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November 5, 2024

Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: Takachiho Koheki Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 2676
 URL: <https://www.takachiho-kk.co.jp>
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 Scheduled date to file semi-annual securities report: November 6, 2024
 Scheduled date to commence dividend payments: December 5, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	13,314	4.6	936	31.2	811	-23.2	594	-17.2
September 30, 2023	12,729	14.5	713	22.2	1,057	18.2	717	9.2

Note: Comprehensive income For the six months ended September 30, 2024: ¥627 million [-42.2%]
 For the six months ended September 30, 2023: ¥1,085 million [17.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	65.08	64.91
September 30, 2023	79.17	78.86

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	23,245	16,509	71.0	1,775.37
March 31, 2024	22,963	16,835	73.3	1,851.62

Reference: Equity
 As of September 30, 2024: ¥16,509 million
 As of March 31, 2024: ¥16,830 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	53.00	-	105.00	158.00
Fiscal year ending March 31, 2025	-	58.00			
Fiscal year ending March 31, 2025 (Forecast)			-	102.00	160.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	26,900	6.6	2,050	39.9	2,000	8.9	1,490	3.6	163.09

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	10,171,800 shares
As of March 31, 2024	10,171,800 shares

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

As of September 30, 2024	872,716 shares
As of March 31, 2024	1,082,132 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	9,135,793 shares
Six months ended September 30, 2023	9,068,651 shares

Note: The number of treasury shares at the end of the period includes Company shares held by Custody Bank of Japan, Ltd., (trust account E) as trust assets related to the Board Benefit Trust (BBT) system (57,900 shares in the fiscal year ended March 31, 2024, and 57,900 shares in the six months ended September 30, 2024). In addition, the number of treasury shares to be deducted in calculating the average number of shares during the period include Company shares (57,900 shares for the six months ended September 30, 2023 and 57,900 shares for the six months ended September 30, 2024) held by Custody Bank of Japan, Ltd., (Trust Account E) as trust assets related to the Board Benefit Trust (BBT) system.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Therefore, the Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

(Access to supplementary material on financial results)

We are planning to hold a briefing session for institutional investors and analysts on Tuesday, November 26, 2024.

The financial results briefing materials distributed at this briefing will be posted on our website immediately after the event.

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1. Overview of Operating Results/Financial Position

(1) Overview of Operating Results in the First Half under Review

Japan's economy during the consolidated first half under review showed a gentle recovery while still lagging in some areas. A gentle economic recovery is expected in the future, thanks to the impact of various policy under conditions of improving employment and income environments. However, amid continuing economic downturns overseas, such as continuing high interest rates in Europe and North America and the impact of the continued slowdown in China's real-estate market, there is a risk of downward pressure on Japan's economy. Additionally, it needs to pay sufficient attention to the effects of skyrocketing prices of raw materials, the situation in the Middle East, and trends in the money and capital markets. While the markets in which the Group operates show continued intensification of competition, the Group is striving to grow highly profitable businesses among its core business segments while also growing its service businesses and creating new businesses and new business models, aiming to realize sustained growth and medium- to long-term increases in corporate value.

Specifically, in the Cloud Service and Support Segment, it is striving to grow MSP services and grow and develop new markets for cloud-based products/services and other solutions, while also growing its maintenance services.

In the System Segment, it is striving to enhance sales and increase added value of its core security products such as Electronic Article Surveillance Systems, CCTV, and Access Control Systems and to grow its retail security solutions including facial-recognition and other image-recognition systems, RFID systems and labor-saving systems.

At the same time, in the Device Segment, it is focusing on sales growth and growing solution businesses in the electronics business, particularly in the telecommunications infrastructure market, the industrial devices market based mainly on IoT, the market for printers and other business devices, and the amusement market, while in the mechatronics business it is focusing on areas including the industrial devices market for semiconductor manufacturing equipment and similar products, which can be expected to show continued growth, the sale of Mechanical Components for kitchen and other household equipment in the Japanese and North American markets, growing sales in the amusement market, and development of modular products.

Under these conditions, business results in the consolidated first half under review showed YoY growth of 4.6% in net sales to 13,314 million yen, thanks to growth in contracts in subscription businesses related to Cloud Service and Support Products and having secured some large-scale maintenance contracts, let alone the strong sales of Mechatronics Products. A look at profit shows that for the above reasons the Company's operating profit rose by 31.2% YoY to 936 million yen and ordinary profit, driven by factors such as recording gains on revaluation of foreign-currency transactions, was up 23.2% YoY to 811 million yen. Interim net income attributable to owners of the parent decreased by 17.2% YoY to 594 million yen.

The operating results of each segment are as follows:

Beginning with the consolidated first half under review, results for cloud-based networking products have been shifted from the System Segment (Business Solution Products and Retail Solution Products) to the Cloud Service and Support Segment for reasons, including the increased importance of subscription-based sales.

(Cloud Service and Support Segment)

Net sales in the Cloud Service and Support Segment were up 48.8% YoY to 1,773 million yen, thanks to favorable performance including increased numbers of contracts for MSP services and cloud-based networking products and securing some large-scale maintenance contracts. Segment operating profit was up 71.3% YoY to 386 million yen because of the above reasons as well as selling, general and administrative expenses accounting for a smaller percentage of net sales.

(MSP services: The Company's proprietary subscription services for maintenance of cloud products and monitoring their operation)

(System Segment)

Net sales in the System Segment were up 2.5% YoY to 4,726 million yen, while segment operating profit was up 167 million yen YoY to 84 million yen due to factors including the absence of expenses related to additional construction recorded last year.

Net sales of Retail Solution Products were up 2.0% YoY to 1,645 million yen due to higher sales of large-scale GMS solutions.

In the Business Solution Products Segment, on-schedule completion of delivery of mailing systems, in addition to strong sales of access control systems and surveillance camera systems for data centers and offices of foreign-affiliated firms, contributed to YoY growth of 4.7% in net sales, to 1,667 million yen.

The net sales of Global Products were up overall thanks to favorable performance of security systems for apparel stores in Thailand despite slower sales of fire-prevention systems due to a focus on more profitable products. As a result, net sales increased by 0.4% YoY to 1,413 million yen.

Net sales of cloud-based networking products, which were shifted from the System Segment to the Cloud Service and Support Segment beginning with the consolidated first half under review, made up 247 million yen of net sales in the System Segment in the same period of last year.

(Device Segment)

Device Segment sales decreased by 1.6% YoY to 6,814 million yen, and operating income decreased by 18.6% YoY to 465 million yen.

Sales of Electronics Products decreased by 9.2% YoY to 4,211 million yen due to continued production adjustments by customers, despite strong sales of electronic parts for consumer products.

In Mechatronics Products, strong sales of Mechanical Components to update bank terminals to handle new banknotes, components for power generation facilities, Mechanical Components for OA Equipment, and components developed in house for kitchen appliances contributed to YoY growth of 13.9% in net sales to 2,602 million yen.

(2) Overview of Financial Position in the First Half under Review

Total assets at the end of the consolidated first half under review stood at 23,245 million yen, up 282 million yen from the end of the previous consolidated fiscal year. This was due to factors that included increases of 1,292 million yen in cash and deposits, offset by decreases of 624 million yen in merchandise and finished goods, 318 million yen in accounts receivable-trade, and 142 million yen in contract assets.

Liabilities increased 608 million yen from the end of the previous consolidated fiscal year to 6,736 million yen. This was due to factors that included an increase of 1.0 billion yen in short-term loans payable, while income taxes payable decreased by 306 million yen.

Net assets decreased by 326 million yen from the end of the previous consolidated fiscal year to 16,509 million yen. This was due to factors that included a decrease of 365 million yen in retained earnings resulting from 594 million yen in interim net income attributable to owners of the parent and payment of 960 million yen in dividends. The equity-to-asset ratio decreased by 2.3 points from the end of the previous consolidated fiscal year to 71.0%.

(3) Explanation of the Future Outlook, including Forecast of Consolidated Operating Results

Forecasts of consolidated financial results remain unchanged from the figures for the full year announced in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)" (issued May 10, 2024).

Semi-annual Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2024)	The second quarter of the current consolidated fiscal year (as of September 30, 2024)
Assets		
Current assets		
Cash and deposits	4,871	6,163
Notes receivable - trade	128	65
Accounts receivable - trade	5,609	5,291
Contract assets	716	573
Electronically recorded monetary claims - operating	848	786
Merchandise and finished goods	5,143	4,518
Raw materials	217	159
Prepaid expenses	1,240	1,412
Other	114	102
Allowance for doubtful accounts	-2	-25
Total current assets	18,887	19,048
Non-current assets		
Property, plant and equipment	459	439
Intangible assets	171	140
Investments and other assets		
Investment securities	3,009	3,070
Deferred tax assets	8	90
Leasehold and guarantee deposits	325	330
Other	101	126
Allowance for doubtful accounts	-0	-0
Total investments and other assets	3,444	3,617
Total non-current assets	4,075	4,197
Total assets	22,963	23,245

(Unit: Millions of yen)

	Previous consolidated fiscal year (as of March 31, 2024)	The second quarter of the current consolidated fiscal year (as of September 30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	2,726	2,718
Electronically recorded obligations - operating	198	195
Contract liabilities	1,067	1,088
Lease liabilities	10	10
Forward exchange contracts	—	13
Provision for bonuses	302	313
Provision for bonuses for directors (and other officers)	57	55
Accounts payable - other	265	236
Income taxes payable	540	234
Short-term borrowings	—	1,000
Other	238	144
Total current liabilities	5,407	6,010
Non-current liabilities		
Provision for executive share-based compensation	21	27
Retirement benefit liability	619	625
Lease liabilities	39	34
Other	38	38
Total non-current liabilities	719	725
Total liabilities	6,127	6,736
Net assets		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus	1,381	1,189
Retained earnings	13,938	13,572
Treasury shares	-1,064	-861
Total shareholders' equity	15,464	15,110
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	911	718
Deferred gains or losses on hedges	—	-7
Foreign currency translation adjustment	394	637
Remeasurements of defined benefit plans	60	50
Total accumulated other comprehensive income	1,366	1,398
Share acquisition rights	4	—
Non-controlling interests	0	0
Total net assets	16,835	16,509
Total liabilities and net assets	22,963	23,245

Semi-annual Consolidated Income Statement

(Unit: Millions of yen)

	Previous consolidated cumulative second quarter (From April 1, 2023 to September 30, 2023)	Current consolidated cumulative second quarter (From April 1, 2024 to September 30, 2024)
Net sales	12,729	13,314
Cost of sales	9,762	9,958
Gross profit	2,966	3,356
Selling, general and administrative expenses	2,252	2,420
Operating profit	713	936
Non-operating income		
Interest income	17	22
Dividend income	38	37
Foreign exchange gains	298	—
Insurance claim income	2	2
Other	10	8
Total non-operating income	367	71
Non-operating expenses		
Interest expenses	—	1
Foreign exchange losses	—	147
Commission expenses	0	0
Loss on investments in investment partnerships	22	38
Other	0	6
Total non-operating expenses	23	195
Ordinary profit	1,057	811
Extraordinary income		
Gain on reversal of share acquisition rights	—	3
Gain on sale of investment securities	7	—
Total extraordinary income	7	3
Profit before income taxes	1,064	815
Income taxes - current	321	221
Income taxes - deferred	25	-0
Total income taxes	346	220
Profit	717	594
Profit attributable to owners of parent	717	594

Interim Consolidated Statements of Comprehensive Income

(Unit: Millions of yen)

	Previous consolidated first half (From April 1, 2023 to September 30, 2023)	Current consolidated first half (From April 1, 2024 to September 30, 2024)
Interim net income	717	594
Other comprehensive income		
Valuation difference on available-for-sale securities	227	-192
Deferred gains or losses on hedges	-	-7
Foreign currency translation adjustment	144	242
Remeasurements of defined benefit plans	-4	-9
Total other comprehensive income	367	32
Interim comprehensive income	1,085	627
(Breakdown)		
Interim comprehensive income attributable to owners of parent	1,085	627

(3) Notes on Interim Consolidated Financial Statements

(Change to presentation methods)

(Interim Consolidated Balance Sheet)

Electronically recorded obligations, which had been included under notes and accounts payable – trade in the previous consolidated fiscal year, and accounts payable – other, which had been included under other current liabilities in the previous consolidated fiscal year, are presented separately beginning with the consolidated first half under review due to increases in their monetary importance. The consolidated financial statements for the previous consolidated fiscal year have been restated to reflect this change in presentation methods. As a result, 2,924 million yen that had been presented under notes and accounts payable – trade on the Consolidated Balance Sheet for the previous consolidated fiscal year has been restated as 2,726 million yen in accounts payable – trade and 198 million yen in electronically recorded obligations, and 504 million yen that had been presented under other current liabilities on the Consolidated Balance Sheet for the previous consolidated fiscal year has been restated as 265 million yen in accounts payable – other and 238 million yen in other current liabilities.

(Additional information)

(Disposal of treasury shares through third-party allotment)

In its meeting held on May 17, 2024, the Company Board of Directors resolved to dispose of treasury shares (hereinafter "Disposal of Treasury Shares") through third-party allotment to the Takachiho Koheki Scholarship Foundation (hereinafter "Foundation"), conditional on approval by the regular general meeting of shareholders to be held on June 26, 2024. This Disposal of Treasury Shares was implemented on August 23, 2024, under an August 14, 2024, resolution of the Board of Directors following approval by that regular general meeting of shareholders.

1. About the Foundation

(1) Purposes and roles of the Foundation

Since its founding, the Company has promoted management based on the corporate philosophy of creation at the heart of our business activities and through its technological expertise. While constantly seeking out and developing a wide range of state-of-the-art technologies and products from overseas and introducing them to the Japanese market, as a technology trading company the Company has strived to realize its corporate philosophy by enhancing customer satisfaction, gaining worldwide trust by enhancing our technological expertise, skills, and humanity, and contributing to society by making concerted efforts to pave the way to a bright future.

The Foundation was established in April 2024 to contribute to sound, sustainable economic and social progress through activities to support the studies of deserving science and technology students studying state-of-the-art technologies. It will aim to migrate to the status of a public interest incorporated foundation by roughly its third year after establishment.

The Company believes that supporting the continual activities of the Foundation to contribute to society truly will contribute to realizing the Company's corporate philosophy, while also contributing to increasing the Company's corporate value over the medium to long term from ESG and sustainability perspectives.

(2) Foundation overview

(i) Name	Takachiho Koheki Scholarship Foundation
(ii) Address	1-6-1 Yotsuya, Shinjuku-ku, Tokyo
(iii) Chairperson	Takanobu Ide
(iv) Details of activities	Providing scholarships for deserving science and technology students faced with economic challenges in continuing their studies
(v) Funding of activities	Approx. 34-36 million yen/year The Company contributed 3 million yen at the time of establishment of the Foundation to fund Foundation activities, in addition to dividends on the shares of Company stock allocated through the disposal of treasury shares described under 2 below.
(vi) Date established	April 19, 2024

2. Disposal of treasury shares

(i) Number of shares disposed of	Common stock: 200,000 shares
(ii) Pay-in amount	1 yen/share
(iii) Total pay-in amount	200,000 yen
(iv) Method of disposal	Disposal through third-party allotment
(v) Recipient of disposal	Takachiho Koheki Scholarship Foundation
(vi) Date of disposal	August 23, 2024 (completed)
(vii) Delegation of decisions	In addition to the matters above, other decisions on offering of shares related to this disposal of treasury shares will be delegated to the Board of Directors.
(viii) Main monetary impact on interim consolidated financial statements	Treasury shares and capital surplus each decreased by 194 million yen.

3. Purpose of and reasons for this disposal

The Company has decided to dispose of treasury shares to the Foundation through third-party allotment at a particularly advantageous pay-in price to serve as a source of funding of the Foundation's activities in order to provide stable support for its social contribution activities.

As a result, the Foundation is expected to receive dividends from Company stock on a continual basis. The addition of such dividends to the Foundation's activity funding should enable it to conduct activities to contribute to society in stability over the long term. As students studying state-of-the-art technologies with scholarship support steadily enter the work force from year to year as engineers, they can be expected to contribute to the maintenance and progress of the state-of-the-art technologies that are the target of the Company's businesses. In addition, some of them can be expected to play active roles in the Company's business domains, having positive impacts on the Company's lines of business and results over the medium to long term. In these ways, the Company believes that this Disposal of Treasury Shares will provide medium- to long-term benefits to shareholders that exceed the short-term disadvantage of dilution of shares.

(Notes to the interim consolidated statement of cash flows)

Depreciation (including depreciation of intangible assets) recorded during the consolidated first half under review is shown below.

	Previous consolidated first half (From April 1, 2023 to September 30, 2023)	Current consolidated first half (From April 1, 2024 to September 30, 2024)
Depreciation	99 million yen	98 million yen

(Notes to segment information)

[Segment Information]

I Previous consolidated first half (From April 1, 2023 to September 30, 2023)

1. Information concerning amounts of sales and profit or loss for each reporting segment

(Unit: Millions of yen)

	Cloud Service and Support	System	Device	Total	Adjustments	Amount stated on the interim consolidated income statements
Sales						
Sales to external customers	1,192	4,613	6,923	12,729	-	12,729
Internal sales and transfers between segments	-	-	-	-	-	-
Total	1,192	4,613	6,923	12,729	-	12,729
Segment profit (loss)	225	-83	571	713	-	713

II Current consolidated first half (From April 1, 2024, to September 30, 2024)

1. Information concerning amounts of sales and profit or loss for each reporting segment

(Unit: Millions of yen)

	Cloud Service and Support	System	Device	Total	Adjustments	Amount stated on the interim consolidated income statements
Sales						
Sales to external customers	1,773	4,726	6,814	13,314	-	13,314
Internal sales and transfers between segments	-	-	-	-	-	-
Total	1,773	4,726	6,814	13,314	-	13,314
Segment profit	386	84	465	936	-	936

2. Notes on changes to reporting segments

Beginning with the consolidated first half under review, results for cloud-based networking products have been shifted from the System Segment to the Cloud Service and Support Segment, for reasons including the increased share of sales contracts for such products that involves subscription-based sales. Net sales and segment profit of cloud-based networking products shifted from the System Segment to the Cloud Service and Support Segment beginning with the consolidated first half under review include 247 million yen in net sales and 14 million yen in segment profit included in the System Segment in the previous consolidated first half.

(Revenue recognition)

The following information breaks down the revenue generated from contracts with customers by product type.

(Unit: Millions of yen)

Segment	Previous consolidated first half (From April 1, 2023 to September 30, 2023)	Current consolidated first half (From April 1, 2024 to September 30, 2024)
Cloud Service and Support Products	1,192	1,773
Cloud Service and Support Total	1,192	1,773
Retail Solution Products	1,613	1,645
Business Solution Products	1,592	1,667
Global Products	1,407	1,413
System Total	4,613	4,726
Electronics Products	4,638	4,211
Mechatronics Products	2,285	2,602
Device Total	6,923	6,814
Revenue from contracts with customers	12,729	13,314
Other revenues	-	-
Sales to external customers	12,729	13,314

Beginning with the consolidated first half under review, results for cloud-based networking products have been shifted from the System Segment (Business Solution Products and Retail Solution Products) to the Cloud Service and Support Segment. See Notes (Notes to segment information) for details.

(Note in case of remarkable changes in amount of shareholders' equity)

Under a resolution of the Board of Directors in its meeting held on May 17, 2024, the Company has disposed of 200,000 shares of treasury stock through third-party allotment to the Takachiho Koheki Scholarship Foundation, effective August 23, 2024. As a result, if this disposal of treasury shares, capital surplus and treasury shares each has decreased by 194 million yen. See 3) Notes on Interim Consolidated Financial Statements (Additional information) for details.

(Note on going-concern assumption)

Not applicable.

(Significant subsequent event)

Not applicable.