

# Financial Results for the Year Ended March 2019 [Based on the Japanese Accounting Standards] (Consolidated)

May 10, 2019

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

Stock market: Tokyo Stock Exchange First Section

Code No.: 2676

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

Representative (job title): Takanobu Ide (President and CEO)

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

General Manager of the Corporate Management Division)

TEL: 03-3355-1111

Date of the shareholder's meeting: June 26, 2019

Date of dividends payment: June 27, 2019

Registration date of annual securities report: June 27, 2019

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

## 1. Consolidated Financial Results for the Year ended March 2019 (from April 1, 2018 to March 31, 2019)

### (1) Consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2018	19,894	1.7	989	49.1	1,086	53.8	491	275.3
FY 2017	19,570	2.8	663	32.6	706	0.9	130	(53.2)

Note: Comprehensive income: 488 million yen ( 43.5 %) for FY 2018

340 million yen ( △17.4 %) for FY 2017

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	yen	yen	%	%	%
FY 2018	53.53	—	3.5	5.8	5.0
FY 2017	14.02	14.00	0.9	3.8	3.4

Reference: Equity in earnings (losses) of affiliates: 7 million yen for FY 2018

3 million yen for FY 2017

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY 2018	18,883	13,766	72.9	1,545.18
FY 2017	18,566	13,958	75.1	1,492.86

Reference: Owner's equity: 13,760 million yen for FY 2018

13,948 million yen for FY 2017

### (3) Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investment	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY 2018	939	(134)	(678)	5,203
FY 2017	143	(435)	(218)	5,069

## 2. Dividends

	Annual cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	At 1st quarter end	At 2nd quarter end	At 3rd quarter end	At fiscal year end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY 2017	—	12.00	—	12.00	24.00	224	171.2	1.6
FY 2018	—	12.00	—	12.00	24.00	219	44.8	1.6
FY 2019 forecast	—	12.00	—	—	—		—	

On May 10, 2019, we announced the changes in dividend policy. Although the amount of the dividend has not been decided at present, according to this policy, the current stable dividend (24 yen a year) will be the lower limit for the dividend for the fiscal year ending March 2020. We plan to pay a dividend of ¥12 at the end of the second quarter and a year-end dividend of 40% or more for the consolidated payout ratio.

Please refer to “Notice of changes in dividend policy” announced on the same date for details.

## 3. Forecast of Consolidated Operating Results for FY 2019 (from April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY 2019 1st half	10,250	12.5	380	32.1	380	8.5	230	21.3	25.83
FY 2019	22,100	11.1	1,200	21.3	1,200	10.4	800	62.9	89.83

### \* Notes:

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

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

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

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(3) Number of shares issued (common stock)

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

FY 2018	10,171,800	FY 2017	10,171,800
FY 2018	1,266,036	FY 2017	827,990
FY 2018	9,177,020	FY 2017	9,339,160

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

(iii) Average number of shares issued during the period

Reference: Non-consolidated Financial Results

Non-consolidated Financial Results for the Year ended March 2019 (from April 1, 2018 to March 31, 2019)

(1) Non-consolidated Operating Results

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2018	14,745	3.4	834	39.9	951	46.4	457	3.9
FY 2017	14,259	2.7	596	21.2	650	(7.5)	440	(3.5)

	Net income per share		Fully diluted net income per share	
	yen		yen	
FY 2018	49.86		—	
FY 2017	47.15		47.10	

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	million yen	million yen	%	yen
FY 2018	17,924	14,105	78.7	1,583.21
FY 2017	17,908	14,401	80.4	1,540.25

Reference: Owner's equity: 14,099 million yen for FY 2018, 14,391 million yen for FY 2017

\* This financial summary is not subject to audit procedure.

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

(Note on the forecasts, etc.)

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

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## 1. Overview of Operating Results/Financial Position

### (1) Overview of Operating Results

#### (i) Operating Results for current consolidated fiscal year

For the current consolidated fiscal year, Japan's economy is showing signs of weakness in some areas of exports and production. On the other hand, it has shown a continuing and gradual recovery trend with an improvement in capital investment, and consumer spending supported by steady improvement in the employment/income environment.

For the outlook, amid the continuing improvement trend in the employment/income environment despite some weakness remaining, the economy is expected to gradually recover as a result of various economic countermeasures.

However, we need to pay attention to the situation overseas, including BREXIT, the management of economic policies in the United States, and the effect of trade problems on the stock market and foreign exchange market.

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

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

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

Amidst these circumstances, operating results in the current consolidated fiscal year show an increase in net sales of 1.7 percent YOY to 19,894 million yen.

In terms of profit and loss, operating income increased 49.1 percent YOY to 989 million yen. This is due to strong sales of the system segment, which has a relatively high profit margin, and also the effort made to reduce selling, general and administrative expenses.

Ordinary income increased 53.8 percent YOY to 1,086 million yen as foreign exchange gains of 54 million yen were recorded. Net income attributable to shareholders of the parent company increased 275.3 percent YOY to 491 million yen despite the impairment loss of fixed assets, including goodwill such as Guardfire Limited.

The operating results of each segment are as follows:

#### (System Segment)

System Segment sales increased 2.4 percent YOY to 12,267 million yen and operating income increased 48.0 percent YOY to 803 million yen.

For Security Solution Products, despite the sales increase resulting from the Access Control Systems promoting Work Style Reform, sales decreased 2.8 percent YOY to 7,435 million yen. This is due to weak sales of Display Security Systems and also due to the receipt of large orders for Fire Protection Systems in Thailand that has yet to result in sales during the current year.

For Other System Solution Products, sales increased 20.0 percent YOY to 2,002 million yen as a result of strong sales in Cloud-based wireless LAN Systems

For Customer Service Products, sales increased 6.3 percent YOY to 2,829 million yen

#### (Device Segment)

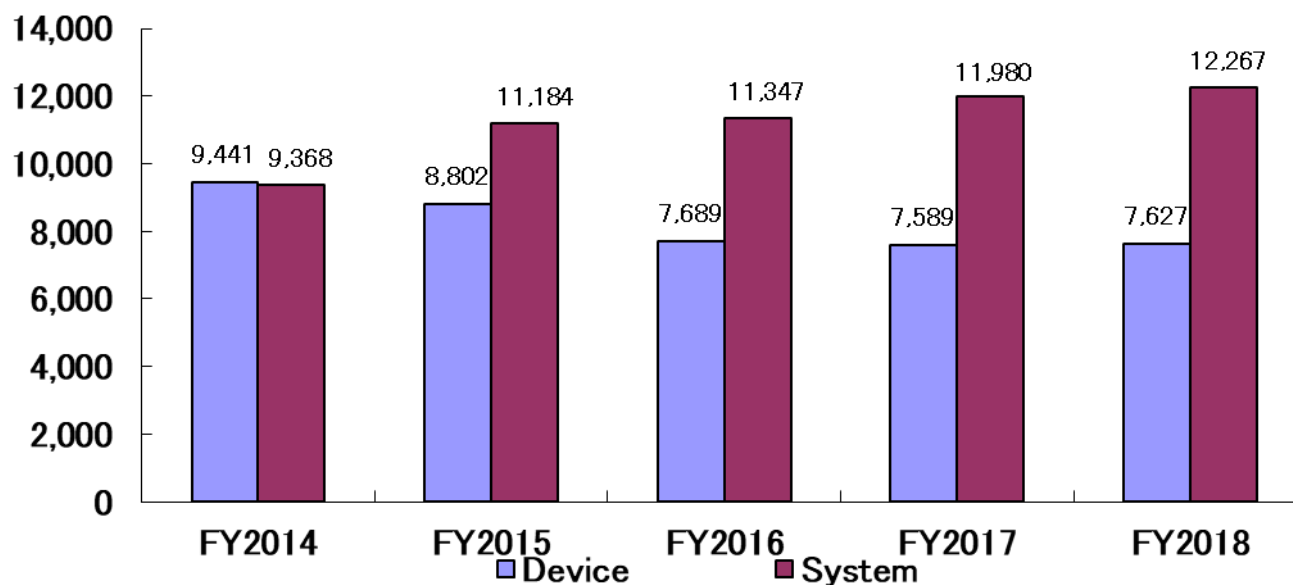
Device Segment sales increased 0.5 percent YOY to 7,627 million yen and operating income increased 103.5 percent YOY to 185 million yen.

For Semiconductor products, sales decreased 5.9 percent YOY to 3,319 million yen due to shrinking sales of electronic parts for smartphones.

For Mechanical Component Products, sales increased 6.1 percent YOY to 4,307 million yen as a result of solid sales for office furniture.

(millions of yen)

Sales by Segment



(ii) Future Outlook

Recently, Japan's economy has shown some weakness in certain areas of exports and production. On the other hand, it has shown a continuing and gradual recovery trend with an improvement in capital investment and consumer spending supported by steady improvement in the employment/income environment. For the outlook, amid the continuing improvement trend in the employment/income environment despite some weakness remaining, the economy is expected to gradually recover as a result of various economic countermeasures. However, we need to pay attention to the situation overseas, including BREXIT, the management of economic policies in the United States, and the effect of trade problems on the stock market and foreign exchange market.

Under such circumstances, our Group will strive to achieve further business growth, with the medium-term management policy of "Concentrating on core areas and changing to create new corporate value."

Specifically, in the System Segment, we will strive to promote sales of security solutions with the Electronic Article Surveillance Systems and image recognition technology for retail industries, RFID systems primarily for the apparel market, sales support solutions related to labor saving measures, for a Cloud-based wireless LAN with a rapidly growing market for office use, and for solutions to support Work Style Reform. As for global business, we will make efforts to win deals for fire protection systems for power plants, which are expected to enjoy an expansion in the demand for power in the ASEAN region, and for oil industrial complexes, where investment tends to recover due to higher crude oil prices.

With regard to the Device Segment, we will strive to develop industrial equipment area centered on the telecommunications infrastructure market in the electronics sector, and develop the automotive sector. In the Industrial Systems Business we will promote the sales of high value-added unit products for the housing equipment market in China and capture the U.S. market through Takachiho America, Inc.

For the results forecast for the next fiscal year, we expect sales to be 22,100 million yen, ordinary income to be 1,200 million yen, and net income attributable to owners of the parent company to be 800 million yen.

Sales forecasts by Segment are as follows:

	System	Device	Total
Net sales (million yen)	14,000	8,100	22,100
Rate of increase compared to FY 2018 (%)	14.1	6.2	11.1

## (2) Overview of Financial Position

### (i) Status of assets, liabilities and net assets

Total assets as of the end of the current consolidated fiscal year increased 316 million yen YOY to 18,883 million yen. This is due to notes and accounts receivable - trade, cash and deposits, and prepaid expenses increased 412 million yen, 134 million yen, and 99 million yen, respectively, while goodwill decreased 308 million yen.

Liabilities increased 508 million yen YOY to 5,116 million yen. This is due to notes and accounts payable – trade, accounts payable – other, advance payments, income taxes payable, and consumption taxes payable increased 186 million yen, 118 million yen, 81 million yen, 66 million yen, and 49 million yen, respectively.

Net assets decreased 191 million yen YOY to 13,766 million yen. This is due to net income attributable to owners of the parent company that amounted to 491 million yen, while the dividend payment amounted to 224 million yen and the expenditures for the acquisition of treasury stock amounted to 464 million yen.

The equity ratio decreased 2.2 points from the end of the previous consolidated fiscal year to 72.9 percent.

### (ii) Status of Cash flow

Cash and cash equivalents as of the end of the current consolidated fiscal year increased 134 million yen (2.7 percent) YOY to 5,203 million yen.

#### (Cash flow from operating activities)

Cash flow from operating activities during the current consolidated fiscal year increased 796 million yen YOY to 939 million yen. This is due to net income before taxes and minority interests that amounted to 894 million yen with income taxes paid being 343 million yen, while accounts payable - trade increased 185 million yen, the impairment loss amounted to 184 million yen, respectively.

#### (Cash flow from investment)

Cash flow from investment activities during the current consolidated fiscal year increased 300 million yen YOY to -134 million yen. This was mainly due to the acquisition of non-current assets of 139 million yen.

#### (Cash flow from financing activities)

Cash flow from financing activities during the current consolidated fiscal year decreased 459 million yen YOY to -678 million yen. This is due to expenditure for the acquisition of treasury stock of 464 million yen and dividend payments of 224 million yen.

Index	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Equity ratio (%)	75.0	75.8	74.5	75.1	72.9
Capital adequacy ratio based on current market value (%)	50.3	47.5	50.5	67.5	44.6
Interest coverage ratio	937.1	154.8	599.9	72.5	681.5

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

Equity ratio = Shareholder's equity ÷ Total assets

Capital adequacy ratio based on the current market value = Market capitalization ÷ Total assets

Interest coverage ratio = Operating cash flow ÷ Interest expenses paid

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

(3) Basic Policy for distribution of profit and the Dividends for the current and next fiscal years:

(i) Basic Policy for distribution of profit and the Dividends for the current fiscal year.

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

(ii) Basic Policy for distribution of profit and the Dividends for the next fiscal year.

We consider it an important business challenge to return profits to our shareholders and make profit distribution according to our business results, in addition to the policy of paying stable dividends. In principle, our basic policy is to set a consolidated payout ratio of at least 40%, with the current stable dividend (24 yen per year) as the lower limit. In addition, we have focused on investments for future growth and through retained earnings for business expansion.

(iii) Dividends for the current and next fiscal year.

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

On May 10, 2019, we announced the “Notice of changes in dividend policy” Please refer to that for details.



## 2. Corporate Group Status

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

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

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

### <System Segment>

#### (Security Solution Products)

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

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

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

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

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

#### (Other System Solution Products)

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

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

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

#### (Customer Service Products)

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

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

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

<Device Segment>

(Semiconductors Products)

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

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

(Mechanical Component Products)

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

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

Correlation between Segment and Products:

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

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

2. Terms such as product names and technical terminology:

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

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

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

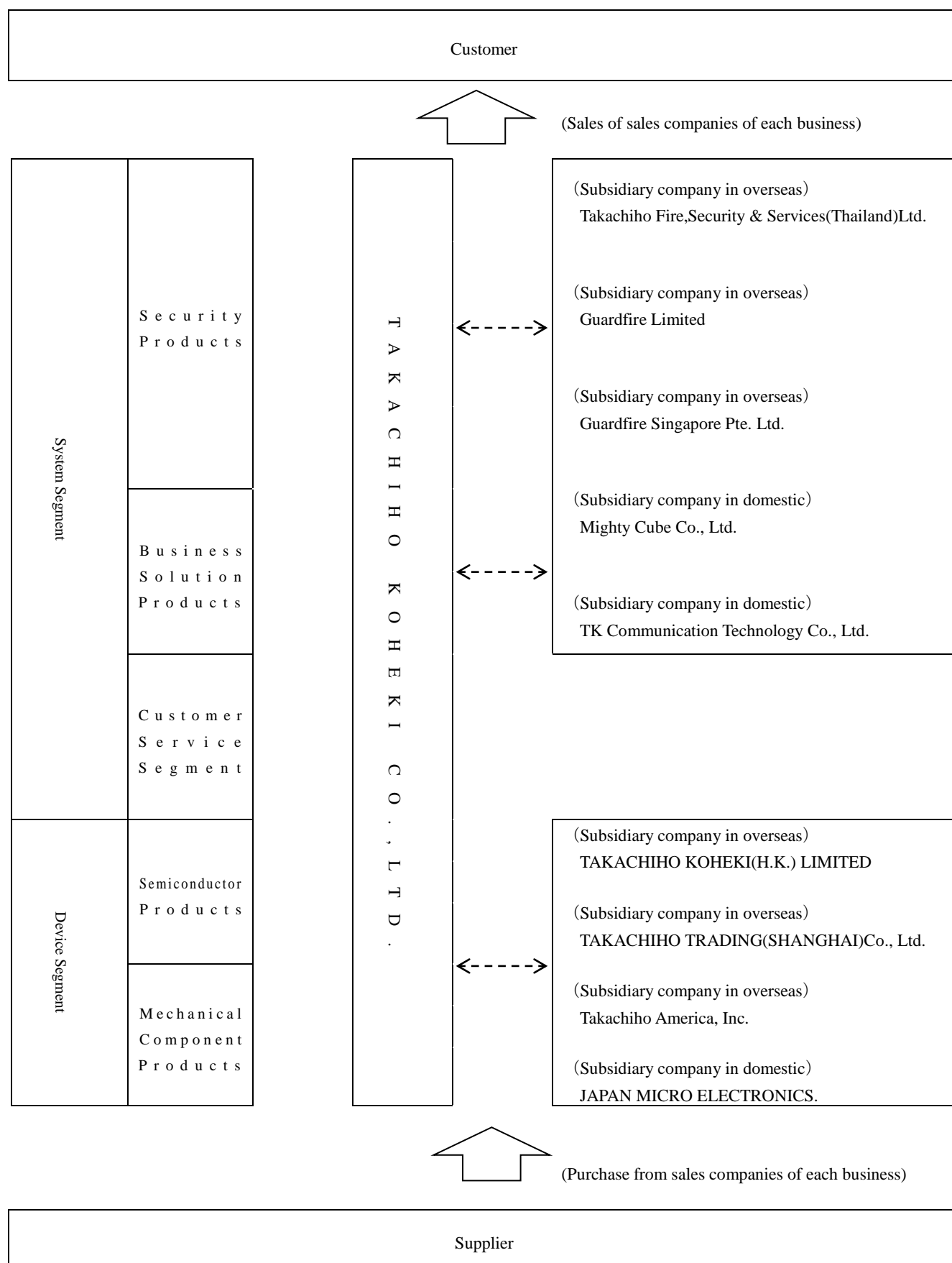
(4) Mail inserters (folding and inserting machines): Automated equipment for selection/enclosing and sealing operations of postal mail

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

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

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

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



Note: Dotted lines represent transactions within the Group.

### 3. Management Policies

#### (1) Basic management policies of the Company

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

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

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

#### (2) Targeted management indexes, Medium- to long-term management strategies of the Company and Issues facing the Company

On May 17, 2019, the Group will announce a new medium-term management plan with the fiscal year ending March 2022 as the final year. Please refer to that for details.

### 4. Basic stance relating to the selection of accounting standards

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

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

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	6,169	6,303
Notes and accounts receivable - trade	6,277	6,690
Merchandise and finished goods	2,416	2,445
Raw materials	107	130
Other	587	652
Allowance for doubtful accounts	(18)	(13)
Total current assets	15,540	16,209
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21	18
Land	128	128
Other, net	152	192
Total property, plant and equipment	※ 1 302	※ 1 338
Intangible assets		
Goodwill	659	350
Other	70	104
Total intangible assets	729	455
Investments and other assets		
Investment securities	※ 2 1,238	※ 2 1,140
Deferred tax assets	223	255
Other	531	484
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,993	1,879
Total non-current assets	3,025	2,673
Total assets	18,566	18,883

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,640	2,827
Income taxes payable	188	255
Provision for bonuses	245	267
Provision for bonuses for directors (and other officers)	10	22
Other	802	1,047
Total current liabilities	3,887	4,420
Non-current liabilities		
Long-term accounts payable - other	24	—
Retirement benefit liability	658	657
Other	36	38
Total non-current liabilities	719	695
Total liabilities	4,607	5,116
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,209	1,209
Capital surplus	1,171	1,172
Retained earnings	12,144	12,411
Treasury shares	(777)	(1,231)
Total shareholders' equity	13,746	13,561
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	266
Foreign currency translation adjustment	(119)	(55)
Remeasurements of defined benefit plans	(17)	(11)
Total accumulated other comprehensive income	202	199
Share acquisition rights	9	5
Non-controlling interests	0	0
Total net assets	13,958	13,766
Total liabilities and net assets	18,566	18,883

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	19,570	19,894
Cost of sales	14,776	14,787
Gross profit	4,793	5,107
Selling, general and administrative expenses	※ 1 4,130	※ 1 4,117
Operating profit	663	989
Non-operating income		
Interest income	1	1
Dividend income	15	21
Foreign exchange gains	12	54
Insurance income	0	3
Share of profit of entities accounted for using equity method	3	7
Gain on bad debts recovered	5	7
Other	8	6
Total non-operating income	48	102
Non-operating expenses		
Interest expenses	1	1
Commission expenses	2	2
Other	0	0
Total non-operating expenses	5	5
Ordinary profit	706	1,086
Extraordinary income		
Gain on sales of golf memberships	1	—
Gain on reversal of share acquisition rights	0	3
Total extraordinary income	1	3
Extraordinary losses		
Impairment loss	※ 2 253	※ 2 184
Loss on retirement of non-current assets	1	—
Corporate funeral expenses	—	12
Total extraordinary losses	254	196
Profit before income taxes	453	894
Income taxes - current	330	407
Income taxes - deferred	(7)	(4)
Total income taxes	322	403
Profit	130	491
Profit attributable to owners of parent	130	491



## (Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	130	491
Other comprehensive income		
Valuation difference on available-for-sale securities	120	(72)
Foreign currency translation adjustment	90	64
Remeasurements of defined benefit plans, net of tax	(1)	6
Total other comprehensive income	※ 1 209	※ 1 (2)
Comprehensive income	340	488
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	340	488

## (3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

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

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

Current Consolidated Fiscal Year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,209	1,171	12,144	(777)	13,746
Changes of items during period					
Dividends of surplus			(224)		(224)
Profit attributable to owners of parent			491		491
Purchase of treasury shares				(464)	(464)
Disposal of treasury shares		1		11	12
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1	266	(453)	(185)
Balance at end of current period	1,209	1,172	12,411	(1,231)	13,561

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	339	(119)	(17)	202	9	0	13,958
Changes of items during period							
Dividends of surplus							(224)
Profit attributable to owners of parent							491
Purchase of treasury shares							(464)
Disposal of treasury shares							12
Net changes of items other than shareholders' equity	(72)	64	6	(2)	(3)		(6)
Total changes of items during period	(72)	64	6	(2)	(3)	—	(191)
Balance at end of current period	266	(55)	(11)	199	5	0	13,766

## (4) Consolidated Statements of Cash Flow

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	453	894
Depreciation	103	99
Loss (gain) on sales of investment securities	—	(0)
Loss (gain) on sales of golf club memberships	(1)	—
Impairment loss	253	184
Gain on reversal of share acquisition rights	(0)	(3)
Amortization of goodwill	192	142
Interest and dividend income	(17)	(23)
Interest expenses	1	1
Share of loss (profit) of entities accounted for using equity method	(3)	(7)
Increase (decrease) in provision for bonuses	(1)	21
Increase (decrease) in provision for bonuses for directors (and other officers)	(0)	12
Increase (decrease) in allowance for doubtful accounts	9	(5)
Increase (decrease) in retirement benefit liability	15	1
Corporate funeral expenses	—	12
Decrease (increase) in notes and accounts receivable - trade	(177)	(288)
Decrease (increase) in inventories	(106)	(47)
Increase (decrease) in notes and accounts payable - trade	(113)	185
Increase(decrease)in subscription rights to shares	1	0
Other, net	(171)	76
Subtotal	438	1,258
Interest and dividend income received	17	24
Interest expenses paid	(1)	(1)
Income taxes paid	(318)	(343)
Income taxes refund	7	1
Net cash provided by (used in) operating activities	143	939
Cash flows from investing activities		
Purchase of property, plant and equipment	(63)	(70)
Proceeds from sales of property, plant and equipment	—	0
Purchase of investment securities	(227)	(0)
Proceeds from sales of investment securities	—	0
Purchase of intangible assets	(19)	(69)
Proceeds from sales of golf club memberships	1	3
Other, net	(126)	0
Net cash provided by (used in) investing activities	(435)	(134)
Cash flows from financing activities		
Cash dividends paid	(224)	(224)
Purchase of treasury shares	(0)	(464)
Repayments of lease obligations	(1)	(1)
Other, net	6	11
Net cash provided by (used in) financing activities	(218)	(678)
Effect of exchange rate change on cash and cash equivalents	16	8
Net increase (decrease) in cash and cash equivalents	(494)	134
Cash and cash equivalents at beginning of period	5,563	5,069
Cash and cash equivalents at end of period	※ 1 5,069	※ 1 5,203

(5) Note on going-concern assumption

Not applicable

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

(i) Range of consolidation

a. Number of consolidated subsidiaries: 10 companies

Name of consolidated subsidiaries:

Mighty Cube Co., Ltd.

TK Communication Technology Co., Ltd.

TAKACHIHO KOHEKI (H.K.) LIMITED

TAKACHIHO TRADING (SHANGHAI) Co., Ltd.

Takachiho Fire, Security & Services (Thailand) Ltd.

Guardfire Limited

Guardfire Singapore Pte. Ltd.

TK Thai Holdings Co., Ltd.

TK Fire Fighting Co., Ltd.

Takachiho America, Inc.

b. Non-consolidated subsidiaries

Name of non-consolidated subsidiary:

TKTEC K.K.

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

(ii) Application of equity method

a. Affiliated company accounted for by the equity method

Name of affiliated company under the application of equity method:

Japan Micro Electronics K.K.

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

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

TKTEC K.K.

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

(iii) Fiscal year of consolidated subsidiaries

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

(iv) Accounting criteria

a. Criteria and methods for evaluating significant assets

(A) Securities

Other securities

Those with fair market value

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

Those without fair market value

Evaluated at cost by gross average method

(B) Inventory

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

b. Depreciation method of significant depreciable assets

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

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

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

Main useful life:

Buildings and structures: 10-50 years

Tools, furniture, and fixtures: 2-20 years

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

(B) Non-current intangible assets

The straight-line method was used.

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

(C) Leased assets

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

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

c. Criteria for provision of significant allowance and reserves

(A) Allowance for doubtful accounts

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

i. General claims

The method based on actual percentage of bad debts was used

ii. Doubtful claims, claims in bankruptcy and reorganization claims

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

(B) Provision for bonuses

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

(C) Provision for directors' bonuses

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

d. Criteria for recording liabilities associated with retirement benefits

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

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

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

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

e. Criteria for recognizing significant revenues and expenses

Criteria for recognizing amount and cost of completed works

(A) Works that will have a certain portion completed by end of the current consolidated fiscal year are recognized

Percentage of completion basis

(B) Other works

Completion basis

f. Criteria for converting significant foreign currency assets or liabilities into Japanese yen

Foreign currency monetary claims and liabilities are converted into Japanese yen at the exchange rate at the end of the consolidated fiscal year and differences in conversion are recorded in profit or loss. Assets and liabilities and income and expenses of foreign subsidiaries are converted into Japanese yen at the rate of the closing date and differences in conversion are recorded in the foreign currency translation adjustment of the net assets

g. Amortization method and period of goodwill

Goodwill was equally amortized over its effective period (8 years).

h. Scope of cash in consolidated cash flow statements

Cash in the consolidated cash flow statements (cash and cash equivalents) include cash on hand, deposits that can be withdrawn at any time and liquid short-term investments with little risk of fluctuation in value with a period to maturity of 3 months or less

i. Other significant matters for the preparation of consolidated financial statements

Accounting treatment of consumption taxes

Consumption tax and local consumption tax are accounted for on a tax-excluded basis and non-deductible consumption tax and local consumption tax are accounted for as an expense in the current consolidated fiscal year.

(7) Note on the change in presentation method

(Change due to the adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

We have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc., from the beginning of the fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

As a result, in the consolidated balance sheet of the previous consolidated fiscal year, the "deferred tax assets" of "current assets" of 138 million yen is included and displayed in the "deferred tax assets" of "investments and other assets" of 223 million yen.

(8) Notes on Consolidated Financial Statements

(Consolidated Balance Sheet)

\*1 Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (as of March 31, 2018)	Current consolidated fiscal year (as of March 31, 2019)
	911 million yen	948 million yen

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

	Previous consolidated fiscal year (as of March 31, 2018)	Current consolidated fiscal year (as of March 31, 2019)
Investment securities(Stocks)	45 million yen	51 million yen

## (Consolidated Income Statements)

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

Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)		Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)	
	million yen		million yen
Salary and allowances	1,398	Salary and allowances	1,378
Provision for bonuses	197	Provision for bonuses	224
Provision for directors' bonuses	10	Provision for directors' bonuses	22
Retirement benefit cost	99	Retirement benefit cost	107
Rent	408	Rent	410
Depreciation	62	Depreciation	64

## \*2 Impairment loss

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

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

Location	Use	Type
—	Other	Goodwill

## (i) History toward recognition of impairment loss

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

## (ii) Amount of impairment loss

Goodwill: 253 million yen

## (iii) Method for grouping the assets

Our Group groups business assets according to type of business.

## (iv) Method for calculating a collectable amount

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

## Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)

Location	Use	Type
—	Other	Goodwill

## (i) History toward recognition of impairment loss

Guardfire Limited and Guardfire Singapore Pte. Ltd., (hereinafter called Guardfire), which were acquired in November 2014, showed sluggish results due to the drop in crude oil prices after their acquisition. Recently, Guardfire Limited (Thailand) won orders for several large projects owing to the resumption of construction plans for oil and power plants in ASEAN countries, so the activity for accepting orders has been going well. However, in terms of sales and profits, the plan has not yet been achieved. In light of this, we carefully considered the recoverability of Guardfire Limited's fixed assets such as good will. Consequently, we reduced part of the fixed assets to the recoverable amount and recognized an impairment loss.

## (ii) Amount of impairment loss

Goodwill: 184 million yen

## (iii) Method for grouping the assets

Our Group groups business assets according to type of business.

## (iv) Method for calculating a recoverable amount

Our Group measures a recoverable amount of non-current assets of Guardfire, including goodwill, using the value in use calculated at the discount rate of 3.6 percent.



## (Consolidated Statements of Comprehensive Income)

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

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)
Valuation difference on available-for-sale securities:	million yen	million yen
Current accrued amount	172	(103)
Reclassification adjustment	—	(0)
Before adjustment of tax effect	172	(103)
Tax effects	(51)	31
Valuation difference on available-for-sale securities	120	(72)
Foreign currency translation adjustment:		
Current accrued amount	90	64
Re-measurements of defined benefit plans:		
Current accrued amount	(5)	5
Reclassification adjustment	4	3
Before adjustment of tax effect	(1)	9
Tax effects	0	(2)
Re-measurements of defined benefit plans	(1)	6
Total other comprehensive income	209	(2)

## (Consolidated Statements of Changes in Net Assets)

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

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

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

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

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

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

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

## 3. Dividends

## (1) Dividends paid

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

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

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

Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)

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

	Number of shares at the beginning of the current consolidated fiscal year (shares)	Increase in shares during the current consolidated fiscal year (shares)	Decrease in shares during the current consolidated fiscal year (shares)	Number of shares at the end of the current consolidated fiscal year (shares)
Shares issued				
Common stock	10,171,800	—	—	10,171,800
Total	10,171,800	—	—	10,171,800
Treasury shares				
Common stock (Note1,2)	827,990	450,046	12,000	1,266,036
Total	827,990	450,046	12,000	1,266,036

(Note) 1. The 450,046 share increase in common treasury stock is due to a 450,000 share increase resulting from an acquisition of treasury shares upon the resolution of the board of directors and a 46 share increase resulting from the purchase of shares less than 1 unit.

2. The 12,000 share decrease in common treasury stock is due to the exercise of subscription rights.

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

Segment	Breakdown of subscription rights to shares	Type of stock subject to subscription rights to shares	Number of shares subject to subscription rights to shares (share)				Balance at the end of the current consolidated fiscal year (million yen)
			Beginning of the current consolidated fiscal year	Increase during the current consolidated fiscal year	Decrease during the current consolidated fiscal year	End of the current consolidated fiscal year	
TAKACHIHO KOHEKI CO., LTD.	Subscription rights to shares as stock option	—	—	—	—	—	5
Total		—	—	—	—	—	5

3. Dividends

(1) Dividends paid

(Resolution)	Type of stock	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 27, 2018	Common stock	112	12.00 yen	March 31, 2018	June 28, 2018
Board of directors' meeting held on November 5, 2018	Common stock	112	12.00 yen	September 30, 2018	December 5, 2018

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

(Resolution)	Type of stock	Total dividends (million yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Annual shareholder's meeting held on June 26, 2019	Common stock	106	Retained earnings	12.00 yen	March 31, 2019	June 27, 2019

(Consolidated Cash Flow Statements)

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

	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)
	million yen	million yen
Cash and deposits account	6,169	6,303
Fixed deposits for more than 3 months	(1,100)	(1,100)
Cash and cash equivalents	5,069	5,203

(Segment Information, etc.)

[Segment Information]

1. Summary of reporting segments

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

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

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

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

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

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

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

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

(Unit: millions of yen)

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

(Note) 1. Adjustments are as follows:

(1) Adjustments to segment profit or loss of 29 million yen are consolidated adjustments.

(2) Adjustments to segment assets of 5,414 million yen is the whole-company assets not attributed to reporting segments.

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

(3) Adjustments to depreciation of 41 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.

(4) Adjustments to increase in property, plant and equipment and non-current intangible assets of 38 million yen are mainly increases in assets related to administrative departments such as the general affairs department.

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

Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Unit: millions of yen)

	System	Device	Total	Adjustments (Note) 1	Amount stated on the consolidated financial statements (Note) 2
Sales					
Sales to external customers	12,267	7,627	19,894	—	19,894
Internal sales or transfers between segments	—	—	—	—	—
Total	12,267	7,627	19,894	—	19,894
Segment profit	803	185	989	—	989
Segment assets	9,773	3,720	13,494	5,389	18,883
Other items					
Depreciation	33	19	53	46	99
Amortization of goodwill	142	—	142	—	142
Impairment loss	184	—	184	—	184
Investment to entities accounted for using equity methods	—	19	19	—	19
Increase in property, plant and equipment and non-current intangible assets	43	16	59	110	170

(Note) 1. Adjustments are as follows:

- (1) Adjustments to segment assets of 5,389 million yen is the whole-company assets not attributed to reporting segments. The whole-company assets mainly represent surplus working capital (cash and securities), funds for long-term investment (investment securities) and assets related to administrative departments such as the general affairs department.
- (2) Adjustments to depreciation of 46 million yen are mainly depreciation of assets related to administrative departments such as the general affairs department.
- (3) Adjustments to increase in property, plant and equipment and non-current intangible assets of 110 million yen are mainly increases in assets related to administrative departments such as the general affairs department.

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

[Related Information]

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

1. Information by product and service

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

2. Information by region

(1) Sales

(Unit: millions of yen)

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

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

2 Method for classifying country or region

Based on the geographic proximity

3 Major countries or regions in segments

Asia: countries in East and South East

(2) Property, plant and equipment

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

3. Information by major customer

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

Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)

1. Information by product and service

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

2. Information by region

(1) Sales

(Unit: millions of yen)

Japan	Asia		Other	Total
		Thai		
14,814	4,910	2,666	169	19,894

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

2 Method for classifying country or region

Based on the geographic proximity

3 Major countries or regions in segments

Asia: countries in East and South East

(2) Property, plant and equipment

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

3. Information by major customer

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

## (Per Share Information)

Item	Previous consolidated fiscal year	Current consolidated fiscal year
Net assets per share	1,492.86 yen	1,545.18 yen
Net income per share	14.02 yen	53.53 yen
Fully diluted net income per share	14.00 yen	— yen

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

## 2. Basis for calculating net assets per share:

Item	Previous consolidated fiscal year (as of March 31, 2018)	Current consolidated fiscal year (as of March 31, 2019)
Total net assets in the consolidated balance sheet (million yen)	13,958	13,766
Net assets associated with common stock (million yen)	13,948	13,760
Major breakdown items of differences (million yen)		
Subscription rights to shares	9	5
Minority interests	0	0
Number of issued common stock (thousand shares)	10,171	10,171
Number of common stock for treasury (thousand shares)	827	1,266
Number of common stock used to calculate net assets per share (thousand shares)	9,343	8,905

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

Item	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)
Net income in the consolidated income statements (million yen)	130	491
Net income associated with common stock (million yen)	130	491
Amount not attributable to common stockholders (million yen)	—	—
Average number of common stock during the period (thousand shares)	9,339	9,177
Fully diluted net income per share		
Adjustments to net income (million yen)	—	—
Increases in common stock used to calculate fully diluted net income per share (thousand shares)	9	—
Subscription rights to shares		
Summary of dilutive shares not included to calculate fully diluted net income per share because of no dilutive effect	<p>Stock options granted by a resolution of the board of directors on July 17, 2015 (Subscription rights to shares: 53 units) Common stock: 79,000 shares</p> <p>Stock options granted by a resolution of the board of directors on July 21, 2017 (Subscription rights to shares: 255 units) Common stock: 25,000 shares</p>	<p>Stock options granted by a resolution of the board of directors on July 17, 2015 (Subscription rights to shares: 50 units) Common stock: 75,000 shares</p> <p>Stock options granted by a resolution of the board of directors on July 21, 2017 (Subscription rights to shares: 225 units) Common stock: 22,000 shares</p>

## (Significant Subsequent Event)

Not applicable



## 6. Non-consolidated Financial Statements

### (1) Balance sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	3,927	3,939
Notes receivable - trade	276	213
Electronically recorded monetary claims - operating	635	622
Accounts receivable - trade	3,143	3,427
Merchandise and finished goods	1,538	1,412
Other	514	607
Allowance for doubtful accounts	(0)	(0)
Total current assets	10,037	10,222
Non-current assets		
Property, plant and equipment		
Buildings, net	6	5
Tools, furniture and fixtures, net	131	158
Land	128	128
Other, net	9	8
Total property, plant and equipment	276	301
Intangible assets	38	69
Investments and other assets		
Investment securities	1,192	1,089
Shares of subsidiaries and associates	5,815	5,627
Deferred tax assets	143	156
Other	441	493
Allowance for doubtful accounts	(37)	(34)
Total investments and other assets	7,555	7,331
Total non-current assets	7,871	7,702
<b>Total assets</b>	<b>17,908</b>	<b>17,924</b>

	As of March 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes payable - trade	35	32
Electronically recorded obligations - operating	318	223
Accounts payable - trade	1,669	1,775
Income taxes payable	121	187
Provision for bonuses	175	200
Provision for bonuses for directors (and other officers)	8	20
Other	638	853
Total current liabilities	2,966	3,295
Non-current liabilities		
Long-term accounts payable - other	24	—
Provision for retirement benefits	481	467
Provision for loss on business of subsidiaries and associates	17	38
Other	17	18
Total non-current liabilities	541	524
Total liabilities	3,507	3,819
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,209	1,209
Capital surplus		
Legal capital surplus	1,171	1,171
Other capital surplus	1	2
Total capital surpluses	1,173	1,174
Retained earnings		
Legal retained earnings	198	198
Other retained earnings		
General reserve	9,395	9,395
Retained earnings brought forward	2,853	3,086
Total retained earnings	12,447	12,680
Treasury shares	(777)	(1,231)
Total shareholders' equity	14,052	13,832
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	339	266
Total valuation and translation adjustments	339	266
Share acquisition rights	9	5
Total net assets	14,401	14,105
Total liabilities and net assets	17,908	17,924

## (2) Income Statements

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	14,259	14,745
Cost of sales	10,990	11,273
Gross profit	3,268	3,471
Selling, general and administrative expenses	2,672	2,637
Operating profit	596	834
Non-operating income		
Interest income	0	0
Dividend income	57	75
Foreign exchange gains	21	56
Insurance income	0	1
Other	3	4
Total non-operating income	83	138
Non-operating expenses		
Interest expenses	1	0
Commission expenses	2	2
Provision of allowance for doubtful accounts	7	(3)
Provision for loss on business of subsidiaries and associates	17	20
Other	0	0
Total non-operating expenses	29	21
Ordinary profit	650	951
Extraordinary income		
Gain on sales of golf memberships	1	—
Gain on reversal of share acquisition rights	0	3
Total extraordinary income	1	3
Extraordinary losses		
Loss on retirement of non-current assets	1	—
Loss on valuation of shares of subsidiaries and associates	—	187
Corporate funeral expenses	—	12
Total extraordinary losses	1	200
Profit before income taxes	650	754
Income taxes - current	215	279
Income taxes - deferred	(4)	18
Total income taxes	210	297
Profit	440	457

(3) Statements of Changes in Net Assets

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

(Millions of yen)

(millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	1,209	1,171	0	1,172	198	9,395	2,637	12,231
Changes of items during period								
Dividends of surplus							(224)	(224)
Profit							440	440
Purchase of treasury shares								
Disposal of treasury shares			1	1				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	1	1	—	—	216	216
Balance at end of current period	1,209	1,171	1	1,173	198	9,395	2,853	12,447

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(783)	13,829	219	219	8	14,056
Changes of items during period						
Dividends of surplus		(224)				(224)
Profit		440				440
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	5	6				6
Net changes of items other than shareholders' equity			120	120	0	121
Total changes of items during period	5	222	120	120	0	344
Balance at end of current period	(777)	14,052	339	339	9	14,401

Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

(millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of current period	1,209	1,171	1	1,173	198	9,395	2,853	12,447
Changes of items during period								
Dividends of surplus							(224)	(224)
Profit							457	457
Purchase of treasury shares								
Disposal of treasury shares			1	1				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	1	1	—	—	233	233
Balance at end of current period	1,209	1,171	2	1,174	198	9,395	3,086	12,680

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(777)	14,052	339	339	9	14,401
Changes of items during period						
Dividends of surplus		(224)				(224)
Profit		457				457
Purchase of treasury shares	(464)	(464)				(464)
Disposal of treasury shares	11	12				12
Net changes of items other than shareholders' equity			(72)	(72)	(3)	(76)
Total changes of items during period	(453)	(219)	(72)	(72)	(3)	(295)
Balance at end of current period	(1,231)	13,832	266	266	5	14,105

## 7. Other

### (1) Purchases, orders received and sales

#### (i) Actual results of purchases

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)
System	7,931	7,934
Device	6,082	6,135
Total	14,014	14,069

#### (ii) Actual results of orders received

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)		Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)	
	Orders received	Backlog of orders	Orders received	Backlog of orders
System	12,150	3,419	13,163	4,315
Device	7,835	1,473	8,096	1,943
Total	19,985	4,892	21,259	6,258

#### (iii) Actual results of sales

(Unit: millions of yen)

Segment	Previous consolidated fiscal year (from April 1, 2017 to March 31, 2018)	Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)
Security Solution Products	7,651	7,435
Other System Solution Products	1,668	2,002
Customer Service Products	2,661	2,829
System Total	11,980	12,267
Semiconductors Products	3,529	3,319
Mechanical Component Products	4,060	4,307
Device Total	7,589	7,627
Total	19,570	19,894