-mentioned products in China and Southeast Asia.

(Mechanical Component Products)

Our Group is engaged in selling and consulting in mechanical components that enhance safety, convenience and comfort, such as slide rails, gas springs and lifting systems. These products are used for opening and closing/withdrawal/safety mechanism (slide rails/gas springs/cylinder lock systems) of ATMs, etc., at financial institutions and convenience stores, withdrawal/lifting mechanism (slide rails/lifting systems) of built-in kitchen systems, paper feeding mechanism (slide rails/dampers) of copiers, etc.

TAKACHIHO KOHEKI (H.K.) LIMITED, TAKACHIHO TRADING (SHANGHAI) CO., Ltd. and Takachiho America, Inc. are engaged in selling the above-mentioned products in China and Southeast Asia.

Correlation between Segment and Products:

Segment	Contents of main businesses	Principal companies
Systems		
Security Solution Products	Sales and designing/establishment of various types of systems, such as electronic article surveillance systems (shoplifting prevention devices, sensor cable type alarm units, security tags, etc.), video monitoring systems, access control systems and fire protection systems for POG* Business *Fire protection systems for the oil, gas, petrochemical and power generation industries.	TAKACHIHO KOHEKI CO., LTD.
		Mighty Cube Co.,Ltd
		Takachiho Fire, Security & Services (Thailand) Ltd.
		Guardfire Limited
Other System Solution Products	Sales and designing/establishment of various types of systems, such as network system equipment (Cloud-based Wireless LAN Systems), RFID tags for logistics/inventory control systems, etc., related peripheral equipment and automated insertion systems (enclosing/sealing machines), etc.	TAKACHIHO KOHEKI CO., LTD.
		Mighty Cube Co.,Ltd
		TK Communication Technology co., Ltd
Customer Service Products	System design, installation and maintenance, subcontracting of system operations and operational surveillance services for various products in the System Segment.	TAKACHIHO KOHEKI CO., LTD.
		TK Communication Technology co., Ltd
Devices		
Semiconductor Products	Sales of various types of semiconductors (analog ICs, etc.), sensors (silicon microphones, etc.) and electronic parts	TAKACHIHO KOHEKI CO., LTD.
		TAKACHIHO KOHEKI (H.K.) LIMITED
		TAKACHIHO TRADING (SHANGHAI) CO., Ltd.
		Japan Micro Electronics Note 1
Mechanical Component Products	Sales of mechanical components, etc., for safety/labor saving, such as slide rails, gas springs, cylinder lock systems, dampers and lifting systems	TAKACHIHO KOHEKI CO., LTD.
		TAKACHIHO KOHEKI (H.K.) LIMITED
		TAKACHIHO TRADING (SHANGHAI) CO., Ltd.
		Takachiho America,Inc.

Notes: 1. Japan Micro Electronics is an equity method affiliate.

2. Terms such as product names and technical terminology:

(1) Security Tags: Special tags attached to products that enable shoplifting prevention devices to work.

(2) Cloud-based Wireless LAN System: a system capable of managing wireless LAN access points on the net

(3) RFID Tags: Special tags with micro IC chips having product information and antennas built in.

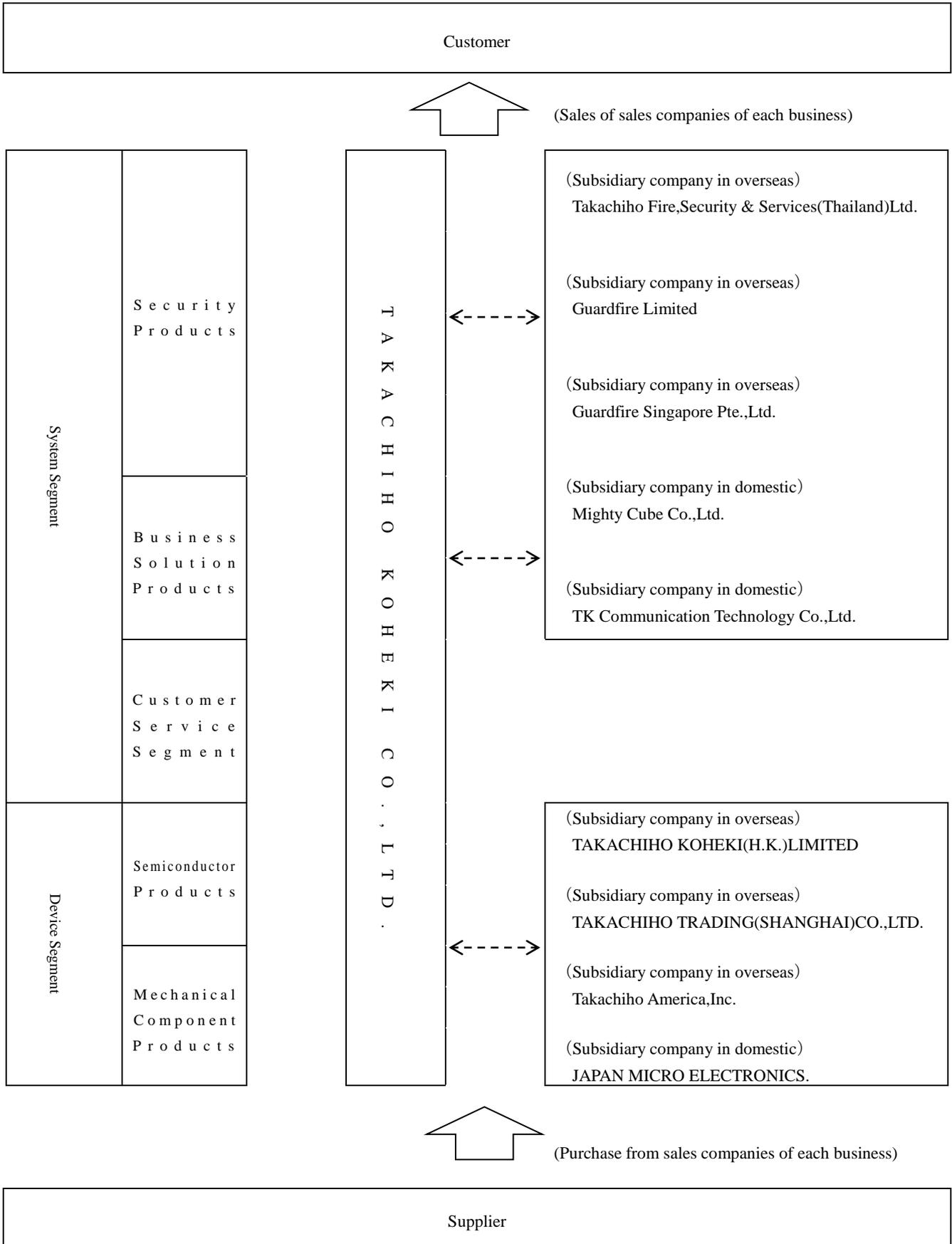
(4) Mail inserters (folding and inserting machines): Automated equipment for selection/enclosing and sealing operations of postal mail

(5) Slide Rails: Metallic rails with ball bearings built in that enable the easy pulling of heavy loads or drawers.

(6) Gas Springs: Using nitrogen gas, these springs enable heavy doors to be easily pulled upward or downward through the repulsion force of the gas

(7) Dampers: Cushioning mechanisms that make use of oil viscosity resistance to absorb shock when opening or closing a drawer.

The overview of the Group's business is as follows:



Note: Dotted lines represent transactions within the Group.

3. Management Policies

(1) Basic management policies of the Company

The Company promotes its management based on the corporate philosophy of creation at the heart of our business activities and through its technological expertise. As a technology trading company, the company will pursue 3 principal goals: 1. Enhance customer satisfaction; 2. Gain worldwide trust by enhancing our technological expertise, skills and humanity; 3. Contribute to society by making concerted efforts for paving the way to a bright future.

Our group conducts business activities by maintaining Safety/Security/Comfort as a core mission. As a technology trading company, by leveraging our extensive track record and experience and providing highly-specialized solutions, we intend to enhance customer corporate value.

In recognizing our CSR (Corporate Social Responsibility) as a corporate citizen and through the implementation of responsible, sincere and transparent business activities, our Group will promote management that can be trusted by all stakeholders and maintain and improve company's value.

(2) Targeted management indexes

The Company, aiming a V-shape recovery in the final fiscal year 2018 of medium-term management plan, has established a consolidated sales target of 25,500 million yen and a consolidated ordinary income target of 1,500 million yen. To realize the target, the company has been promoting measures as the pillars of its growth strategy by boosting revenues from existing business with creation of additional value, expanding global business, and creating new business.

Among existing business, the security business is expected to achieve results above the medium-term management plan mainly in access control for companies and security systems for stores. But described on page 2 "1. Analysis of Operating Results (1) Operating results for current consolidated fiscal year," we faced the shrink of ATM market and a delay in global business. Therefore we decided to revise consolidated sales and operating income targets to 22,500 million yen and 1,200 million yen in the medium-term business plan, which faces the final fiscal year in the end of March 2019.

Management policies and business strategies are unchanged in the medium-term management plan. Our Group will increase enterprise value as a unit and seek sustainable growth.

(3) Medium to long term management strategies of the Company

Our group conducts business in various industries such as finance, manufacturing, retail and information, telecommunications and construction of large plant. Facing rapid changes in the economic environment, our management strategies also need to change correspondingly.

Being confident that satisfying our customers through high-value added proposals is essential to our sustainable growth, we will promote the development of unique products and services by utilizing the creativity at the heart of our business activities. Our group has been driving the three-year medium-term management plan with the final fiscal year of FY2018.

(i) Recognition of business environment

During stagnation in the real economy resulting from instability in overseas economies despite continuing recovery in Japan, in our business areas, the following are expected: the expansion of needs for security arising from a global increase in terrorism and crimes, the expansion of demand for electric power in the Asian region, demand from the Olympic Games, emergence of new markets such as IoT, cloud for IT and telecommunication and also the expansion of the RFID market. The Company will make efforts for further growth by getting market opportunities.

(ii) Medium-term management policy

Our medium-term management policy is the "Achievement of profit growth through the creation of original solutions and the global businesses expansion" and is designed to build a business foundation which allows us to achieve a V-shaped recovery of profit for attaining ordinary income of 2,000 million yen in FY2020.

For this, we try to create a new market by using our Group strength such like specialized technology and products, regions, customers and experience in our business areas operates in Japan and overseas, with the following challenges under the medium- to long-term slogan "Challenges toward 2018 -Beyond Boundaries-."

Boundary 1: Beyond the boundary between organizations

By integrating the technology and sales networks of each company operating specialized businesses within the Group and we will establish the uniqueness to increase competitiveness.

Boundary 2: Beyond geographical boundaries

Accelerate entries into expanding overseas markets to strengthen growth of the Group.

Boundary 3: Challenge to boundaries of business domain

Build the cycle for boosting revenues by adding new business domains for the Group through the challenges toward the new emergence market.

(iii) Management Strategy

- (A). Boost revenues and profit from existing businesses
 - a. Strengthen competitiveness through unique system solutions where the strengths of the Group are integrated
 - b. Device solutions to increase the value of clients' products through original customization
 - c. Strengthen sales/technical support seeking customer satisfaction
- (B). Expand our global business
 - a. Expand Fire Protection System Business in South East Asia
 - b. Accelerate overseas expansion of Industrial mechanical components Business
 - c. Promote sales of security business in China and South East Asia
 - d. Sell special RFID tags in overseas markets
- (C). Create new business
 - a. Expand RFID business by developing new markets and solutions
 - b. Develop/expand new businesses in growing areas (including EC business, video cloud business and water environment business)
- (D). Business management
 - a. Realize organizational scheme and globalization, development of human resources to strengthen competitiveness and improvement of employee education system to achieve the medium-term management plan.
 - b. Strengthen risk management system corresponding to globalization and expansion of group management
 - c. Continuously strengthen the governance system across the Group
- (E). Dividend policy
 - a. Maintain the basic policy of paying stable dividends and consider stability and continuity, as well as profit return to shareholders as a managerially significant issue
 - b. Keep internal reserves for M&As and alliances as growth investment for business expansion

Our group has strived at operating businesses at high speed and low cost by increasing productivity and efficiency. To seek the efficient management of company resources, we will continue to promote following:

- (i) Achieve low cost operation by reducing costs for procuring products and sales and administration expenses
- (ii) Strengthen salesforce through prompt business processing/sophisticated use of IT (information technology).
- (iii) Improve inventory turnover through inventory reduction

Our group will make proactive efforts for CSR activities as a corporate citizen targeting management that can be trusted by all stakeholders.

(4) Issues facing the Company

Aiming for further growth, our Group will strive to lower the breakeven point by increasing gross profit and reducing selling, general and administrative expenses, as well as deal with the following issues to achieve further growth under the medium-term management plan for 2016-2018 "Challenge toward 2018 -Beyond Boundaries-," which was announced in the year before last.

- (i) Boost revenues from existing businesses;
- (ii) Expand our global business
- (iii) Create new business
- (iv) Strengthen the organization and training for human resources
- (v) Strengthen group management and businesses operations

4. Basic stance relating to the selection of accounting standards

Most stakeholders of the Group are domestic shareholders, creditors, and business partners. In addition to considering the fact with the rare need for overseas financing and some burden, etc., from developing a system for preparing consolidated financial statements based on International Accounting Standards, it is our principle for the time being to prepare consolidated financial statements based on the Japanese Accounting Standards.

Furthermore, taking into account the trend of foreign ownership and the trend of the application of International Accounting Standards by other domestic companies in the same industry, etc., we intend to consider applying the International Accounting Standards.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	6,163	6,169
Notes and accounts receivable - trade	5,989	6,277
Securities	500	—
Merchandise and finished goods	2,330	2,416
Raw materials	80	107
Deferred tax assets	131	138
Other	511	587
Allowance for doubtful accounts	(7)	(18)
Total current assets	15,699	15,679
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24	21
Land	128	128
Other, net	151	152
Total property, plant and equipment	※ 1 304	※ 1 302
Intangible assets		
Goodwill	1,058	659
Other	88	70
Total intangible assets	1,147	729
Investments and other assets		
Investment securities	※ 2 835	※ 2 1,238
Deferred tax assets	135	84
Other	438	531
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,409	1,854
Total non-current assets	2,861	2,886
Total assets	18,561	18,566

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,749	2,640
Income taxes payable	193	188
Provision for bonuses	245	245
Provision for directors' bonuses	11	10
Other	834	802
Total current liabilities	4,034	3,887
Non-current liabilities		
Long-term accounts payable - other	24	24
Net defined benefit liability	631	658
Other	35	36
Total non-current liabilities	691	719
Total liabilities	4,726	4,607
Net assets		
Shareholders' equity		
Capital stock	1,209	1,209
Capital surplus	1,170	1,171
Retained earnings	12,237	12,144
Treasury shares	(783)	(777)
Total shareholders' equity	13,833	13,746
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	219	339
Foreign currency translation adjustment	(210)	(119)
Remeasurements of defined benefit plans	(16)	(17)
Total accumulated other comprehensive income	(7)	202
Share acquisition rights	8	9
Non-controlling interests	0	0
Total net assets	13,834	13,958
Total liabilities and net assets	18,561	18,566

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	19,037	19,570
Cost of sales	14,223	14,776
Gross profit	4,813	4,793
Selling, general and administrative expenses	※ 1 4,313	※ 1 4,130
Operating profit	500	663
Non-operating income		
Interest income	2	1
Dividend income	15	15
Foreign exchange gains	114	12
Insurance income	2	0
Compensation income	30	—
Share of profit of entities accounted for using equity method	0	3
Gain on bad debts recovered	—	5
Gain on adjustment of account payable	28	—
Other	10	8
Total non-operating income	204	48
Non-operating expenses		
Interest expenses	1	1
Commission fee	2	2
Other	0	0
Total non-operating expenses	4	5
Ordinary profit	700	706
Extraordinary income		
Gain on sales of investment securities	0	—
Gain on sales of golf memberships	—	1
Gain on reversal of share acquisition rights	11	0
Total extraordinary income	11	1
Extraordinary losses		
Merger expenses	19	—
Impairment loss	※ 2 100	※ 2 253
Loss on retirement of non-current assets	—	1
Settlement package	3	—
Total extraordinary losses	123	254
Profit before income taxes	588	453
Income taxes - current	303	330
Income taxes - deferred	4	(7)
Total income taxes	308	322
Profit	279	130
Profit attributable to owners of parent	279	130

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	279	130
Other comprehensive income		
Valuation difference on available-for-sale securities	60	120
Foreign currency translation adjustment	54	90
Remeasurements of defined benefit plans, net of tax	17	(1)
Total other comprehensive income	※ 1 132	※ 1 209
Comprehensive income	412	340
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	412	340

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,208	1,169	12,194	(604)	13,967
Changes of items during the period					
Issuance of new shares	0	0			1
Changes of scope of consolidation			(10)		(10)
Dividends from surplus			(226)		(226)
Profit attributable to owners of parent			279		279
Acquisition of Treasury Shares				(179)	(179)
Net changes of items other than shareholders' equity during the period					
Total changes of items during the period	0	0	43	(179)	(134)
Balance at the end of the period	1,209	1,170	12,237	(783)	13,833

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	158	(265)	(33)	(140)	17	0	13,844
Changes of items during the period							
Issuance of new shares							1
Changes of scope of consolidation							(10)
Dividends from surplus							(226)
Profit attributable to owners of parent							279
Acquisition of Treasury Shares							(179)
Net changes of items other than shareholders' equity during the period	60	54	17	132	(8)	—	124
Total changes of items during the period	60	54	17	132	(8)	—	(10)
Balance at the end of the period	219	(210)	(16)	(7)	8	0	13,834

Current Consolidated Fiscal Year (from April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	1,209	1,170	12,237	(783)	13,833
Changes of items during the period					
Dividends from surplus			(224)		(224)
Profit attributable to owners of parent			130		130
Acquisition of Treasury Shares				(0)	(0)
Disposition of Treasury Shares		1		5	6
Net changes of items other than shareholders' equity during the period					
Total changes of items during the period	—	1	(93)	5	(86)
Balance at the end of the period	1,209	1,171	12,144	(777)	13,746

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the period	219	(210)	(16)	(7)	8	0	13,834
Changes of items during the period							
Dividends from surplus							(224)
Profit attributable to owners of parent							130
Acquisition of Treasury Shares							(0)
Disposition of Treasury Shares							6
Net changes of items other than shareholders' equity during the period	120	90	(1)	209	0		210
Total changes of items during the period	120	90	(1)	209	0	—	124
Balance at the end of the period	339	(119)	(17)	202	9	0	13,958

(4) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	588	453
Depreciation	124	103
Loss (gain) on sales of investment securities	(0)	—
Loss (gain) on sales of golf club memberships	—	(1)
Impairment loss	100	253
Gain on reversal of share acquisition rights	(11)	(0)
Amortization of goodwill	346	192
Interest and dividend income	(17)	(17)
Interest expenses	1	1
Increase (decrease) in provision for bonuses	0	(1)
Increase (decrease) in provision for directors' bonuses	9	(0)
Increase (decrease) in allowance for doubtful accounts	(4)	9
Increase (decrease) in net defined benefit liability	(16)	15
Decrease (increase) in notes and accounts receivable - trade	(61)	(177)
Decrease (increase) in inventories	(81)	(106)
Increase (decrease) in notes and accounts payable - trade	307	(113)
Increase(decrease)in subscription rights to shares	2	1
Other, net	3	(174)
Subtotal	1,292	438
Interest and dividend income received	17	17
Interest expenses paid	(1)	(1)
Income taxes paid	(421)	(318)
Income taxes refund	11	7
Net cash provided by (used in) operating activities	898	143
Cash flows from investing activities		
Purchase of property, plant and equipment	(111)	(63)
Purchase of investment securities	(0)	(227)
Proceeds from sales of investment securities	0	—
Purchase of intangible assets	(11)	(19)
Proceeds from sales of golf club memberships	—	1
Other, net	0	(126)
Net cash provided by (used in) investing activities	(122)	(435)
Cash flows from financing activities		
Cash dividends paid	(226)	(224)
Proceeds from issuance of common shares	1	—
Purchase of treasury shares	(179)	(0)
Repayments of lease obligations	(3)	(1)
Other, net	—	6
Net cash provided by (used in) financing activities	(407)	(218)
Effect of exchange rate change on cash and cash equivalents	23	16
Net increase (decrease) in cash and cash equivalents	391	(494)
Cash and cash equivalents at beginning of period	5,158	5,563
Increase in cash and cash equivalents from newly consolidated subsidiary	13	—
Cash and cash equivalents at end of period	※ 1 5,563	※ 1 5,069

(5) Note on going-concern assumption

Not applicable

(6) Significant matters constituting the basis for the preparation of consolidated financial statements

(i) Range of consolidation

a. Number of consolidated subsidiaries: 10 companies

Name of consolidated subsidiaries:

Mighty Cube Co.,Ltd.
TK Communication Technology co., Ltd
TAKACHIHO KOHEKI (H.K.) LIMITED
TAKACHIHO TRADING (SHANGHAI) Co., Ltd.
Takachiho Fire, Security & Services (Thailand) Ltd.
Guardfire Limited
Guardfire Singapore Pte. Ltd.
TK Thai Holdings Co., Ltd.
TK Fire Fighting Co., Ltd.
Takachiho America,Inc.

b. Non-consolidated subsidiaries

Name of non-consolidated subsidiary:

TKTEC K.K.

It is a small company with an insignificant effect, and it is unconsolidated.

(ii) Application of equity method

a. Affiliated company accounted for by the equity method

Name of affiliated company under the application of equity method:

Japan Micro Electronics K.K.

b. Non-consolidated subsidiaries not accounted for by equity method

Name of non-consolidated subsidiary not accounted for by equity method:

TKTEC K.K.

It is a small company with an insignificant effect, and it is not accounted for by the equity method.

(iii) Fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, TAKACHIHO KOHEKI (H.K.) LIMITED, TAKACHIHO TRADING (SHANGHAI) Co., Ltd. and Takachiho America,Inc. close accounts on December 31. In preparing the consolidated financial statements, their financial statements as of the same day were used. For significant transactions conducted from December 31 to the consolidated closing date, adjustments necessary for consolidation were made.

(iv) Accounting criteria

a. Criteria and methods for evaluating significant assets

(A) Securities

Other securities

Those with fair market value

Market value method, based on the market price as of the last day of the consolidated fiscal year (Appraisal differences are handled by means of the direct net asset influx method and their cost is based on the gross average method)

Those without fair market value

Evaluated at cost by gross average method

(B) Inventory

Mainly the cost method based on the moving average method (balance sheet values are calculated using the book value reduction method based on a decline in profitability)

b. Depreciation method of significant depreciable assets

(A) Property, plant and equipment (excluding leased assets)

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

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

Main useful life:

Buildings and structures: 10-50 years

Tools, furniture, and fixtures: 2-20 years

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

(B) Non-current intangible assets

The straight-line method was used.

The amortization period is the internally usable period (5 years) for software for internal use and the estimated effective life (3 years) for software for sale

(C) Leased assets

Leased assets associated with financial lease transactions that do not transfer ownership to the lessee

The straight-line method was used, assuming the lease period as the useful life and no residual value.

c. Criteria for provision of significant allowance and reserves

(A) Allowance for doubtful accounts

To prepare for credit losses, an allowance equal to the estimated amount of uncollectible claims was provided.

i. General claims

The method based on actual percentage of bad debts was used

ii. Doubtful claims, claims in bankruptcy and reorganization claims

An allowance equal to the estimated amount of uncollectible claims was provided after reviewing the collectability of each claim.

(B) Provision for bonuses

To prepare for the payment of bonuses to employees, among the estimated amount to be paid in the future, the portion attributable to the current consolidated fiscal year was provided.

(C) Provision for directors' bonuses

To prepare for the payment of bonuses to directors, among the estimated amount to be paid in the future, the portion attributable to the current consolidated fiscal year was provided.

d. Criteria for recording liabilities associated with retirement benefits

To prepare for the payment of retirement allowances to employees, based on the retirement benefit obligations and pension assets estimated at the end of the current consolidated fiscal year, the amount recognized to accrue at the end of the current consolidated fiscal year was recorded. In calculating the retirement benefit obligations, estimated retirement benefits were attributed to the period until the end of the current consolidated fiscal year, based on the benefit formula.

Actuarial differences distributed by specific years (5 years) within the average remaining service period of employees as of their occurrence were mainly expensed from the following consolidated fiscal year.

Unrecognized actuarial differences were recorded at re-measurements of defined benefit plans of accumulated other comprehensive income in the net assets after the adjustment of tax effects.

To prepare for the payment of retirement allowances to executive officers, additionally, the base amount at the end of the current consolidated fiscal year was recorded according to the internal rules on executive officers.

- e. Criteria for recognizing significant revenues and expenses
- Criteria for recognizing amount and cost of completed works
- (A) Works that will have a certain portion completed by end of the current consolidated fiscal year are recognized
Percentage of completion basis
- (B) Other works
Completion basis
- f. Criteria for converting significant foreign currency assets or liabilities into Japanese yen
- Foreign currency monetary claims and liabilities are converted into Japanese yen at the exchange rate at the end of the consolidated fiscal year and differences in conversion are recorded in profit or loss. Assets and liabilities and income and expenses of foreign subsidiaries are converted into Japanese yen at the rate of the closing date and differences in conversion are recorded in the foreign currency translation adjustment of the net assets
- g. Amortization method and period of goodwill
- Goodwill was equally amortized over its effective period (8 years).
- h. Scope of cash in consolidated cash flow statements
- Cash in the consolidated cash flow statements (cash and cash equivalents) include cash on hand, deposits that can be withdrawn at any time and liquid short-term investments with little risk of fluctuation in value with a period to maturity of 3 months or less
- i. Other significant matters for the preparation of consolidated financial statements
- Accounting treatment of consumption taxes
- Consumption tax and local consumption tax are accounted for on a tax-excluded basis and non-deductible consumption tax and local consumption tax are accounted for as an expense in the current consolidated fiscal year.

(7) Notes on Consolidated Financial Statements
(Consolidated Balance Sheet)

*1 Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (as of March 31, 2017)	Current consolidated fiscal year (as of March 31, 2018)
	874 million yen	911 million yen

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

	Previous consolidated fiscal year (as of March 31, 2017)	Current consolidated fiscal year (as of March 31, 2018)
Investment securities(Stocks)	42 million yen	45 million yen

(Consolidated Income Statements)

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

	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)		Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
	million yen		million yen
Salary and allowances	1,472	Salary and allowances	1,398
Provision for bonuses	200	Provision for bonuses	197
Provision for directors' bonuses	11	Provision for directors' bonuses	10
Retirement benefit cost	110	Retirement benefit cost	99
Rent	420	Rent	408
Depreciation	95	Depreciation	62

*2 Impairment loss

For the current consolidated fiscal year, our Group posted an impairment loss for the following asset group:

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

Location	Use	Type
Nasu-machi, Nasu-gun, Tochigi Prefecture, and other three places	Idle assets	Land
-	Other	Goodwill

Our Group fundamentally groups business assets by type of business and idle assets by each asset.

For the current consolidated fiscal year, with regard to the asset group with the collectible value being remarkably lower than book value of idle assets not used for business, an impairment loss of 12 million yen was recorded. All impairment losses are related to land.

With regard to goodwill that occurred as a result of the acquisitions made in 2012, after careful consideration of collectability, an impairment loss of 87 million yen, all of the residual value, was recorded.

The collectible amount of idle assets is measured at net selling value, based on the real estate appraisal value. The collectible amount of the asset group including goodwill is measured at value in use and the discount rate is not reflected because the estimated period of use is short.

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

Location	Use	Type
-	Other	Goodwill

(i) History toward recognition of impairment loss

Guardfire Limited and Guardfire Singapore Pte. Ltd. (hereinafter called Guardfire), which were acquired in November 2014, recorded a shortfall in operating results in the medium-term management plan due to a delay in the construction plan of oil and generation plants in ASEAN member states arising from low crude oil prices for last three years. In light of this, we carefully considered the collectability of the assets. Consequently, we reduced a part of the assets to the collectable amount and recognized an impairment loss.

(ii) Amount of impairment loss

Goodwill: 253 million yen

(iii) Method for grouping the assets

Our Group groups business assets according to type of business.

(iv) Method for calculating a collectable amount

Our Group measures a collectable amount of non-current assets of Guardfire, including goodwill, using the value in use calculated at the discount rate of 3.5 percent.

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustment and tax effects related to other comprehensive income

	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
Valuation difference on available-for-sale securities:	million yen	million yen
Current accrued amount	86	172
Reclassification adjustment	(0)	-
Before adjustment of tax effect	86	172
Tax effects	(25)	(51)
Valuation difference on available-for-sale securities	60	120
Foreign currency translation adjustment:		
Current accrued amount	54	90
Re-measurements of defined benefit plans:		
Current accrued amount	16	(5)
Reclassification adjustment	9	4
Before adjustment of tax effect	25	(1)
Tax effects	(7)	0
Re-measurements of defined benefit plans	17	(1)
Total other comprehensive income	132	209

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

1. Type and total number of shares issued and type and number of treasury shares

	Number of shares at the beginning of the current consolidated fiscal year (shares)	Increase in shares during the current consolidated fiscal year (shares)	Decrease in shares during the current consolidated fiscal year (shares)	Number of shares at the end of the current consolidated fiscal year (shares)
Shares issued				
Common stock (Note1)	10,170,300	1,500	—	10,171,800
Total	10,170,300	1,500	—	10,171,800
Treasury shares				
Common stock (Note2)	633,857	200,100	—	833,957
Total	633,857	200,100	—	833,957

(Note) 1. 1,500-share increase in total number of issued common stock is due to the new shares issued upon exercise of subscription rights to shares.

2. The 200,100 share increase in common treasury stock is due to a 200,000 share increase resulting from an acquisition of treasury shares upon the resolution of the board of directors and a 100 share increase resulting from the purchase of shares less than 1 unit.

2. Subscription rights to shares and treasury subscription rights to shares

Segment	Breakdown of subscription rights to shares	Type of stock subject to subscription rights to shares	Number of shares subject to subscription rights to shares (share)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase during the current consolidated fiscal year	Decrease during the current consolidated fiscal year	End of the current consolidated fiscal year	
TAKACHIHO KOHEKI CO., LTD.	Subscription rights to shares as stock option	—	—	—	—	—	8
Total		—	—	—	—	—	8

3. Dividends

(1) Dividends paid

(Resolution)	Type of stock	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 28, 2016	Common stock	114	12.00 yen	March 31, 2016	June 29, 2016
Board of directors' meeting held on November 4, 2016	Common stock	112	12.00 yen	September 30, 2016	December 5, 2016

(2) Among dividends whose record date belongs to the current consolidated fiscal year, those whose effective date falls in the next consolidated fiscal year

(Resolution)	Type of stock	Total dividends (million yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 28, 2017	Common stock	112	Retained earnings	12.00 yen	March 31, 2017	June 29, 2017

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

1. Type and total number of shares issued and type and number of treasury shares

	Number of shares at the beginning of the current consolidated fiscal year (shares)	Increase in shares during the current consolidated fiscal year (shares)	Decrease in shares during the current consolidated fiscal year (shares)	Number of shares at the end of the current consolidated fiscal year (shares)
Shares issued				
Common stock	10,171,800	—	—	10,171,800
Total	10,171,800	—	—	10,171,800
Treasury shares				
Common stock (Note1,2)	833,957	33	6,000	827,990
Total	833,957	33	6,000	827,990

(Note) 1. The 33 share increase in common treasury stock is due to the purchase of shares less than 1 unit.

2. The 6,000 share decrease in common treasury stock is due to the exercise of subscription rights.

2. Subscription rights to shares and treasury subscription rights to shares

Segment	Breakdown of subscription rights to shares	Type of stock subject to subscription rights to shares	Number of shares subject to subscription rights to shares (share)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase during the current consolidated fiscal year	Decrease during the current consolidated fiscal year	End of the current consolidated fiscal year	
TAKACHIHO KOHEKI CO., LTD.	Subscription rights to shares as stock option	—	—	—	—	—	9
Total		—	—	—	—	—	9

3. Dividends

(1) Dividends paid

(Resolution)	Type of stock	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 28, 2017	Common stock	112	12.00 yen	March 31, 2017	June 29, 2017
Board of directors' meeting held on November 2, 2017	Common stock	112	12.00 yen	September 30, 2017	December 5, 2017

(2) Among dividends whose record date belongs to the current consolidated fiscal year, those whose effective date falls in the next consolidated fiscal year

(Resolution)	Type of stock	Total dividends (million yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 27, 2018	Common stock	112	Retained earnings	12.00 yen	March 31, 2018	June 28, 2018

(Consolidated Cash Flow Statements)

*1 Relationship between ending balance of cash and cash equivalents and amounts of accounts stated on the consolidated balance sheet

	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
	million yen	million yen
Cash and deposits account	6,163	6,169
Negotiable deposits in the securities account	500	—
Fixed deposits for more than 3 months	(1,100)	(1,100)
Cash and cash equivalents	5,563	5,069

(Segment Information, etc.)

[Segment Information]

1. Summary of reporting segments

Our group's reporting segments are that among components of our group separated financial information is available, and they are regularly reviewed by the board of directors to evaluate decisions concerning the allocation of management resources and business results.

Our group establishes organizational units suited to the characteristics of products/services and prepares comprehensive strategies for Japan and overseas.

Therefore, our group is composed of segments based on the characteristics of products/services. The three reporting segments are System and Device.

The Systems segment provides consulting of system equipment and design, sale and operational services for systems, in particular security products. The Device segment sells products such as semiconductors and mechanical components and offers consulting services for these products.

2. Methods for calculating amounts of sales, profit or loss, assets, liabilities and other items for each reporting segment

Reported accounting methods for business segments are almost the same as those described in the significant matters constituting the basis for the preparation of the consolidated financial statements

3. Information concerning amounts of sales, profit or loss, assets, liabilities and other items for each reporting segment

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements (Note) 2
Sales					
Sales to external customers	11,347	7,689	19,037	—	19,037
Internal sales or transfers between segments	—	—	—	—	—
Total	11,347	7,689	19,037	—	19,037
Segment profit or loss	294	210	505	(4)	500
Segment assets	9,470	3,511	12,982	5,578	18,561
Other items					
Depreciation	40	35	76	48	124
Amortization of goodwill	346	—	346	—	346
Impairment loss	87	—	87	12	100
Investment to entities accounted for using equity methods	—	10	10	—	10
Increase in property, plant and equipment and non-current intangible assets	27	41	69	35	104

(Note) 1. Adjustments are as follows:

(1) Adjustments to segment profit or loss of (4) million yen are consolidated adjustments.

(2) Adjustments to segment assets of 5,578 million yen is the whole-company assets not attributed to reporting segments.

The whole-company assets mainly represent surplus working capital (cash and securities), funds for long-term investment (investment securities) and assets related to administrative departments such as the general affairs department.

(3) Adjustments to depreciation of 48 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.

(4) Adjustments to impairment loss of 12 million yen are mainly impairment loss of idle land.

(5) Adjustments to increase in property, plant and equipment and non-current intangible assets of 35 million yen are mainly increases in assets related to administrative departments such as the general affairs department.

(Note) 2. Segment profit or loss is reconciled to operating income on the consolidated income statements.

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements (Note) 2
Sales					
Sales to external customers	11,980	7,589	19,570	—	19,570
Internal sales or transfers between segments	—	—	—	—	—
Total	11,980	7,589	19,570	—	19,570
Segment profit or loss	543	91	634	29	663
Segment assets	9,356	3,794	13,151	5,414	18,566
Other items					
Depreciation	36	24	61	41	103
Amortization of goodwill	192	—	192	—	192
Impairment loss	253	—	253	—	253
Investment to entities accounted for using equity methods	—	13	13	—	13
Increase in property, plant and equipment and non-current intangible assets	31	12	43	38	81

(Note) 1. Adjustments are as follows:

- (1) Adjustments to segment profit or loss of 29 million yen are consolidated adjustments.
- (2) Adjustments to segment assets of 5,414 million yen is the whole-company assets not attributed to reporting segments.
The whole-company assets mainly represent surplus working capital (cash and securities), funds for long-term investment (investment securities) and assets related to administrative departments such as the general affairs department.
- (3) Adjustments to depreciation of 41 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.
- (4) Adjustments to increase in property, plant and equipment and non-current intangible assets of 38 million yen are mainly increases in assets related to administrative departments such as the general affairs department.

(Note) 2. Segment profit or loss is reconciled to operating income on the consolidated income statements.

[Related Information]

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

1. Information by product and service

Description is omitted because product and service segments are the same as reporting segments.

2. Information by region

(1) Sales

(Unit: millions of yen)

Japan	Asia		Other	Total
		Thai		
13,519	5,143	2,319	373	19,037

(Note) 1 Sales are classified by country or region, based on the location of customers.

2 Method for classifying country or region

Based on the geographic proximity

3 Major countries or regions in segments

Asia: countries in East and South East

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan is above 90% of that in the consolidated balance sheet.

3. Information by major customer

Description is omitted because among sales to external customers, there are no sales to a specific customer accounting for 10% or more of sales in the consolidated income statements.

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

1. Information by product and service

Description is omitted because product and service segments are the same as reporting segments.

2. Information by region

(1) Sales

(Unit: millions of yen)

Japan	Asia		Other	Total
		Thai		
14,098	5,136	2,820	334	19,570

(Note) 1 Sales are classified by country or region, based on the location of customers.

2 Method for classifying country or region

Based on the geographic proximity

3 Major countries or regions in segments

Asia: countries in East and South East

(2) Property, plant and equipment

Description is omitted because the amount of property, plant and equipment located in Japan is above 90% of that in the consolidated balance sheet.

3. Information by major customer

Description is omitted because among sales to external customers, there are no sales to a specific customer accounting for 10% or more of sales in the consolidated income statements.

(Per Share Information)

Item	Previous consolidated fiscal year	Current consolidated fiscal year
Net assets per share	1,480.61 yen	1,492.86 yen
Net income per share	29.66 yen	14.02 yen
Fully diluted net income per share	— yen	14.00 yen

(Note) 1. For the current consolidated fiscal year, the fully diluted net income per share is not presented because of no dilutive securities with a dilutive effect.

2. Basis for calculating net assets per share:

Item	Previous consolidated fiscal year (as of March 31, 2017)	Current consolidated fiscal year (as of March 31, 2018)
Total net assets in the consolidated balance sheet (million yen)	13,834	13,958
Net assets associated with common stock (million yen)	13,825	13,948
Major breakdown items of differences (million yen)		
Subscription rights to shares	8	9
Minority interests	0	0
Number of issued common stock (thousand shares)	10,171	10,171
Number of common stock for treasury (thousand shares)	833	827
Number of common stock used to calculate net assets per share (thousand shares)	9,337	9,343

3. Basis for calculating net income per share and fully diluted net income per share:

Item	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
Net income in the consolidated income statements (million yen)	279	130
Net income associated with common stock (million yen)	279	130
Amount not attributable to common stockholders (million yen)	—	—
Average number of common stock during the period (thousand shares)	9,431	9,339
Fully diluted net income per share		
Adjustments to net income (million yen)	—	—
Increases in common stock used to calculate fully diluted net income per share (thousand shares)	—	9
Subscription rights to shares		
Summary of dilutive shares not included to calculate fully diluted net income per share because of no dilutive effect	<p>Stock options granted by a resolution of the board of directors on July 19, 2013 (Subscription rights to shares: 44 units) Common stock: 66,000 shares</p> <p>Stock options granted by a resolution of the board of directors on July 17, 2015 (Subscription rights to shares: 55 units) Common stock: 82,000 shares</p>	<p>Stock options granted by a resolution of the board of directors on July 17, 2015 (Subscription rights to shares: 53 units) Common stock: 79,000 shares</p> <p>Stock options granted by a resolution of the board of directors on July 21, 2017 (Subscription rights to shares: 255 units) Common stock: 25,000 shares</p>

(Significant Subsequent Event)

Not applicable

6. Non-consolidated Financial Statements

(1) Balance sheet

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	3,832	3,927
Notes receivable - trade	359	276
Electronically recorded monetary claims - operating	434	635
Accounts receivable - trade	3,285	3,143
Securities	500	—
Merchandise and finished goods	1,569	1,538
Deferred tax assets	80	81
Other	413	514
Allowance for doubtful accounts	(0)	(0)
Total current assets	10,475	10,118
Non-current assets		
Property, plant and equipment		
Buildings, net	8	6
Tools, furniture and fixtures, net	131	131
Land	128	128
Other, net	10	9
Total property, plant and equipment	278	276
Intangible assets	50	38
Investments and other assets		
Investment securities	792	1,192
Shares of subsidiaries and associates	5,815	5,815
Deferred tax assets	109	62
Other	315	441
Allowance for doubtful accounts	(29)	(37)
Total investments and other assets	7,004	7,474
Total non-current assets	7,333	7,790
Total assets	17,808	17,908

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes payable - trade	28	35
Electronically recorded obligations - operating	292	318
Accounts payable - trade	1,979	1,669
Income taxes payable	135	121
Provision for bonuses	177	175
Provision for directors' bonuses	9	8
Other	626	638
Total current liabilities	3,248	2,966
Non-current liabilities		
Long-term accounts payable - other	24	24
Provision for retirement benefits	460	481
Provision for loss on business of subsidiaries and associates	—	17
Other	17	17
Total non-current liabilities	502	541
Total liabilities	3,751	3,507
Net assets		
Shareholders' equity		
Capital stock	1,209	1,209
Capital surplus		
Legal capital surplus	1,171	1,171
Other capital surplus	0	1
Total capital surpluses	1,172	1,173
Retained earnings		
Legal retained earnings	198	198
Other retained earnings		
General reserve	9,395	9,395
Retained earnings brought forward	2,637	2,853
Total retained earnings	12,231	12,447
Treasury shares	(783)	(777)
Total shareholders' equity	13,829	14,052
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	219	339
Total valuation and translation adjustments	219	339
Share acquisition rights	8	9
Total net assets	14,056	14,401
Total liabilities and net assets	17,808	17,908

(2) Income Statements

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	13,889	14,259
Cost of sales	10,713	10,990
Gross profit	3,175	3,268
Selling, general and administrative expenses	2,683	2,672
Operating profit	492	596
Non-operating income		
Interest income	1	0
Dividend income	66	57
Foreign exchange gains	109	21
Insurance income	2	0
Compensation income	30	—
Other	4	3
Total non-operating income	214	83
Non-operating expenses		
Interest expenses	1	1
Commission fee	2	2
Provision of allowance for doubtful accounts	—	7
Provision for loss on business of subsidiaries and associates	—	17
Other	0	0
Total non-operating expenses	4	29
Ordinary profit	702	650
Extraordinary income		
Gain on sales of investment securities	0	—
Gain on sales of golf memberships	—	1
Gain on reversal of share acquisition rights	11	0
Total extraordinary income	11	1
Extraordinary losses		
Loss on retirement of non-current assets	—	1
Impairment loss	12	—
Loss on valuation of shares of subsidiaries and associates	23	—
Settlement package	3	—
Total extraordinary losses	39	1
Profit before income taxes	674	650
Income taxes - current	221	215
Income taxes - deferred	(3)	(4)
Total income taxes	218	210
Profit	456	440

(3) Statements of Changes in Net Assets

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at the beginning of the period	1,208	1,170	0	1,171	198	9,395	2,407	12,001
Changes of items during the period								
Issuance of new shares	0	0		0				
Dividends from surplus							(226)	(226)
Net income							456	456
Acquisition of Treasury Shares								
Net changes of items other than shareholders' equity during the period								
Total changes of items during the period	0	0	—	0	—	—	229	229
Balance at the end of the period	1,209	1,171	0	1,172	198	9,395	2,637	12,231

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of the period	(604)	13,776	158	158	17	13,952
Changes of items during the period						
Issuance of new shares		1				1
Dividends from surplus		(226)				(226)
Net income		456				456
Acquisition of Treasury Shares	(179)	(179)				(179)
Net changes of items other than shareholders' equity during the period		—	60	60	(8)	51
Total changes of items during the period	(179)	52	60	60	(8)	103
Balance at the end of the period	(783)	13,829	219	219	8	14,056

Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(Unit: millions of yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at the beginning of the period	1,209	1,171	0	1,172	198	9,395	2,637	12,231
Changes of items during the period								
Issuance of new shares								
Dividends from surplus							(224)	(224)
Net income							440	440
Acquisition of Treasury Shares								
Disposition of Treasury Shares			1	1				
Net changes of items other than shareholders' equity during the period								
Total changes of items during the period	—	—	1	1	—	—	216	216
Balance at the end of the period	1,209	1,171	1	1,173	198	9,395	2,853	12,447

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of the period	(783)	13,829	219	219	8	14,056
Changes of items during the period						
Issuance of new shares						
Dividends from surplus		(224)				(224)
Net income		440				440
Acquisition of Treasury Shares	(0)	(0)				(0)
Disposition of Treasury Shares	5	6				6
Net changes of items other than shareholders' equity during the period		—	120	120	0	121
Total changes of items during the period	5	222	120	120	0	344
Balance at the end of the period	(777)	14,052	339	339	9	14,401

7. Other

(1) Purchases, orders received and sales

(i) Actual results of purchases

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
System	7,356	7,931
Device	6,005	6,082
Total	13,362	14,014

(ii) Actual results of orders received

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)		Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)	
	Orders received	Backlog of orders	Orders received	Backlog of orders
System	11,519	3,249	12,150	3,419
Device	7,499	1,227	7,835	1,473
Total	19,018	4,477	19,985	4,892

(iii) Actual results of sales

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)	Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)
Security Solution Products	7,174	7,651
Other System Solution Products	1,612	1,668
Customer Service Products	2,561	2,661
System Total	11,347	11,980
Semiconductors Products	3,061	3,529
Mechanical Component Products	4,627	4,060
Device Total	7,689	7,589
Total	19,037	19,570