

Financial Results for the Second Quarter of FY 2021 [Based on the Japanese Accounting Standards] (Consolidated)

November 9, 2021

Name of the company: Takachiho Koheki Co., Ltd. Stock Market: Tokyo Stock Exchange First Section
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 Registration date of quarterly report: November 10, 2021
 Additional explanation materials; No
 Financial results briefing; Yes
 Date of dividends payment: December 6, 2021

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

1. Consolidated Financial Results for the Second Quarter of FY 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (Cumulative) (Percent figures represent changes from the same period last year)

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to the shareholders of the parent company	
	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter of FY 2021	9,583	3.3	431	97.2	490	176.5	334	447.8
Second quarter of FY 2020	9,273	(8.8)	218	(42.6)	177	(59.7)	60	(79.6)

Note: Comprehensive income: 266million yen (183.9%) for the second quarter of FY 2021
 93million yen (-70.6%) for the second quarter of FY 2020

	Quarterly net income per share yen	Fully diluted quarterly net income per share Yen
Second quarter of FY 2021	37.50	37.48
Second quarter of FY 2020	6.85	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Second quarter of FY 2021	18,941	14,330	75.6	1,607.20
FY 2020	19,473	14,174	72.7	1,590.28

Reference: Owner's equity: 14,313 million yen for the second quarter of FY 2021
 14,162 million yen for FY 2020

2. Dividends

	Annual cash dividends per share				
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total
	yen	yen	yen	yen	yen
FY 2020	-	12.00	-	13.00	25.00
FY 2021	-	12.00	-	-	-
FY 2021 forecast	-	-	-	-	-

Note: Revisions to the most recently disclosed dividend forecasts: None

Our dividend policy is to have a consolidated payout ratio of 40% or more, with a stable dividend amount (24 yen per year) as the lower limit. In accordance with this policy, the dividend amount is undecided at this time, but for the fiscal year ending March 2021, we are planning for the dividend at the end of the second quarter to be 12 yen, and the year-end dividend will be the annual dividend with a consolidated payout ratio of 40% or more. Therefore, the year-end dividend and annual dividend are indicated as "-".

3. Forecast of Consolidated Operating Results for FY 2021 (from April 1, 2021 to March 31, 2022)

(Percent figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to the shareholders of the parent company		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY 2021	21,700	5.4	1,130	27.5	1,100	18.7	770	40.4	86.46

Note: Revisions to the most recently disclosed forecast of operating results: None

* Notes:

- (1) Changes to principal subsidiaries for the current consolidated cumulative quarter (changes to specified subsidiary companies accompanying changes to the scope of consolidation): None
- (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies and estimates, and retrospective restatement:
 - (i) Changes in accounting policies due to amendments of accounting standards: Yes
 - (ii) Changes in accounting policies other than (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatement: None

Note: For details, see Appendix P.8 "2. Quarterly Consolidated Financial Statements and Main Notes (3) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policy)".

(4) Number of shares issued (common stock)

(i) Number of shares issued at the end of the period (including treasury shares)	FY 2021 2Q	10,171,800	FY 2020	10,171,800
(ii) Number of treasury shares at the end of the period	FY 2021 2Q	1,266,078	FY 2020	1,266,078
(iii) Average number of shares issued during the period (QTD)	FY 2021 2Q	8,905,722	FY 2020 2Q	8,905,742

Note: The number of treasury stocks to be deducted in calculating the number of treasury stocks at the end of the period and the average number of shares during the period includes the shares of the Company held by Japan Custody Bank, Ltd. (Trust E Unit) as a trust property related to the "Share Benefit Trust (BBT)" system.

* This quarterly financial summary is not subject to audit quarter review.

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

(Notes to the forecasts)

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.

(How to obtain supplementary financial statements)

We are planning to hold a briefing session for institutional investors and analysts on Wednesday, November 24, 2021.

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

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1. Qualitative information on financial results for the current quarter

(1) Explanation of Operating Results

The Japanese economy during the second quarter of the current consolidated cumulative period is still in a difficult situation due to the impact of the new coronavirus infection (COVID-19), and although it continues to pick up, the pace has weakened in a severe situation.

As for the outlook, it is expected that the economy will pick up due to the effects of various policies and the improvement of overseas economies, while thorough infection control measures and vaccination are being promoted. However, close attention should be paid to the downside risk due to the impact through the supply chain.

It is also necessary to keep an eye on the effects of domestic and international infectious disease trends and fluctuations in the financial and capital markets.

Although the market environment for our Group remains harsh due to increasingly fierce competition, we are striving to strengthen competitiveness and improve profitability through added value to achieve further growth and create revenue bases by expanding our global business and new business.

In the System Segment, we have made efforts to increase the added value of our flagship products, Electronic Article Surveillance Systems, CCTV camera systems and Access Control Systems. We are promoting sales for Cloud-based Wireless LAN Systems and remote access products related to teleworking and are developing new markets for Retail Solutions such as RFID Systems and labor saving systems, as well as Cloud-based services. We are expanding the Advanced Fire Protection System Business, which is operated in Thailand and the ASEAN region.

In the Device Segment, we have promoted sales mainly in the telecom infrastructure area, industrial equipment market area centered on IoT, amusement market area and the automotive area in the Electronic Business. In the Industrial Systems Business, we have focused on sales of Mechanical Components for the industrial equipment market such as semiconductor manufacturing equipment, which is expected to continue to grow, and residential equipment in North America, the ASEAN region and China, and the development of the automobile interior components market in Japan and overseas.

Under these circumstances, as for operating results in the second quarter of the current consolidated cumulative period, sales increased 3.3%YOY to 9,583 million yen due to promising large-scale projects such as CCTV camera systems and face recognition systems for the retail market and strong sales of mechanical parts for housing equipment in the United States.

In terms of profit and loss, operating income increased by 97.2 percent YOY to 431 million yen. Ordinary income increased by 176.5 percent YOY to 490 million yen. Quarterly net income attributable to shareholders of the parent company increased by 447.8 percent YOY to 334 million yen.

The Operating results of each Segment are as follows:

(System Segment)

System Segment sales increased by 7.3 percent YOY to 5,704 million yen and operating income increased by 264.1 percent YOY to 239 million yen. For retail solution products, sales increased 20.4% YOY to 2,147 million yen due to large-scale projects such as CCTV camera systems and face recognition systems for retailers. For office solution products, sales decreased by 0.6 percent YOY to 1,460 million yen due to a decrease in sales of remote access products, which were strongly affected by the impact of COVID-19 last year, although the access control system for data centers performed well.

For Global Products, sales of Advanced Fire Protection Systems in Thailand slowed down due to the spread of COVID-19. For this reason, sales decreased by 1.7 percent YOY to 1,111 million yen. For service and support products, MSP services (*) performed well, and sales increased 5.9 percent YOY to 984 million yen.

(* MSP service: managed service provider service)

(Device Segment)

Device Segment sales decreased by 2.0 percent YOY to 3,878 million yen and operating income increased by 25.6 percent YOY to 192 million yen. For Semiconductor products, although orders for electronic components such as those for semiconductor manufacturing equipment were strong, sales decreased 11.3 percent YOY to 1,849 million yen, due to the impact of the decline in sales for communication terminals and semiconductor shortages, which were strong last year. For Mechanical Component Products, sales increased 8.2 percent YOY to 2,029 million yen due to strong sales of soft-closed parts for housing equipment in the United States and communication cables for industrial equipment.

(2) Explanation of Financial Position

Total assets as of the end of the current consolidated fiscal year decreased by 532 million yen YOY to 18,941 million yen. This is because of an increase of 1,074 million yen in contract assets and 680 million yen in Merchandise and finished goods, and a decrease of 1,778 million yen in notes and accounts receivable and 613 million yen in cash and deposits. Liabilities decreased by 688 million yen YOY to 4,610 million yen. This was due to an increase of 829 million yen in contract liabilities, a decrease of 1,029 million yen in other current liabilities, and a decrease of 482 million yen in notes and accounts payable. Net assets increased by 155 million yen YOY to 14,330 million yen. This was due to an increase in retained earnings of 218 million yen due to quarterly net income attributable to owners of the parent of 334 million yen and dividend payments of 115 million yen. The equity ratio increased by 2.9 points from the end of the previous consolidated fiscal year to 75.6 percent. As described in (Changes in Accounting Policy) below, from the first quarter consolidated accounting period of the fiscal year ending March 2022, some of the notes and accounts receivable are contract assets and some of the other current liabilities are contract liabilities.

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

Although the consolidated (cumulative) earnings forecast for the second quarter of the fiscal year ending March 2022 has been revised upward, the consolidated earnings forecast for the full year remains unchanged from the figures announced on May 14, 2021. For details, please refer to the "Notice Concerning Revision of Consolidated Earnings Forecast for the Second Quarter of the Fiscal Year Ending March 2022 (Cumulative)" announced on October 15, 2021.

2. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	6,000	5,387
Notes and accounts receivable - trade	7,018	5,239
Contract assets	—	1,074
Merchandise and finished goods	2,431	3,112
Raw materials	146	136
Other	920	888
Allowance for doubtful accounts	-0	-1
Total current assets	16,516	15,837
Non-current assets		
Property, plant and equipment	577	567
Intangible assets	337	320
Investments and other assets		
Investment securities	1,444	1,649
Deferred tax assets	219	180
Other	377	384
Allowance for doubtful accounts	-0	-0
Total investments and other assets	2,041	2,214
Total non-current assets	2,956	3,103
Total assets	19,473	18,941

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,839	2,356
Contract liabilities	-	829
Income taxes payable	141	154
Provision for bonuses	270	273
Provision for bonuses for directors (and other officers)	13	10
Other	1,283	253
Total current liabilities	4,547	3,878
Non-current liabilities		
Long-term accounts payable - other	42	37
Retirement benefit liability	673	658
Other	35	36
Total non-current liabilities	751	732
Total liabilities	5,299	4,610
Net assets		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus	1,172	1,185
Retained earnings	12,722	12,940
Treasury shares	-1,231	-1,245
Total shareholders' equity	13,872	14,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	299	348
Foreign currency translation adjustment	-58	-169
Remeasurements of defined benefit plans	49	43
Total accumulated other comprehensive income	290	222
Stock subscription rights	-	2
Share acquisition rights	12	14
Non-controlling interests	0	0
Total net assets	14,174	14,330
Total liabilities and net assets	19,473	18,941

(2) Quarterly Consolidated Income Statements and Statements of Comprehensive Income
(Quarterly Consolidated Income Statement)
(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	9,273	9,583
Cost of sales	7,076	7,142
Gross profit	2,197	2,441
Selling, general and administrative expenses	1,978	2,009
Operating profit	218	431
Non-operating income		
Interest income	0	0
Dividend income	9	12
Foreign exchange gains	-	45
Insurance claim income	5	5
Subsidy income	3	-
Share of profit of entities accounted for using equity method	-	2
Other	4	5
Total non-operating income	24	72
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	1	-
Commission expenses	0	0
Loss on investments in investment partnerships	51	12
Foreign exchange losses	11	-
Other	0	0
Total non-operating expenses	65	13
Ordinary profit	177	490
Extraordinary income		
Gain on reversal of share acquisition rights	4	-
Total extraordinary income	4	-
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Total extraordinary losses	0	-
Profit before income taxes	181	490
Income taxes - current	64	135
Income taxes - deferred	55	21
Total income taxes	120	156
Profit	60	334
Profit attributable to owners of parent	60	334

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	60	334
Other comprehensive income		
Valuation difference on available-for-sale securities	30	49
Foreign currency translation adjustment	-0	-111
Remeasurements of defined benefit plans, net of tax	3	-5
Total other comprehensive income	32	-67
Comprehensive income	93	266
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	93	266

(3) Notes on the quarterly consolidated financial statements

(Note on going-concern assumption)

Not applicable.

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

Not applicable.

(Change in accounting policy)

(Application of accounting standards for revenue recognition)

"Accounting Standard for Revenue Recognition" (Corporate Accounting Standard No. 29, March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standard"), etc.

It has been applied from the beginning of the first-quarter consolidated accounting period, and when control of the promised good or service is transferred to the customer, revenue is recognized at the amount expected to be received in exchange for the good or service.

In addition, it is stipulated in Paragraph 98 of "Accounting Standards Application Guideline for Revenue Recognition" (Corporate Accounting Standards Application Guideline No. 30, March 26, 2021).

When alternative treatment is applied and the period from the time of shipment to the time of transfer of the product to the customer is the normal period in the domestic sale of the product, revenue is recognized at the time of shipment.

Regarding the application of revenue recognition accounting standards, etc., the transitional treatment stipulated in the proviso of paragraph 84 of revenue recognition accounting standards is followed.

However, the new accounting policy is not retroactively applied to contracts that apply the method stipulated in Article 86 of the Revenue Recognition Accounting Standard and recognize almost all revenue amounts in accordance with the previous treatment before the beginning of the first quarter consolidated accounting period.

As a result, the impact on net sales, operating income, ordinary income and pre-adjustment net income for the second quarter of the current consolidated cumulative period is minor. In addition, there is no impact on the balance of retained earnings at the beginning of the period.

Due to the application of revenue recognition accounting standards, etc., among the "notes receivable and accounts receivable" previously displayed in "current assets" on the consolidated balance sheet for the previous consolidated fiscal year, those that fall under contract assets are consolidated in the first quarter. From the accounting period, it is displayed as "contract assets".

In addition, some liabilities that were previously included in "Others" that were previously displayed as "Current liabilities" are presented as "Contract liabilities" from the first quarter consolidated accounting period.

In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, the previous consolidated fiscal year has not been reclassified using the new presentation method.

(Accounting Standard for Calculation of Market Value)

"Accounting Standard for Market Value Calculation" (Corporate Accounting Standard No. 30, July 4, 2019; hereinafter referred to as "Market Value Calculation Accounting Standard"), etc., has been applied from the beginning of the first quarter consolidated accounting period, and in accordance with the transitional treatment stipulated in Paragraph 19 of the Market Value Calculation Accounting Standard and Paragraph 44-2 of "Accounting Standards for Financial Instruments" (Corporate Accounting Standard No. 10 July 4, 2019), the new accounting policies stipulated by the market value calculation accounting standards, etc., apply from now on.

This does not affect the quarterly consolidated financial statements.

(Additional Information)

(Introduction of performance-linked stock compensation system for directors)

Based on the resolution of the 70th Ordinary General Meeting of Shareholders held on June 25, 2021, the Company has introduced a performance-linked stock compensation system for its directors (excluding outside directors; the same shall apply hereinafter).

1. Transaction overview

Under this system, the Company's shares are acquired through a trust using the money contributed by the Company, and the Company's shares and the Company's shares are marketed through the trust based on the points given to the directors in accordance with the officer stock benefit rules established by the Company. It is a performance-linked stock-based

compensation system that delivers money equivalent to the amount converted in.

The acquisition of the Company's shares through the Trust will be funded by funds contributed for the four business years from the fiscal year ending on the end of March 2022 to the fiscal year ending on the end of March 2025 and for each applicable period thereafter. We will do this through the exchange market or by undertaking the disposal of our treasury stock.

As a general rule, directors will receive benefits such as the Company's shares after the end of the current medium-term management plan (until the fiscal year ending on the end of March 2022) and the next medium-term management plan (scheduled period from the fiscal year ending on the end of March 2023 to the fiscal year ending on the end of March 2025). In principle, retired directors will receive the benefits at a predetermined time after they retire.

2. Own shares remaining in the trust

The Company's shares remaining in the Trust are recorded as treasury stock in the net assets section at the carrying amount of the trust (excluding the amount of incidental expenses). The book value and number of shares at the end of the second quarter of the current consolidated fiscal year were 79 million yen and 68,000 shares.

(Concept of the impact of COVID-19 on accounting estimates)

In the (significant accounting estimates) of the securities report for the previous consolidated fiscal year, it is assumed that the effects of COVID-19 will continue until at least March 2022, and there are no major changes in this assumption.

(Segment Information, etc.)

[Segment Information]

I Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)

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

(Unit : Millions of yen)

	System	Device	Total	Adjustments	Amount stated on the quarterly consolidated income statements
Sales					
Sales to external customers	5,314	3,959	9,273	—	9,273
Internal sales and transfers between segments	—	—	—	—	—
Total	5,314	3,959	9,273	—	9,273
Segment profit	65	153	218	—	218

II Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)

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

(Unit : Millions of yen)

	System	Device	Total	Adjustments	Amount stated on the quarterly consolidated income statements
Sales					
Sales to external customers	5,704	3,878	9,583	—	9,583
Internal sales and transfers between segments	—	—	—	—	—
Total	5,704	3,878	9,583	—	9,583
Segment profit	239	192	431	—	431

3. (Revenue recognition)

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

(Unit : Millions of yen)

Segment	Previous consolidated cumulative second quarter (From April 1, 2020 to September 30, 2020)	Current consolidated cumulative second quarter (From April 1, 2021 to September 30, 2021)
Retail Solution Products	1,783	2,147
Office Solution Products	1,470	1,460
Global Products	1,130	1,111
Service & Support Products	930	984
System Total	5,314	5,704
Semiconductor Products	2,083	1,849
Mechanical Component Products	1,875	2,029
Device Total	3,959	3,878
Total	9,273	9,583