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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



October 28, 2022

Company name: TAKAOKA TOKO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6617

URL: <https://www.tktk.co.jp/>

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Scheduled date of filing quarterly securities report: November 4, 2022

Scheduled date of commencing dividend payments: December 1, 2022

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	42,243	5.7	2,301	86.6	2,489	95.8	1,620	41.1
Six months ended September 30, 2021	39,955	(1.5)	1,233	203.3	1,271	220.0	1,148	—

(Note) Comprehensive income: Six months ended September 30, 2022: ¥1,963 million [17.4%]

Six months ended September 30, 2021: ¥1,672 million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	100.37	—
Six months ended September 30, 2021	71.17	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	99,562	57,138	53.0
As of March 31, 2022	100,242	55,558	51.3

(Reference) Equity: As of September 30, 2022: ¥52,792 million

As of March 31, 2022: ¥51,453 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	25.00	–	25.00	50.00
Fiscal year ending March 31, 2023	–	30.00			
Fiscal year ending March 31, 2023 (Forecast)			–	25.00	55.00

(Note) Revision to the forecast for dividends announced most recently: None

(Note) Breakdown of the 2nd quarter-end dividends for the fiscal year ending March 31, 2023:

Ordinary dividends: 25.00 yen; 10th anniversary commemorative dividends: 5.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	93,000	1.2	4,400	(4.9)	4,500	7.8	3,000	(8.5)	185.86

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

September 30, 2022:	16,276,305 shares
March 31, 2022:	16,276,305 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2022:	121,828 shares
March 31, 2022:	133,125 shares
 - 3) Average number of shares during the period:

Six months ended September 30, 2022:	16,147,876 shares
Six months ended September 30, 2021:	16,139,110 shares

(Note) The Company has introduced the Board Benefit Trust (BBT), a performance-linked stock compensation plan for directors and other officers, and the number of treasury shares includes the Company's shares held by the trust.

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecast and other forward-looking statements contained in this material are based on the information currently available to the Company and certain assumptions deemed reasonable, and the Company does not guarantee the achievement of these projections. In addition, actual financial results, etc. may differ significantly due to various factors. For preconditions for the financial results forecast and precautions for using the financial results forecast, please see "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 4 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

October 1, 2022 marked the tenth anniversary of the business integration of the Company's predecessor, Takaoka Electric Mfg. Co., Ltd., with Toko Electric Corporation, through the establishment of a joint holding company (the former TAKAOKA TOKO Holdings Co., Ltd.).

We would like to take this opportunity to express our sincere gratitude for the support that our shareholders and other stakeholders have given us.

In this milestone year, we have designated the next decade as a period of rapid progress for the TAKAOKA TOKO Group, as we achieve our 2030 VISION and lead GX (Green Transformation) as a comprehensive energy business provider.

We deeply apologize for causing great inconveniences and concerns regarding the improper cases of gas insulated switchgear and remote controller for automated switchgear, which we announced on August 27, September 8, 2021, and October 29, 2021, and temporary suspension of ISO9001 certification as a result of the matter (suspension lifted on Jan. 6, 2022), to our customers, shareholders, and related parties.

As announced on October 29, 2021, we will continue to engage in company-wide reforms to prevent any recurrence from the four perspectives of quality management system (QMS), human resource development, communication, and awareness and culture, and strive to restore customer trust.

To further promote these measures, we established a Management Reformation Task Force, which is under the direct control of our President, in April 2022. We will implement management reforms to become a company that is "strong in safety and quality" and is "customer-oriented and always up to the challenge."

Regarding the overall situation for the Group, the business environment is changing significantly and becoming increasingly severe in the electric power industry, which is our largest customer. Global fuel prices and market prices for electricity have risen rapidly due to the situation in Ukraine and the depreciation of the Japanese yen, while instabilities in electricity supply and demand have become apparent. In addition, the electric power industry has faced growing demands to achieve carbon neutrality and strengthen disaster prevention and resilience within local communities.

Against this background, companies in the industry are working to improve productivity and thoroughly reduce business costs. Meanwhile, the Japanese government has declared its intention to make Japan carbon neutral by 2050 as part of its efforts to realize a decarbonized society. In Japan, that has encouraged the further spread of distributed energy-related equipment, including renewable energy, and there are signs of nascent demand for fast chargers for electric vehicles.

In April 2021, the Group formulated its 2030 VISION and Medium-term Management Plan 2023. Based on the three pillar policies of deepening and transforming our core businesses, transforming the structure of our business foundations, and taking on challenges to cultivate the future vision for 2030, we have started pursuing an ambidextrous management style that strives to simultaneously transform existing businesses and develop new businesses.

As part of our initiatives to become a comprehensive energy business provider, the aim set forth in our 2030 VISION, we revised our organization on June 29, 2022, and established the GX Solution Business Division.

The GX Solution Business Division integrates previously separate GX-related businesses to achieve, through overall optimization, the flexible provision of systems and solutions in a single organizational framework, thereby contributing to GX of the overall economic and social system to achieve a carbon neutral society.

Specifically, we have integrated the Energy Solution Business Division, the Business Innovation Division, the Electric Vehicle Infrastructure Promotion Project, and the PPP/PFI Promotion Project to promote synergies

and offer optimal proposals to meet diverse customer needs.

We have made changes to the business segments that we disclose from the second quarter of fiscal 2022 to reflect this organizational revision. We have changed the name of “Energy Solution” to “GX Solution,” and the new segment includes our information equipment business as well as the GX Solution business as mentioned above. Following this change, we now disclose performance data under five business segments: Electric Equipment, Metering, GX Solution, Applied Optics Inspection System, and Other Businesses.

Despite a decline in the number of overseas construction projects, net sales for the six months ended September 30, 2022 totaled 42,243 million yen (up 5.7% year on year), mainly due to an increase in sales of 3D inspection systems, disconnecting switches, and power distribution equipment.

On the profit front, despite the impact on sales of longer delivery times for the procurement of semiconductors and other parts for some products and the rise in raw material prices, higher sales of 3D inspection systems, disconnecting switches, and power distribution equipment, as well as factors such as improved profitability in existing businesses due to DX investment, cost reductions from procurement reforms, and the effect of greater productivity from the refinement of kaizen activities resulted in an increase in all profit measures, with operating profit totaling 2,301 million yen (up 86.6% year on year), ordinary profit rising to 2,489 million yen (up 95.8% year on year), and profit attributable to owners of parent rising to 1,620 million yen (up 41.1% year on year).

The operating results for each business segment are detailed below.

In the Electric Equipment business segment, despite a decline in plant projects for electric power companies and a decline in overseas construction projects, net sales for the segment as a whole increased to 24,482 million yen (up 1.3% year on year) due to an increase in disconnecting switches, power distribution equipment and plant projects for social infrastructure. Segment profit also increased to 2,499 million yen (up 19.1% year on year).

In the Metering Business segment, net sales for the segment as a whole rose to 12,842 million yen (up 7.6% year on year) due to an increase in transformers and smart meters, despite a decrease in inspections. Segment profit also increased to 1,300 million yen (up 34.6% year on year).

In the GX Solution Business segment, net sales for the segment as a whole decreased to 2,460 million yen (down 1.9% year on year) due to a decline in the PPP/PFI promotion business, despite an increase in the system infrastructure solutions and energy management system (EMS) businesses. Segment losses also deepened to 447 million yen (compared to a loss of 278 million yen in the same period of the previous fiscal year). Segment results for the same period of the previous fiscal year have been reclassified based on the new segments after organizational revision, for the purpose of comparison.

In the Applied Optics Inspection System Business segment, sales of 3D inspection systems trended strongly in line with increased demand for semiconductors. As a result, net sales for the segment as a whole increased to 1,950 million yen (up 141.6% year on year) and segment profit increased significantly to 762 million yen (up 305.1% year on year).

In Other Businesses segment, a decline in real estate leasing revenue resulted in a decline in net sales for the segment as a whole to 506 million yen (down 3.3% year on year) and a contraction in segment profit to 345 million yen (down 4.0% year on year).

(2) Explanation of Financial Position

Total assets at the end of the second quarter under review decreased by 680 million yen compared to the end of the previous fiscal year to 99,562 million yen. This was due to a decrease in cash and deposits, notes and accounts receivable - trade, and contract assets despite an increase in inventories.

Liabilities decreased by 2,260 million yen from the end of the previous fiscal year to 42,423 million yen.

This was primarily due to decreases in notes and accounts payable - trade, short and long-term borrowings, and provision for bonuses.

Net assets increased by 1,579 million yen from the end of the previous fiscal year to 57,138 million yen. This was primarily due to an increase in retained earnings owing to the recording of profit attributable to owners of parent, despite a decrease resulting from dividends paid.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

While business performance on the profit front improved in the second quarter under review compared to the same period of the previous fiscal year, the outlook for the third quarter and beyond remains uncertain.

Therefore, regarding the full-year consolidated financial results forecast, we have not made any changes to the consolidated financial results forecast announced on April 27, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	12,448	10,646
Notes and accounts receivable - trade, and contract assets	22,278	18,403
Electronically recorded monetary claims - operating	1,705	1,767
Merchandise and finished goods	2,092	2,993
Work in process	13,288	16,680
Raw materials and supplies	5,718	6,732
Other	1,473	1,610
Allowance for doubtful accounts	(4)	(4)
Total current assets	59,001	58,829
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,750	32,793
Accumulated depreciation	(21,296)	(21,660)
Buildings and structures, net	11,453	11,133
Machinery, equipment and vehicles	21,709	21,933
Accumulated depreciation	(19,446)	(19,750)
Machinery, equipment and vehicles, net	2,263	2,182
Tools, furniture and fixtures	11,373	11,483
Accumulated depreciation	(10,725)	(10,850)
Tools, furniture and fixtures, net	647	632
Land	20,490	20,490
Construction in progress	227	228
Total property, plant and equipment	35,082	34,666
Intangible assets		
Other	1,877	1,835
Total intangible assets	1,877	1,835
Investments and other assets		
Investment securities	1,983	1,895
Long-term loans receivable	135	135
Retirement benefit asset	942	1,030
Deferred tax assets	372	350
Other	859	830
Allowance for doubtful accounts	(13)	(13)
Total investments and other assets	4,281	4,229
Total non-current assets	41,241	40,732
Total assets	100,242	99,562

As of March 31, 2022

As of September 30, 2022

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,698	13,255
Electronically recorded obligations - operating	68	71
Short-term borrowings	2,400	1,890
Income taxes payable	333	442
Contract liabilities	2,704	2,974
Provision for bonuses	2,246	1,808
Other	3,678	2,641
Total current liabilities	25,129	23,084
Non-current liabilities		
Long-term borrowings	2,200	1,750
Deferred tax liabilities	1,330	1,624
Provision for repairs	1,291	1,323
Provision for environmental measures	198	197
Provision for product warranties	749	713
Provision for share awards for directors (and other officers)	111	100
Retirement benefit liability	12,861	12,882
Other	810	747
Total non-current liabilities	19,554	19,339
Total liabilities	44,683	42,423
Net assets		
Shareholders' equity		
Share capital	8,000	8,000
Capital surplus	7,408	7,408
Retained earnings	36,035	37,250
Treasury shares	(216)	(195)
Total shareholders' equity	51,226	52,463
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	159
Deferred gains or losses on hedges	42	44
Foreign currency translation adjustment	168	259
Remeasurements of defined benefit plans	(146)	(134)
Total accumulated other comprehensive income	226	329
Non-controlling interests	4,105	4,345
Total net assets	55,558	57,138
Total liabilities and net assets	100,242	99,562

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	39,955	42,243
Cost of sales	31,045	31,938
Gross profit	8,910	10,304
Selling, general and administrative expenses	7,676	8,002
Operating profit	1,233	2,301
Non-operating income		
Interest income	0	1
Dividend income	22	22
Foreign exchange gains	19	126
Rental income from facilities	39	36
Sold power	35	34
Other	39	62
Total non-operating income	156	283
Non-operating expenses		
Interest expenses	30	15
Sold power expenses	11	10
Share of loss of entities accounted for using equity method	61	55
Other	14	13
Total non-operating expenses	118	95
Ordinary profit	1,271	2,489
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on extinguishment of tie-in shares	227	—
Compensation income for damage	603	—
Total extraordinary income	831	0
Extraordinary losses		
Loss on abandonment of non-current assets	18	3
Office relocation expenses	0	0
Total extraordinary losses	18	3
Profit before income taxes	2,084	2,486
Income taxes - current	79	327
Income taxes - deferred	379	311
Total income taxes	458	639
Profit	1,625	1,847
Profit attributable to non-controlling interests	476	226
Profit attributable to owners of parent	1,148	1,620

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	1,625	1,847
Other comprehensive income		
Valuation difference on available-for-sale securities	(12)	(2)
Deferred gains or losses on hedges	(8)	2
Foreign currency translation adjustment	27	53
Remeasurements of defined benefit plans, net of tax	24	11
Share of other comprehensive income of entities accounted for using equity method	16	51
Total other comprehensive income	47	116
Comprehensive income	1,672	1,963
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,189	1,723
Comprehensive income attributable to non-controlling interests	483	240

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.