



Financial Results for the Second Quarter of FY 2022 [Based on the Japanese GAAP] (Consolidated)

November 8, 2022

Name of the company: Takachiho Koheki Co., Ltd. Stock Market: Tokyo Stock Exchange, Prime Market
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 Financial results briefing: Yes
 Date of dividends payment: December 6, 2022

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

1. Consolidated Financial Results for the Second Quarter of FY 2022 (from April 1, 2022 to September 30, 2022)

(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 2022	11,118	16.0	584	35.4	894	82.5	657	96.8
Second quarter of FY 2021	9,583	3.3	431	97.2	490	176.5	334	447.8

Note: Comprehensive income: 925million yen (247.2%) for the second quarter of FY 2022
 266million yen (183.9%) for the second quarter of FY 2021

	Quarterly net income per share yen	Fully diluted quarterly net income per share yen
Second quarter of FY 2022	73.54	73.30
Second quarter of FY 2021	37.50	37.48

(2) Consolidated Financial Position

	Total assets million yen	Net assets million yen	Equity ratio %	Net assets per share yen
Second quarter of FY 2022	21,319	15,585	73.1	1,739.80
FY 2021	20,593	15,025	72.9	1,680.73

Reference: Owner's equity: 15,575 million yen for the second quarter of FY 2022
 15,014 million yen for FY 2021

2. Dividends

	Annual cash dividends per share				
	At 1st quarter end yen	At 2nd quarter end yen	At 3rd quarter end yen	At fiscal year end yen	Total yen
FY 2021	-	12.00	-	43.00	55.00
FY 2022	-	24.00	-	-	-
FY 2022 forecast	-	-	-	92.00	116.00

Note: Revisions to the most recently disclosed dividend forecasts: Yes

For the revision of the dividend forecast, please refer to "Differences between Consolidated Earnings Forecasts for the Second Quarter (cumulative) of the Fiscal Year Ending March 31, 2023, and Results, and Revision of Consolidated Earnings Forecasts and Notice of Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2023," which we announced today (November 8, 2022).

* The notice is attached next to the financial results.

3. Forecast of Consolidated Operating Results for FY 2022 (from April 1, 2022 to March 31, 2023)

(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 2022	23,000	10.7	1,350	31.8	1,500	20.3	1,040	18.4	116.33

Note: Revisions to the most recently disclosed forecast of operating results: Yes

For the revision of the consolidated earnings forecast, please refer to “Differences between Consolidated Earnings Forecasts for the Second Quarter (cumulative) of the Fiscal Year Ending March 31, 2023, and Results, and Revision of Consolidated Earnings Forecasts and Notice of Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2023,” which we announced today (November 8, 2022).

* The notice is attached next to the financial results.

* 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 (Change 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 2022 2Q	10,171,800	FY 2021	10,171,800
(ii) Number of treasury shares at the end of the period	FY 2022 2Q	1,219,121	FY 2021	1,238,578
(iii) Average number of shares issued during the period (QTD)	FY 2022 2Q	8,940,118	FY 2021 2Q	8,905,722

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 (68,000 shares in the fiscal year ended March 31, 2022, and 57,900 shares in the second quarter of the fiscal year ending March 31, 2023). In addition, the number of treasury shares to be deducted in calculating the average number of shares during the period include Company shares (68,000 shares for the second quarter of the fiscal year ended March 2022 and 64,094 shares for the second quarter of the fiscal year ending March 2023) held by Custody Bank of Japan, Ltd., (Trust Account E) as trust assets related to the Board 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 Tuesday, November 15, 2022.

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

During the second cumulative quarter of the fiscal year ending March 31, 2023, the Japanese economy recovered to a moderate extent as the spread of COVID-19 calmed down and restrictions eased. As for the outlook, the Japanese economy is expected to pick up from the effects of a variety of different government policies as the transition to a new phase of the pandemic continues. However, we need to pay close attention to the risk of a downturn in overseas economies, which would put downward pressure on the Japanese economy as global financial tightening continues, as well as from the impact of soaring material prices, supply constraints, and fluctuations in the financial and capital markets.

Although the market environment for our Group remains harsh due to increasingly fierce competition, we are working to expand highly profitable businesses in core areas, grow service businesses, and create new businesses and new business models in anticipation of sustainable growth and medium- to long-term improvement in corporate value.

Specifically, in the Cloud Service and Support Segment, we are expanding MSP services, cultivating new cloud service markets, and expanding maintenance services.

In the System Segment, we are increasing the added value of our main products, Electronic Article Surveillance Systems, CCTV and Access Control Systems, strengthening sales of cloud-based wireless LAN and cloud security products, and expanding retail solutions, such as RFID systems and labor-saving systems.

On the other hand, in the Device Segment, the electronics business will expand sales and the solutions business mainly in the communication infrastructure market, the industrial equipment market mainly for IoT, the amusement market and the automotive market. In the mechatronics business, we will continue to focus on the industrial equipment market, including semiconductor manufacturing equipment, which is expected to grow; expand sales of mechanical components for housing equipment in North America, ASEAN countries, and China; and explore automotive interior component markets and develop unit products in Japan and overseas.

Under these circumstances, consolidated net sales for the second cumulative quarter of the fiscal year ending March 31, 2023 increased 16.0 percent year-over-year (YOY) to 11,118 million yen from good sales of electronics products, such as 5G base stations and electronic components for semiconductor manufacturing equipment, and global products for the fire protection systems business in Thailand.

Operating income increased by 35.4 percent YOY to 584 million yen for the above reasons, and ordinary income increased by 82.5 percent YOY to 894 million yen from foreign exchange gains on foreign currency-denominated transactions. Quarterly net income attributable to shareholders of the parent company increased by 96.8 percent YOY to 657 million yen.

The Operating results of each Segment are as follows:

From the first quarter of the fiscal year ending March 31, 2023, the Service and Support Products that were previously classified under the System Segment have been separated into the Cloud Service and Support Segment. This is because we positioned the cloud-based subscription-type service business and maintenance business as growth businesses from the perspective of growth potential and profitability.

In the System Segment, "Office Solution Products" has been renamed "Business Solution Products" in order to expand into a wide range of markets, including data centers and logistics markets, in addition to the office market. In the Device Segment, the name "Semiconductor Products" has been changed to "Electronics Products" to focus on overall electronics products with high value-added technology instead of conventional sales of single items, and the name "Industrial Products" has been changed to "Mechatronics Products" to expand the scope of development of unit products integrating machinery and electronics. There is no change in the content of either segment.

(Cloud Service and Support Segment)

Net sales in the Cloud Service and Support Segment increased 10.4 percent YOY to 1,087 million yen from good sales of MSP services, and operating income increased 10.4 percent YOY to 228 million yen.

(*MSP service: our proprietary subscription-based service for maintenance, operation, and operation monitoring of cloud products)

(System Segment)

System Segment sales increased by 0.2 percent YOY to 4,730 million yen and operating income increased by 42.8 percent YOY to 46 million yen. For Retails Solution Products, sales decreased 23.4 percent YOY to 1,644 million yen because of the reactionary decline from large CCTVs and facial recognition systems, which were good in the previous year, as well as the postponement of projects due to the extension of security investments in the retail industry.

For Business Solution Products, sales increased 10.9 percent YOY to 1,620 million yen because of good sales of Access Control Systems for offices of foreign-affiliated companies.

For Global Products, sales increased 31.8 percent YOY to 1,465 million yen because of the steady fire protection system business in Thailand.

(Device Segment)

Device Segment sales increased by 36.7 percent YOY to 5,301 million yen and operating income increased by 61.0 percent YOY to 309 million yen. For Electronics Products, sales increased by 71.1 percent YOY 3,163 million yen because of good sales of electronic components for 5G base stations, semiconductor manufacturing equipment, and home printers due to increased telework demand. For Mechatronics Products, sales increased 5.3 percent YOY to 2,137 million yen because of the good sales of slide rails for copiers overseas and mechanical parts for amusement equipment.

(2) Explanation of Financial Position

Total assets as of the end of the current consolidated fiscal year increased by 725 million yen YOY to 21,319 million yen. Cash and deposits decreased by 1,221 million yen, merchandise and finished goods increased by 878 million yen, accounts receivable increased by 571 million yen, and investment securities increased by 268 million yen. Liabilities increased by 166 million yen YOY to 5,734 million yen. Contract liabilities increased by 78 million yen, notes and accounts payable increased by 56 million yen, and income taxes payable increased by 30 million yen. Net assets increased by 559 million yen YOY to 15,585 million yen. Retained earnings increased by 270 million yen because of the quarter's net income attributable to owners of the parent of 657 million yen and dividend payments of 387 million yen, as well as the increase in foreign currency translation adjustments of 143 million yen, and the increase in the valuation difference on available-for-sale securities of 92 million yen. The equity ratio increased by 0.2 points from the end of the previous consolidated fiscal year to 73.1 percent.

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

Based on recent performance and exchange rate trends, we revised the earnings forecast for the fiscal year ending March 31, 2023, which was announced on May 13, 2022. Further details regarding this forecast can be found in the "Differences between Consolidated Earnings Forecasts for the Second Quarter (cumulative) of the Fiscal Year Ending March 31, 2023, and Results, and Revision of Consolidated Earnings Forecasts and Notice of Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2023," announced today (November 8, 2022).

* The notice is attached next to the financial results.

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

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	6,708	5,487
Notes receivable - trade	188	191
Accounts receivable - trade	4,348	4,919
Contract assets	1,311	1,315
Electronically recorded monetary claims - operating	678	766
Merchandise and finished goods	3,096	3,974
Raw materials	157	142
Prepaid expenses	791	868
Other	109	171
Allowance for doubtful accounts	(0)	(0)
Total current assets	17,390	17,836
Non-current assets		
Property, plant and equipment	539	540
Intangible assets	299	260
Investments and other assets		
Investment securities	1,773	2,042
Deferred tax assets	212	199
Other	377	439
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,364	2,681
Total non-current assets	3,203	3,482
Total assets	20,593	21,319

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,984	3,040
Income taxes payable	249	280
Contract liabilities	913	992
Provision for bonuses	294	324
Provision for bonuses for directors (and other officers)	30	13
Other	334	329
Total current liabilities	4,807	4,980
Non-current liabilities		
Long-term accounts payable - other	31	26
Provision for share awards for directors (and other officers)	9	2
Retirement benefit liability	685	688
Other	34	36
Total non-current liabilities	760	753
Total liabilities	5,568	5,734
Net assets		
Shareholders' equity		
Share capital	1,209	1,209
Capital surplus	1,193	1,195
Retained earnings	13,377	13,648
Treasury shares	(1,218)	(1,197)
Total shareholders' equity	14,561	14,855
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	466
Deferred gains or losses on hedges	—	35
Foreign currency translation adjustment	41	185
Remeasurements of defined benefit plans	37	33
Total accumulated other comprehensive income	452	720
Share acquisition rights	11	9
Non-controlling interests	0	0
Total net assets	15,025	15,585
Total liabilities and net assets	20,593	21,319

(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, 2021	Six months ended September 30, 2022
Net sales	9,583	11,118
Cost of sales	7,142	8,358
Gross profit	2,441	2,760
Selling, general and administrative expenses	2,009	2,175
Operating profit	431	584
Non-operating income		
Interest income	0	1
Dividend income	12	21
Foreign exchange gains	45	286
Insurance claim income	5	5
Share of profit of entities accounted for using equity method	2	7
Other	5	7
Total non-operating income	72	330
Non-operating expenses		
Interest expenses	0	—
Office relocation expenses	—	6
Commission expenses	0	0
Loss on investments in investment partnerships	12	12
Other	0	0
Total non-operating expenses	13	20
Ordinary profit	490	894
Extraordinary income		
Gain on reversal of share acquisition rights	—	0
Total extraordinary income	—	0
Extraordinary losses		
Impairment losses	—	* 12
Total extraordinary losses	—	12
Profit before income taxes	490	883
Income taxes - current	135	256
Income taxes - deferred	21	(30)
Total income taxes	156	225
Profit	334	657
Profit attributable to owners of parent	334	657

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	334	657
Other comprehensive income		
Valuation difference on available-for-sale securities	49	92
Deferred gains or losses on hedges	—	35
Foreign currency translation adjustment	(111)	143
Remeasurements of defined benefit plans, net of tax	(5)	(4)
Total other comprehensive income	(67)	267
Comprehensive income	266	925
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	266	925

(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 the Guidance on the Accounting Standard for Measurement of Fair Value)

The Guidance on the Accounting Standard for Measurement of Fair Value (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Guidance on Accounting Standard for Measurement of Fair Value") was applied from the beginning of the first quarter of the fiscal year, and the new accounting policy prescribed by the Guidance is applied prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. This change has no impact on the quarterly consolidated financial statements.

(Additional Information)

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

In the summary of financial results for the previous consolidated fiscal year (Concept of the impact of the Novel Coronavirus on accounting estimates), we assumed that the impact of COVID-19 would continue until at least March 2023. However, there was no material change in this assumption.

(Quarterly Consolidated Income Statements)

* Impairment loss.

For the current consolidated cumulative second quarter, our Group posted an impairment loss for the following asset group:

Current consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)

Location	Use	Type
Tokyo and others	Idle assets	Intangible fixed assets
Ogawa-machi, Hiki-gun, Saitama Prefecture	Idle assets	Intangible fixed assets

(i) History toward recognition of impairment loss

In the second quarter consolidated cumulative period, among idle assets that are not used for business, impairment losses are recorded for asset groups whose recoverable amounts are significantly lower than the book values.

(ii) Amount of impairment loss

Telephone subscription rights: 11 million yen.

Right to use facilities (cemetery): 1 million yen.

(iii) Method for grouping the assets

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

(iv) Method for calculating a recoverable amount

The recoverable amount of idle assets is measured by the net selling price based on market prices.

(Segment Information, etc.)

[Segment Information]

I Previous 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)

	Cloud Service and Support	System	Device	Total	Adjustments	Amount stated on the quarterly consolidated income statements
Sales						
Sales to external customers	984	4,720	3,878	9,583	—	9,583
Internal sales and transfers between segments	—	—	—	—	—	—
Total	984	4,720	3,878	9,583	—	9,583
Segment profit	206	32	192	431	—	431

II Current consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)

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 quarterly consolidated income statements
Sales						
Sales to external customers	1,087	4,730	5,301	11,118	—	11,118
Internal sales and transfers between segments	—	—	—	—	—	—
Total	1,087	4,730	5,301	11,118	—	11,118
Segment profit	228	46	309	584	—	584

2. Matters related to changes in reportable segments

From the beginning of the first quarter consolidated accounting period, we changed our reportable segment classifications. Previously, the Group had two reportable segments, the System Segment and the Device Segment. However, the Cloud Service and Support Segment, which was included in the System Segment, became an independent reportable segment, resulting in a total of three segments. For details, please refer to section 2 “Quarterly Consolidated Financial Statements and Main Notes (3) Notes to Quarterly Consolidated Financial Statements (Revenue Recognition).” In addition, the segment information for the previous second quarter consolidated cumulative period is based on the segmentation after the change.

(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, 2021 to September 30, 2021)	Current consolidated cumulative second quarter (From April 1, 2022 to September 30, 2022)
	Cloud Service and Support Products	984	1,087
	Cloud Service and Support Total	984	1,087
	Retail Solution Products	2,147	1,644
	Business Solution Products	1,460	1,620
	Global Products	1,111	1,465
	System Total	4,720	4,730
	Electronics Products	1,849	3,163
	Mechatronics Products	2,029	2,137
	Device Total	3,878	5,301
	Revenues from contracts with customers	9,583	11,118
	Other revenues	-	-
	Sales to external customers	9,583	11,118

From the first quarter of the fiscal year ending March 31, 2023, the Service and Support Products that were previously classified under the System Segment have been separated into the Cloud Service and Support Segment. This is because we positioned the cloud-based subscription-type service business and maintenance business as growth businesses from the perspective of growth potential and profitability.

In the System Segment, "Office Solution Products" has been renamed "Business Solution Products" in order to expand into a wide range of markets, including data centers and logistics markets, in addition to the office market. In the Device Segment, the name "Semiconductor Products" has been changed to "Electronics Products" to focus on overall electronics products with high value-added technology instead of conventional sales of single items, and the name "Industrial Products" has been changed to "Mechatronics Products" to expand the scope of development of unit products integrating machinery and electronics. There is no change in the content of either segment.

Information on revenue generated from contracts with customers for the previous consolidated cumulative second quarter broken down by product category is based on the classification after the change.