

# Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024

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

August 4, 2023



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2. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024
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[Reference Material] Medium-Term Management Plan 2022-2024

[https://www.takachiho-kk.co.jp/pdf/plan\\_pdf/plan2022-2024\(en\).pdf](https://www.takachiho-kk.co.jp/pdf/plan_pdf/plan2022-2024(en).pdf)

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# Executive Summary

## ■ First Quarter of the Fiscal Year Ending March 31, 2024 <Results>

- **Increased sales and profit** year-on-year. The three main points are as follows.
  1. Electronics (**Devices**): Significant increase in sales due to the uptake of backlog and the effect of new distributor contracts (+)
  2. MSP Service (**Cloud Services and Support**): Increase in number of licenses and subscription revenue (+)
  3. Retail Solutions (**Systems**): Increased sales to markets with strong inbound demand, etc. (+)
- Due to the above reasons, the scale of sales expanded and the **operating profit ratio improved by 1.0pt** (YoY)

## ■ Full Fiscal Year Ending March 31, 2024 <Plan>

- The consolidated forecasts for the first half and full year remain unchanged due to uncertainties in factors including customer production adjustments and foreign exchange rate trends
- Focus will be placed on **growth of the Cloud Services business** through selling MSP Service to systems segment customers, development of TK Eco System (\*), etc., with the aim to achieve the full-year plan

[Millions of yen]	FY3/23 1Q Results	FY3/24 1Q Results	Change	FY3/24 Full Year Plan	Rate of progress
Net sales	4,974	6,080	+1,105	24,800	24.5%
Operating profit	206	314	+108	1,620	19.4%
Operating profit ratio	4.2%	5.2%	+1.0pt	6.5%	—
Ordinary profit	431	574	+142	1,600	35.9%
Net income	317	393	+76	1,249	31.5%

(\*) Our proprietary BtoB platform that centrally manages physical security and networks

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# Consolidated Financial Highlights

Increased sales and profit, driven by Electronics business

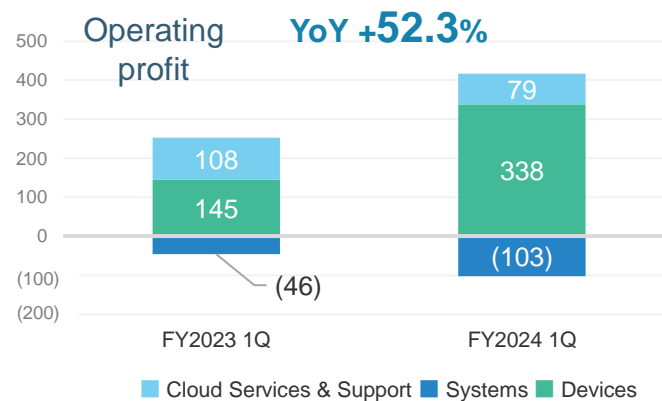
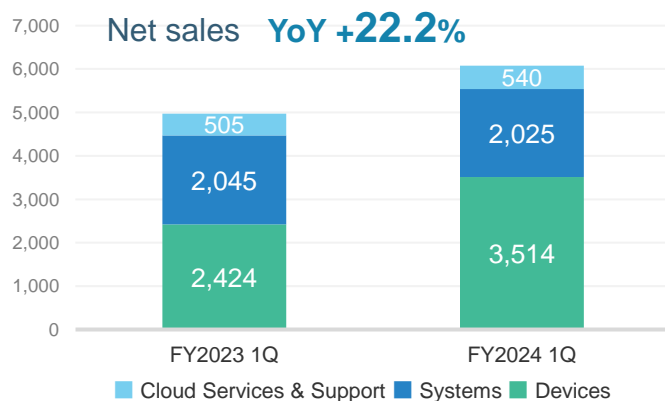
Operating profit ratio improved 1.0 pt YoY due to expansion of the scale of sales

[Millions of yen]	FY3/23 1Q Results	FY3/24 1Q Results	YoY change	FY3/24 Full Year Plan	Rate of progress
Net sales	4,974	6,080	+22.2%	24,800	24.5%
Gross profit on sales	1,254	1,454	+15.9%	6,210	23.4%
Gross profit ratio (%)	25.2%	23.9%	(1.3 pt)	25.0%	—
Selling, general and administrative expenses	1,047	1,139	+8.8%	4,590	—
Operating profit	206	314	+52.3%	1,620	19.4%
Operating profit ratio (%)	4.2%	5.2%	+1.0pt	6.5%	—
Foreign exchange gains	202	212	+5.0%	—	—
Ordinary profit	431	574	+33.1%	1,600	35.9%
Ordinary profit ratio (%)	8.7%	9.4%	+0.7pt	6.5%	—
Profit attributable to owners of the parent	317	393	+24.0%	1,249	31.5%
EPS	35.51 yen	43.40 yen	+7.89 yen	137.74 yen	—

# Results by Segment [Millions of yen]

Driven by strong performance in Devices, although affected by a partial slide in sales in Systems and Cloud Services and Support

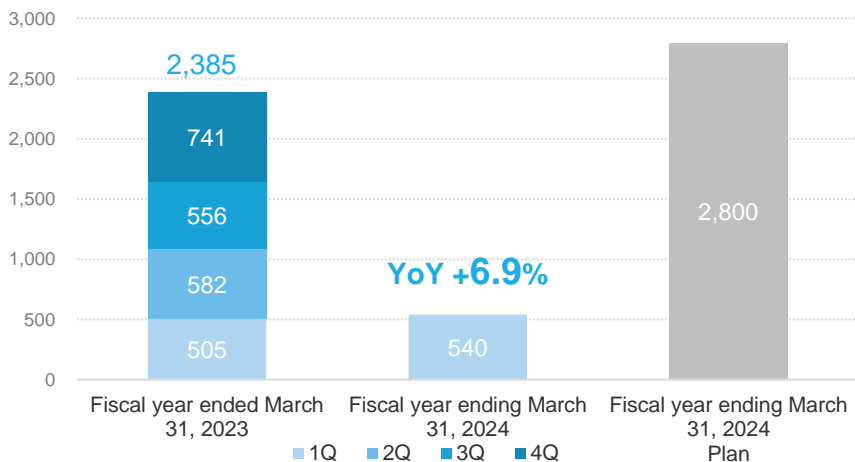
		FY3/23 1Q Results	FY3/24 1Q Results	Increase	Percentage change	FY3/24 Plan	Rate of progress
<b>Cloud Services &amp; Support</b>	Net sales	505	540	+34	+6.9%	2,800	19.3%
	Operating profit	108	79	(28)	(26.6%)	600	13.2%
	Operating profit ratio	21.4%	14.7%	(6.7pt)	-	21.4%	-
<b>Systems</b>	Net sales	2,045	2,025	(19)	(1.0%)	9,800	20.7%
	Operating profit	(46)	(103)	(56)	-	160	-
	Operating profit ratio	-	-	-	-	1.6%	-
<b>Devices</b>	Net sales	2,424	3,514	+1,090	+45.0%	12,200	28.8%
	Operating profit	145	338	+193	+132.6%	860	39.4%
	Operating profit ratio	6.0%	9.6%	+3.6pt	-	7.0%	-
<b>Consolidated total</b>	Net sales	4,974	6,080	+1,105	+22.2%	24,800	24.5%
	Operating profit	206	314	+108	+52.3%	1,620	19.4%
	Operating profit ratio	4.2%	5.2%	+1.0pt	-	6.5%	-



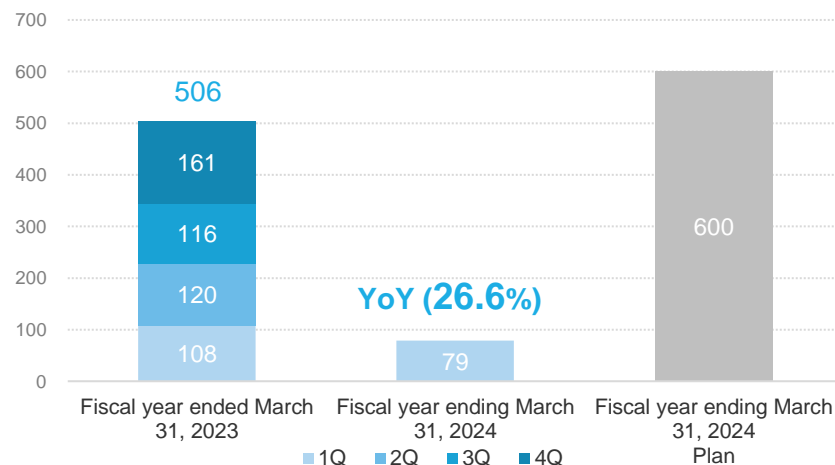
# Cloud Services and Support Results [Millions of yen]

- **Subscription revenue increased** due to steady accumulation of **MSP Service** licenses (+)
- **Maintenance of Auto Mailing Insertion Systems:** Negative impact on operating profit due to increased procurement costs of maintenance parts due to depreciating yen and decreased sales transfer (\*) due to slide in new sales (-)
- **New maintenance contracts acquired for data center access control systems** (+)

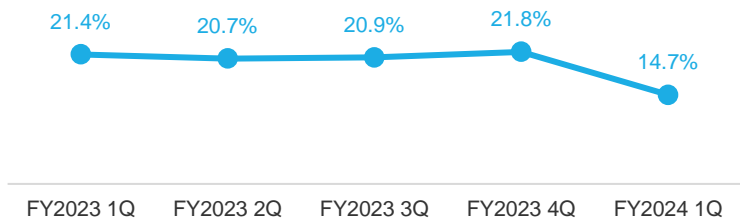
Net sales



Operating profit



Operating profit ratio



Period	Change factors (YoY)
1Q 14.7% (YoY(6.7pt))	<ul style="list-style-type: none"> <li>• Increase in procurement costs of maintenance parts for Auto Mailing Insertion Systems (-)</li> <li>• Decrease in sales transfer due to slide in sales of Auto Mailing Insertion Systems equipment (-)</li> <li>• Increase in MSP Service long-term contract customers (+)</li> </ul>

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



# MSP Services Contract Status

## MSP Services KPIs

### Number of contracts

As of June 30, 2023

**17,248** licenses

### Number of new contracts

April to June 2023

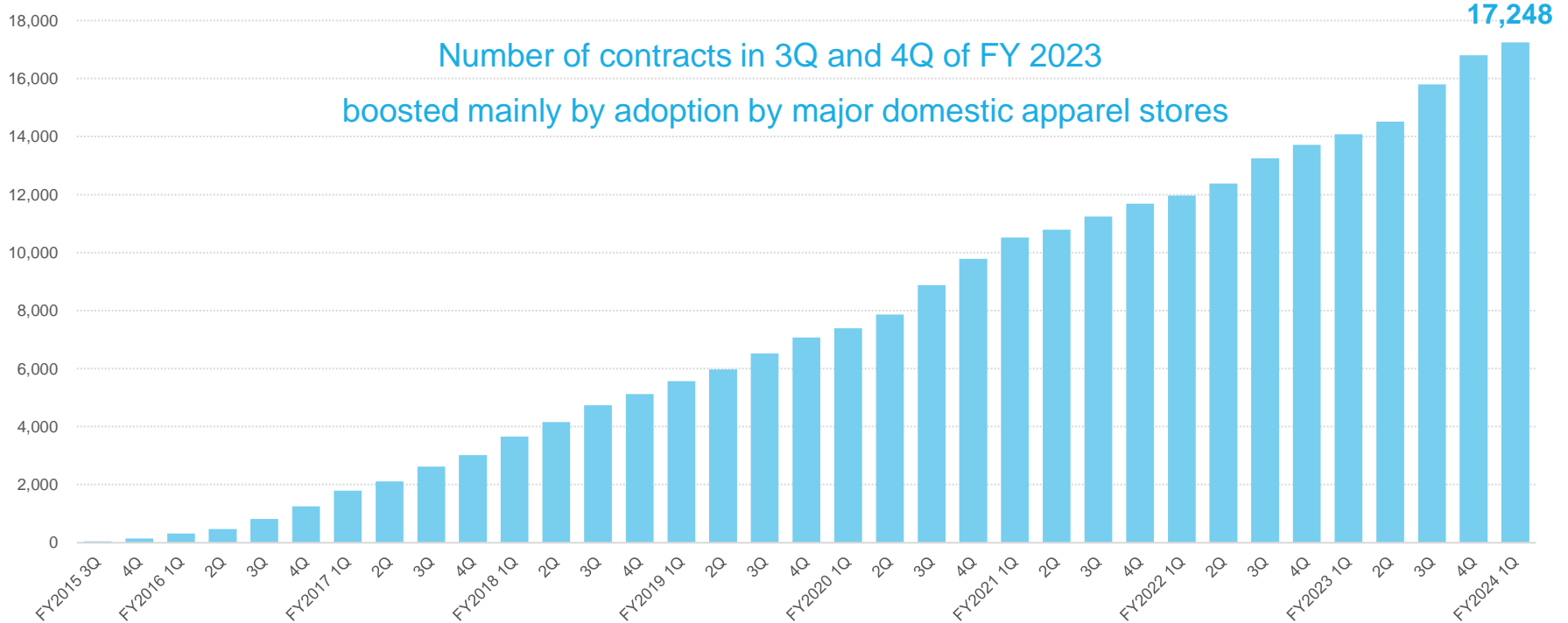
**793** licenses

### Monthly cancellation rate\*

April to June 2023

**0.42%**

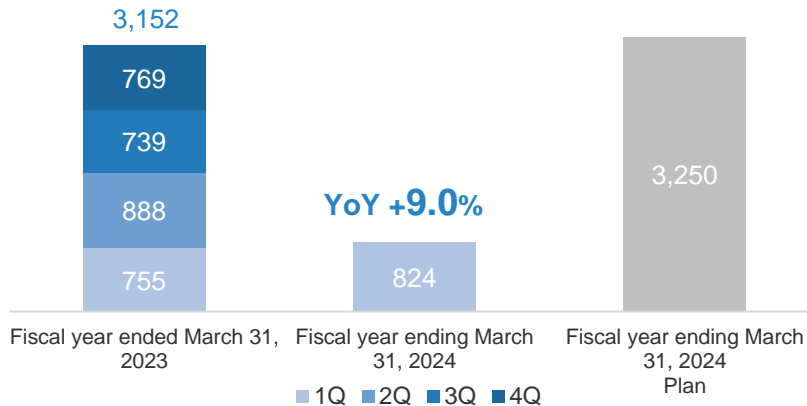
## Number of MSP service contracts



(\*) Monthly cancellation rate: Number of contract cancellations in a month / Total number of contracts at the end of the previous month

# Systems Net Sales (by sub-segment) [Millions of yen]

## Retail Solutions



## Retail Solutions

- Uptake of facial recognition and surveillance camera system projects for **GMS (+)**
- Growth in security systems for **electronics retailers** and **apparel stores (+)**

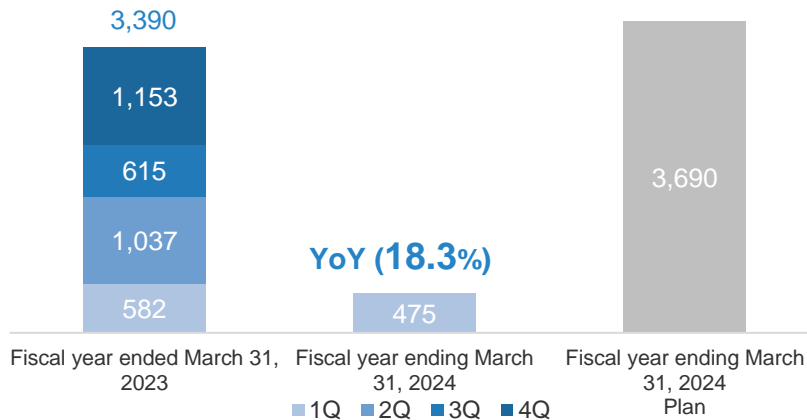
## Business Solutions

- Sales recording was postponed to 2Q onward due to delay in equipment procurement for **Auto Mailing Insertion Systems** caused by parts shortages (-)
- Growth in sales of access control and surveillance camera systems for **offices** and **data centers of foreign companies (+)**

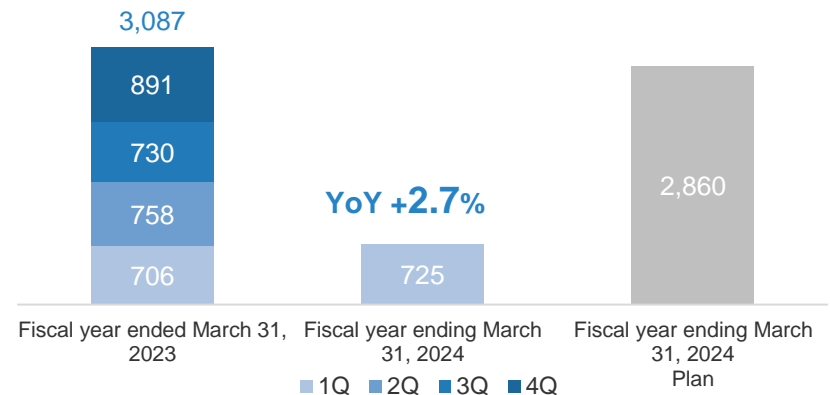
## Global

- Sales of **fire protection systems** declined due to delays in power plant construction projects in Thailand (-)
- Growth in security systems for Thai **apparel stores (+)**
- Positive impact of **yen-translated earnings** of overseas subsidiaries (+)

## Business Solutions



## Global



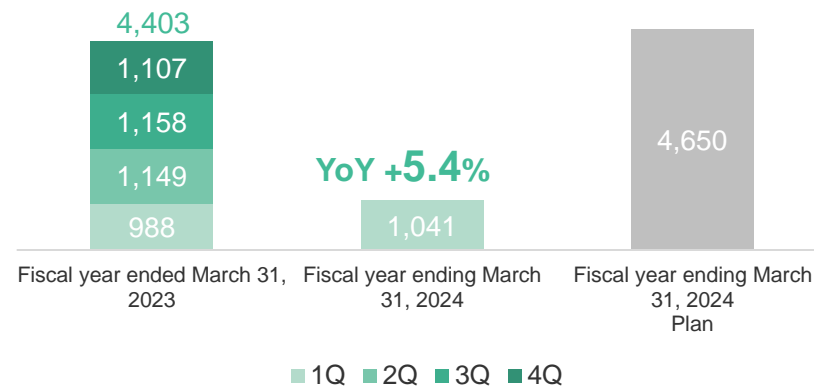
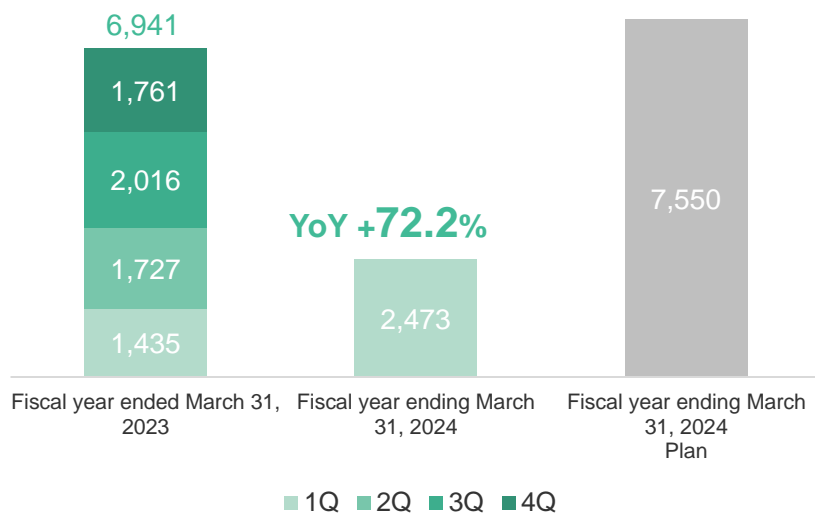
# Devices Net Sales (by sub-segment) [Millions of yen]

## Electronics

- Growth in sales of electronic parts mainly for industrial equipment and power modules increased due to progress in **delivery of backlog** from the previous fiscal year (+)
  - Scale of sales expanded due to the **new distributor contract** (\*), which has been contributing to results since 3Q of the previous fiscal year (+).
  - **New Adoption increased** due to product expansion and the success of customer contact strategies
- Growth in sales of electronic parts mainly for amusement and business equipment such as printers (+)
- Despite uncertainty due to adjustments in customers' production, we will capture backlog through delivery date negotiations with the aim to achieve the full-year plan

## Mechatronics

- Growth in sales to amusement industry due to the **adoption** of direct-moving products such as the new "Spiral Shaft" in **smart game machines** (+)
- Growth in sales of mechanical components for cash equipment due to capturing **demand for new banknote printing** in 2024, despite a partial slide in sales due to adjustments in customers' production (+)
- Decrease in sales of soft-close components for U.S. housing equipment (-)

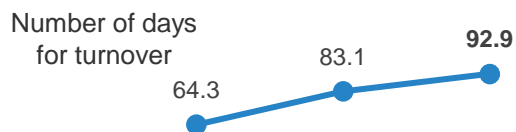


(\* ) Distributor contract with Nuvoton Technology Corporation Japan. Please refer to the July 26, 2021 [press release](#) (Japanese) for details.

# Capital Efficiency Improvement Status

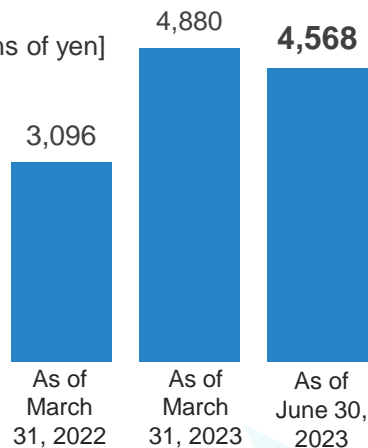
Hold inventories to appropriate levels by capturing backlogs of orders and strengthening order control  
Review the transaction terms of receivables and payables and aim to improve capital efficiency

## Inventories

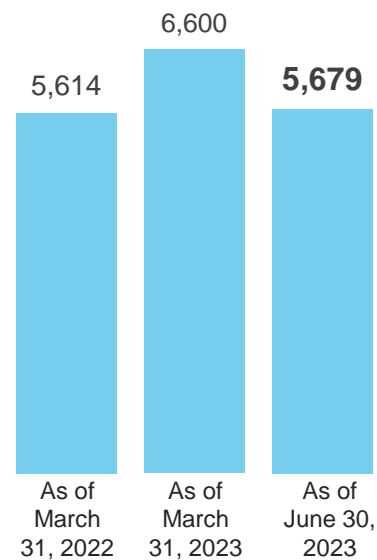


## Balance

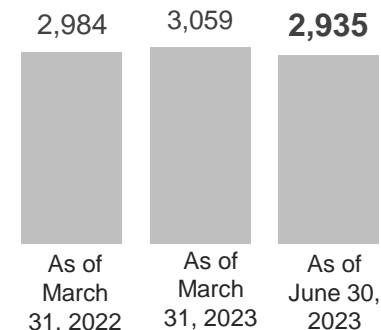
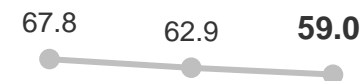
[Millions of yen]



## Trade receivables



## Trade payables



### Reason for increase in inventories

1. Procurement of semiconductors and electronic parts progressed
2. Increased advance orders from customers
3. Focus on stable supply under supply chain disruptions

[Calculation Formula]

- Turnover of inventories = Inventories (average balance at beginning and end of period) / Cost of sales x number of days
- Turnover of trade receivables = Trade receivables (average balance at beginning and end of period) / Net sales x number of days
- \*Trade receivables = Accounts receivable + Notes receivable + Contract assets + Electronically recorded monetary claims (-) Contract liabilities (advances received)
- Turnover of trade payables = Trade payables (average balance at beginning and end of period) / Cost of sales x number of days
- Number of days: Full-year calculated on 365 days; June 30 calculated on 91 days

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# Consolidated Profit & Loss <Plan>

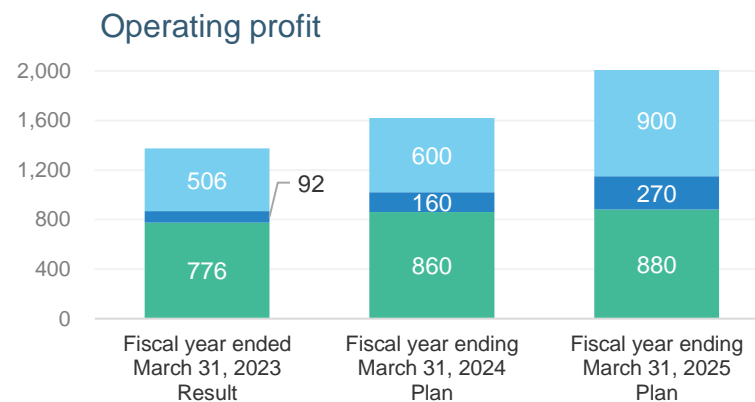
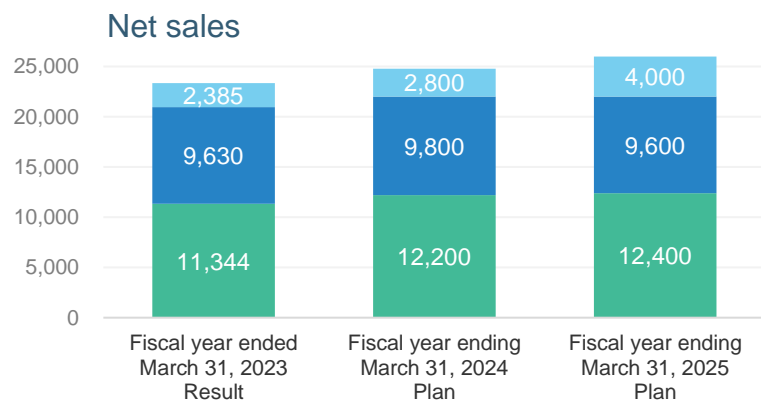
Increased sales and profit is planned by focusing on capturing the backlog of orders in the electronics business and the growth of cloud services

[Millions of yen]	FY3/23 Result	FY3/24 Plan	Increase	Year-on-Year	Plan for FY3/25, the final year of the Medium-Term Management Plan
Net sales	23,360	24,800	+1,439	+6.2%	26,000
Gross profit on sales	5,838	6,210	+371	+6.4%	—
Gross profit ratio (%)	25.0%	25.0%	—	+0.0pt	—
Selling, general and administrative expenses	4,461	4,590	+128	+2.9%	—
Operating profit	1,376	1,620	+243	+17.7%	2,050
Operating profit ratio (%)	5.9%	6.5%	—	+0.6pt	7.9%
Ordinary profit	1,588	1,600	+11	+0.7%	2,000
Ordinary profit ratio (%)	6.8%	6.5%	—	(0.3 pt)	7.7%
Profit attributable to owners of the parent	1,205	1,249	+43	+3.6%	1,400
ROE(%)	7.7%	7.7%	—	+0.0pt	10.0% (target) 8.0% (must achieve)
EPS	134.69 yen	137.74 yen	+3.05 yen	—	—
Annual dividends per share (*)	133 yen	137 yen	+4 yen	—	—

(\*1) Annual dividends per share: Calculated by dividing the full amount of net profit by the number of shares at the end of the period, in accordance with the 100% payout ratio policy (EPS is calculated by dividing net profit by the average number of shares outstanding during the period)

# Net Sales and Operating Profit by Segment <Plan> [Millions of yen]

		FY3/23 Result	FY3/24 Plan	Increase	Percentage change	FY3/25 Plan (*)
<b>Cloud Services &amp; Support</b>	Net sales	2,385	2,800	+414	+17.4%	4,000
	Operating profit	506	600	+93	+18.4%	900
	Operating profit ratio	21.2%	21.4%	+0.2pt	-	22.5%
<b>Systems</b>	Net sales	9,630	9,800	+169	+1.8%	9,600
	Operating profit	92	160	+67	+72.5%	270
	Operating profit ratio	1.0%	1.6%	+0.6pt	-	2.8%
<b>Devices</b>	Net sales	11,344	12,200	+855	+7.5%	12,400
	Operating profit	776	860	+83	+10.7%	880
	Operating profit ratio	6.8%	7.0%	+0.2pt	-	7.1%
<b>Consolidated total</b>	Net sales	23,360	24,800	+1,439	+6.2%	26,000
	Operating profit	1,376	1,620	+243	+17.7%	2,050
	Operating profit ratio	5.9%	6.5%	+0.6pt	-	7.9%



(\*) The breakdown of segment targets for the year ending March 31, 2025 have been revised. Please refer to "[Fiscal year ended March 31, 2023 Financial Results](#)" (page 5) for details.

# Shareholder Returns

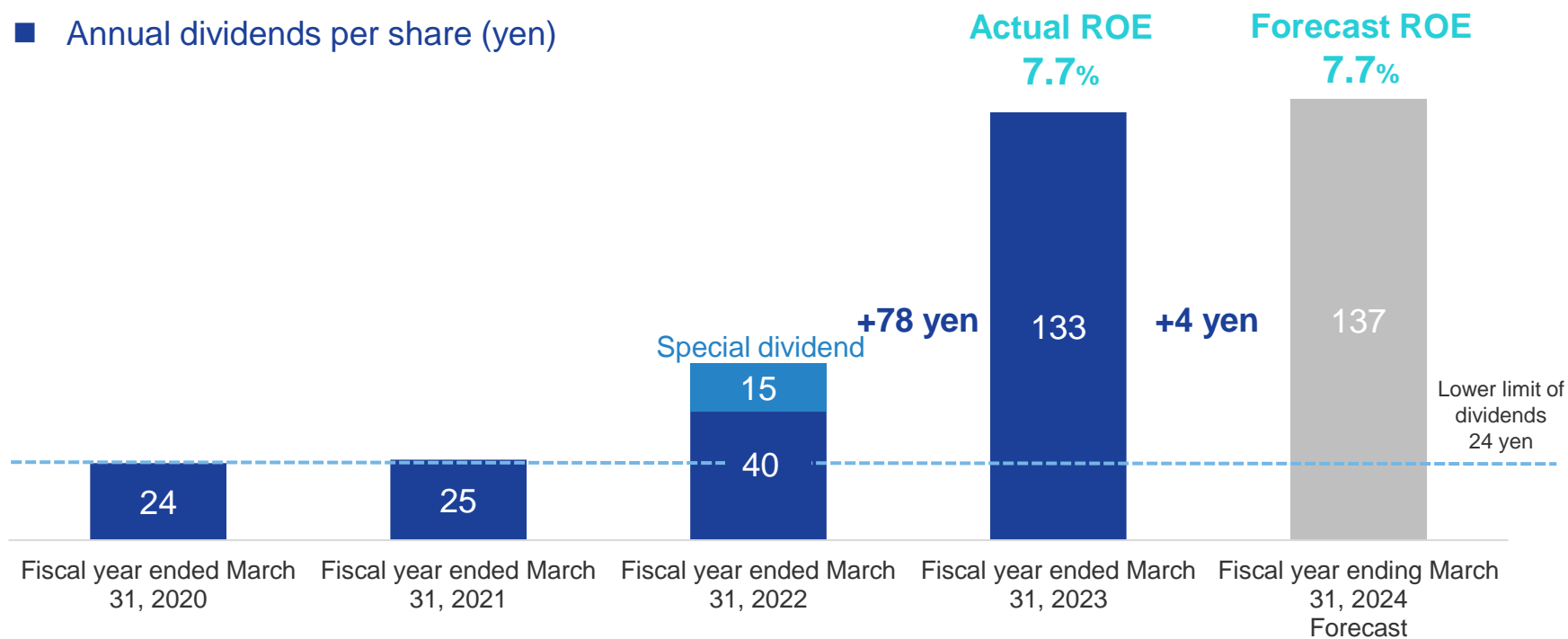
Annual dividends for the fiscal year ending March 31, 2024 are planned to be **137 yen per share**  
(interim: 53 yen per share, year-end: 84 yen per share)

## Shareholder Return Policy in the Medium-Term Management Plan 2022-2024

Maintain a **dividend payout ratio of 100% until ROE achieves 8% on average over three fiscal years (\*)** in an effort to actively return profits to shareholders **without increasing shareholders' equity**

100% dividend payout ratio until ROE of 8% is achieved on average for three fiscal years

### ■ Annual dividends per share (yen)



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



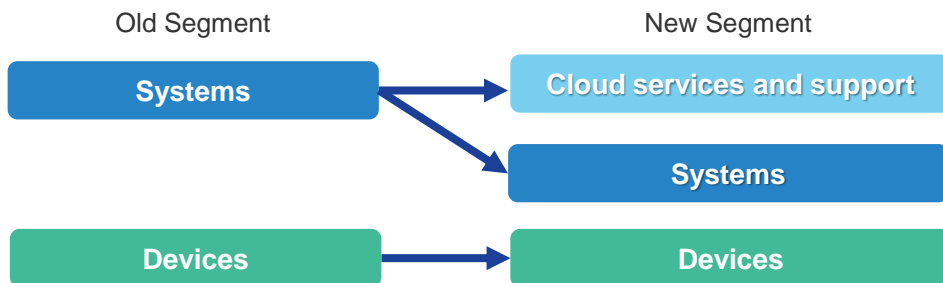
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# Segments and Main Products/Services

## Segment System



From the period of the Medium-Term Management Plan (fiscal year ended March 31, 2023), from the perspective of "growth potential" and "profitability," the cloud-based subscription service business and maintenance business are positioned as "growth businesses" and separated as a segment.

※ The "Services & Support" product line in the Systems Segment has been renamed to "Cloud Services & Support" and converted into a new segment.

### Cloud services and support

Cloud-based wireless LAN

<b>Cloud Services</b>	<ul style="list-style-type: none"> <li>Services such as MSP that integrate equipment, cloud services, and operations management</li> </ul>
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>Maintenance services for products in the Systems segment</li> </ul>

### Systems

Access control systems

Facial recognition systems

<b>Retail</b>	<ul style="list-style-type: none"> <li>The electronic article surveillance (EAS) system, surveillance camera systems</li> <li>Store management systems</li> <li>Display products security systems</li> </ul>
<b>Business</b>	<ul style="list-style-type: none"> <li>Access control systems, surveillance camera systems</li> <li>Auto Mailing Insertion Systems</li> <li>RFID systems</li> <li>Network systems</li> </ul>
<b>Global</b>	<ul style="list-style-type: none"> <li>Fire protection systems</li> </ul>

### Devices

Power modules

Silicon microphones

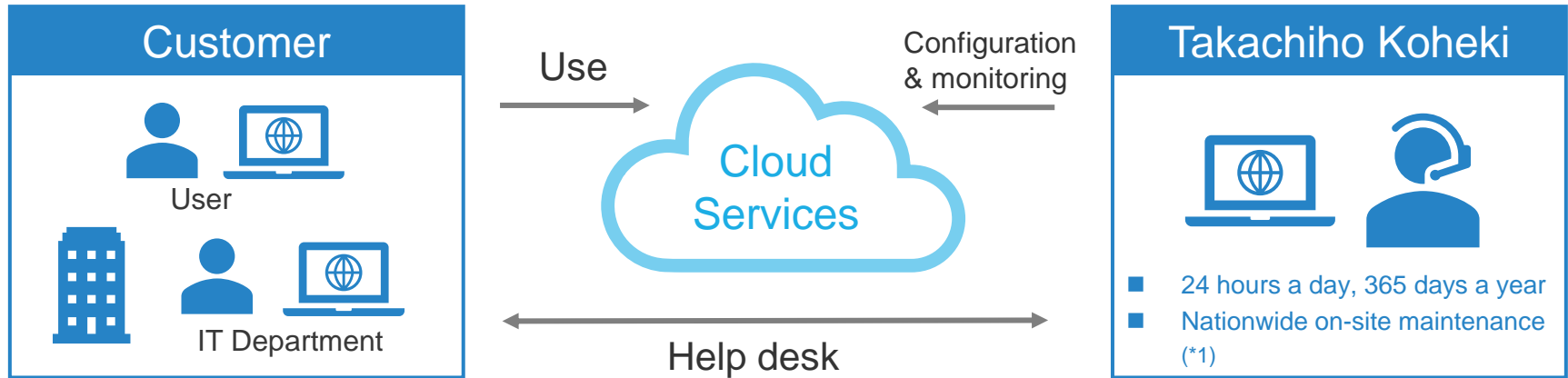
Soft-close units

<b>Electronics</b>	<ul style="list-style-type: none"> <li>Semiconductors, ICs, electronic parts, sensors</li> <li>Various modules</li> </ul>
<b>Mechanics</b>	<ul style="list-style-type: none"> <li>Slide rails, gas springs</li> <li>Soft-close units, electronic locks</li> </ul>

# MSP Services (1)

## What are MSP (Managed Service Provider) Services?

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



### MSP Service Products



Cloud-based wireless LAN system

What is a "cloud-based wireless LAN system"?

The management of wireless LAN access points in the cloud

- ✓ Visualization of usage status in the cloud
- ✓ Easy and fast installation and trouble-shooting
- ✓ Configuration and monitoring can be outsourced

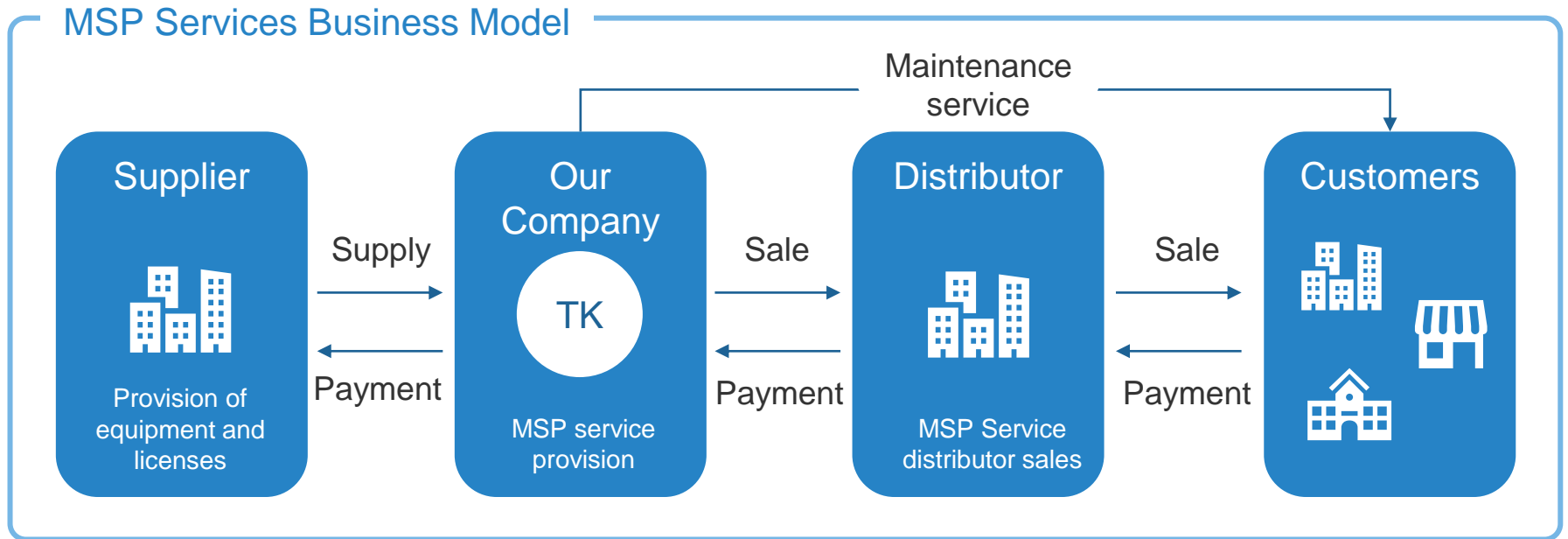
### MSP Service Fee Structure

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

- (1) Purchase of equipment
- (2) Cloud service license fee
- (3) Maintenance fees

(\*1) Not available in some areas (\*2) The purchase of equipment (1) can be paid in a lump sum

# MSP Services (2)



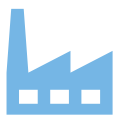
## ■ Examples of Using MSP Services



**Offices of small and medium-sized companies** suffering from staff shortages in the information systems department



**Nationwide stores** with high management costs due to the large number of locations

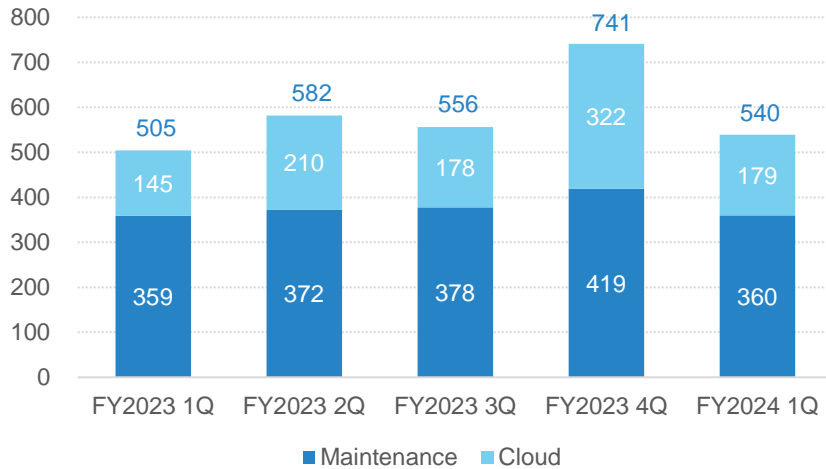


Also used in **factories, nursing homes, hospitals, schools**, and many other locations.

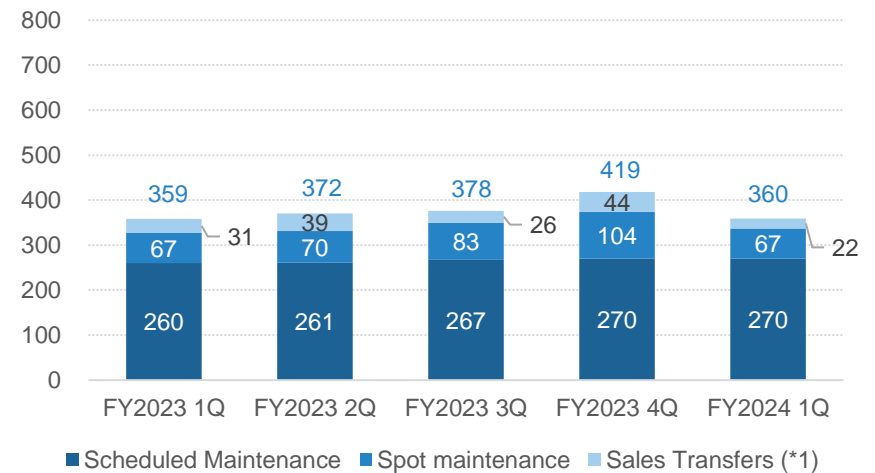


# Cloud Services and Support Net Sales Breakdown (by quarter) [Millions of yen]

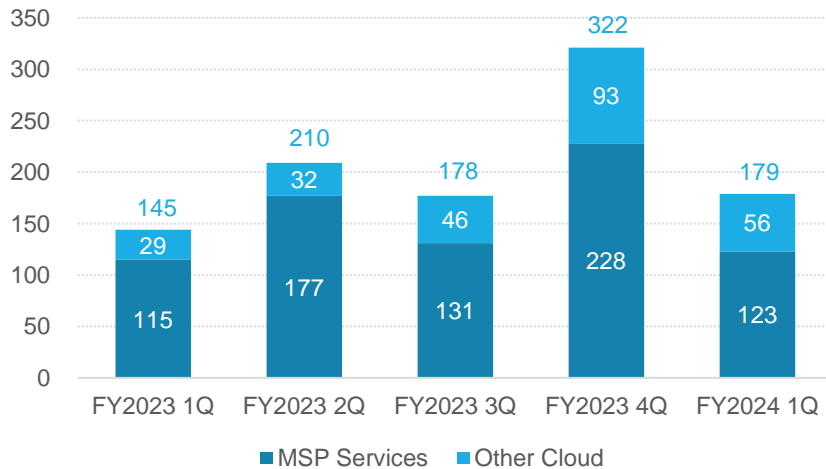
(1) Cloud Services and Support Net Sales Breakdown



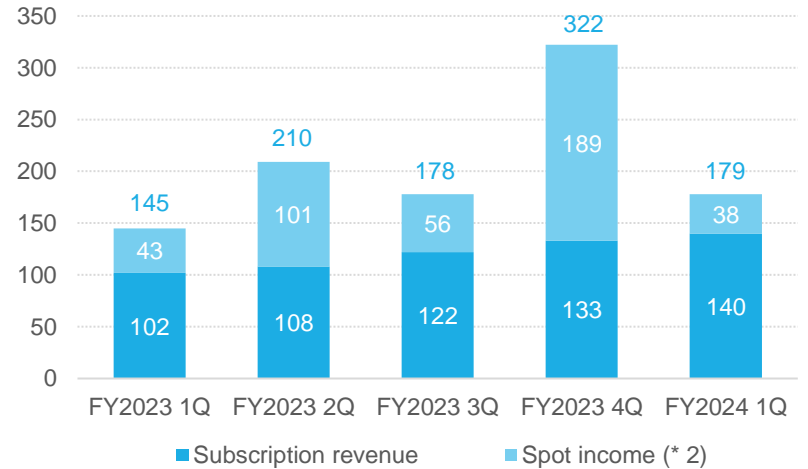
(2) Maintenance Net Sales Breakdown (by type)



(3) Cloud Services Net Sales Breakdown (by service)



(4) Cloud Services Net Sales Breakdown (by type)



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

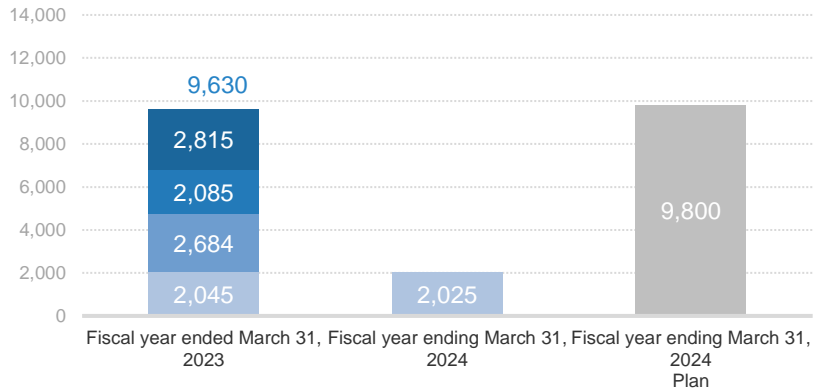
(\*2) Lump-sum payment of initial costs, purchase of equipment for MSP Service, etc.

# Systems & Devices Segments Results [Millions of yen]

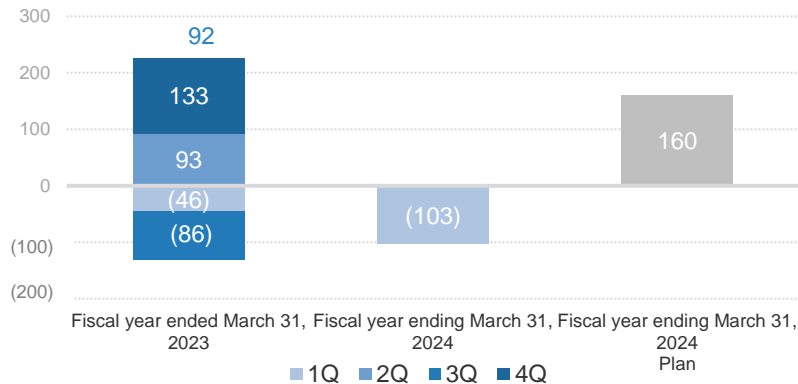
## Systems

### Net sales

Change: Retail +68 / Business (106) / Global +18  
Systems total: (19)



### Operating profit



### Operating profit

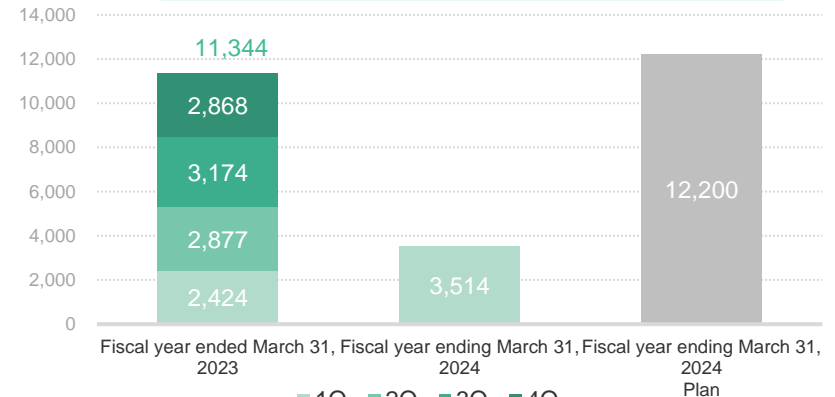
### Change factors (YoY)

1Q **(103)** (YoY (56)) • Decrease in Business Solutions revenue (-)

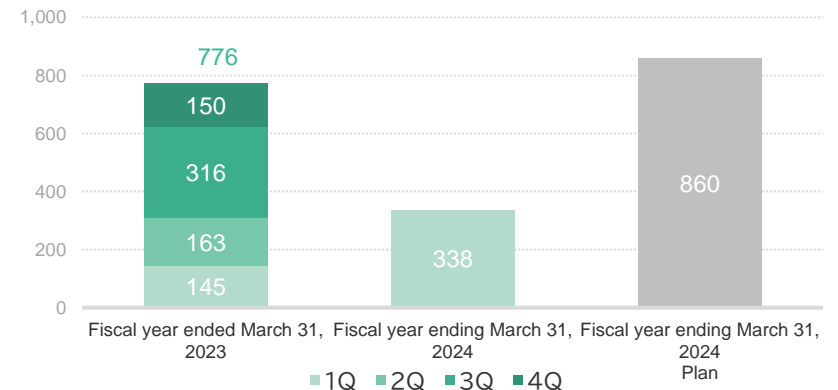
## Devices

### Net sales

Change: Electronics +1,037 / Mechatronics +53  
Devices total: +1,090



### Operating profit



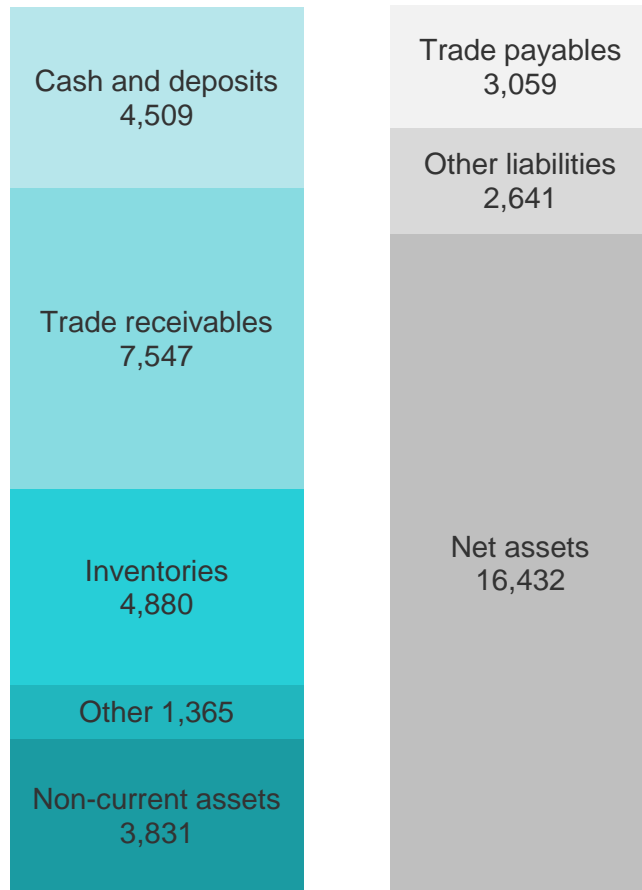
### Operating profit ratio

### Change factors (YoY)

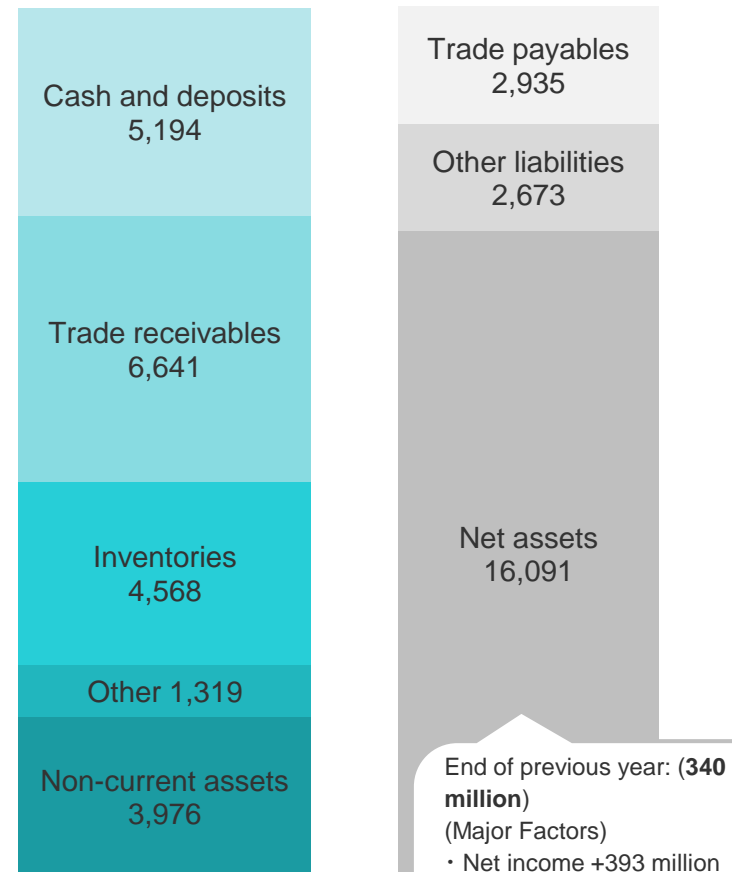
1Q **(9.6%)** (YoY +3.6pt) • Expansion of scale of electronics sales (+)  
• Improvement in sales mix (+)

# Consolidated Balance Sheet [Millions of yen]

As of March 31, 2023



As of June 30, 2023



End of previous year: **(340 million)**  
 (Major Factors)  
 • Net income +393 million  
 • Dividend payment: (994 million)  
 • Valuation and translation adjustments +260 million

# Company Profile

Company Name	Takachiho Koheki Co., Ltd.
Securities Code	TSE Prime 2676
Established	March 13, 1952
Head Office Address	YOTSUYA TOWER 7F, 1-6-1 Yotsuya, Shinjuku-ku, Tokyo
Representative	Takanobu Ide, President and Chief Executive Officer
Number of Employees	Consolidated: 496, Non-consolidated: 243 (as of March 31, 2023)
Consolidated Subsidiaries	One domestic company, eight overseas companies (Shanghai, Hong Kong, Bangkok, Singapore, Chicago)



- Video of interview with the CEO now available



<https://youtu.be/t24f-4ypyOY?si=CbuOkdesvdbEZWAY>



## Precautions Regarding this Document

- This document contains forward-looking statements. Such statements are not guarantees of future results and involve risks and uncertainties.  
Please note that future results may differ due to changes in the business environment and other factors.
- This document is for informational purposes only and is not intended as a solicitation to trade.

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**note**  
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