

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



July 27, 2022

Company name: TAKAOKA TOKO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 6617

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

Representative: Takashi Ichinose, President and Representative Director

Contact: Yasuhiro Munekawa, Executive Officer and General Manager, Finance & Accounting Department

Phone: +81-3-6371-5026

Scheduled date of filing quarterly securities report: August 5, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 - June 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	%
Three months ended June 30, 2022	20,042	(1.8)	1,388	56.9	1,515	61.5	996	53.4
June 30, 2021	20,409	3.8	885	644.8	938	691.8	649	–

(Note) Comprehensive income: Three months ended June 30, 2022: ¥1,185 million [42.3%]

Three months ended June 30, 2021: ¥833 million [–%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2022	61.73		–	
June 30, 2021	40.26		–	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2022	97,445		56,338		53.5	
As of March 31, 2022	100,242		55,558		51.3	

(Reference) Equity: As of June 30, 2022: ¥52,131 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	–				
Fiscal year ending March 31, 2023 (Forecast)		30.00	–	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

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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 Aug. 27, Sep. 8, 2021, and Oct. 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.

All the comprehensive inspections and investigations conducted on an on-going basis after discovering these improper cases were completed on May 24, 2022. We did not find any new cases of the same type of impropriety from these investigations.

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 TAKAOKA TOKO Group, the business environment is changing significantly and becoming increasingly severe in the electric power industry, which is our largest customer, as global fuel prices soar in the wake of the situation in Ukraine and competition further intensifies in the retail business, and amid growing demands for realizing carbon neutrality, ensuring stable electricity supply and demand, and strengthening disaster prevention and resilience within local communities. Against that background, companies in the industry are working to improve productivity and thoroughly reduce business costs. Meanwhile, the Japanese government has declared its intention to become 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, in order to achieve our 2030 VISION.

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

As a comprehensive energy business provider, the GX Solution Business Division will promote proposals for services and solutions, instead of current products, thereby contributing to GX (Green Transformation) of the overall economic and social system to achieve a carbon neutral society.

Specifically, we have integrated the former separate but related operations of the Energy Solution Business Division, the Business Innovation Department, the Electric Vehicle Infrastructure Promotion Project, and the PPP/PFI Promotion Project.

We plan to make changes to the business segments that we disclose from the second quarter of fiscal 2022 to reflect this organizational revision. We will change 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 will disclose performance data under five business segments: Electric Equipment, Metering, GX Solution, Applied Optics Inspection System, and Other Businesses.

Despite an increase in sales of 3D inspection systems and disconnecting switches, net sales for the three months ended June 30, 2022 totaled 20,042 million yen (down 1.8% year on year) due to a decrease in plant projects for electric power companies and a decline in the number of overseas construction projects.

On the profit front, despite the impact on sales of longer delivery times for semiconductors and other procured

parts for some products and the rise in raw material prices, higher sales of 3D inspection systems and disconnecting switches resulted in an increase in all profit measures, with operating profit totaling 1,388 million yen (up 56.9% year on year), ordinary profit rising to 1,515 million yen (up 61.5% year on year), and profit attributable to owners of parent rising to 996 million yen (up 53.4% year on year).

The operating results for each business segment are detailed below.

In the electric equipment business segment, despite an increase in disconnecting switches and plant projects for social infrastructure, net sales for the segment as a whole declined to 11,876 million yen (down 4.3% year on year) due to a decline in plant projects for electric power companies and a decline in overseas construction projects. However, segment profit increased to 1,562 million yen (up 34.6% year on year) due to an increase in disconnecting switches sales and revisions to the retail prices of some products.

In the metering business segment, despite an increase in transformers, net sales for the segment as a whole declined to 5,883 million yen (down 2.7% year on year) due to a decrease in regional electric power meters and inspections. Segment profit also declined to 562 million yen (down 8.8% year on year).

In the energy solution business segment, net sales for the segment as a whole increased to 567 million yen (up 104.4% year on year) due to an increase in energy management system (EMS)-related business despite a decrease in charging infrastructure, and segment losses narrowed to 90 million yen (compared to a loss of 117 million yen in the same period of the previous fiscal year).

In the information system and 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 1,436 million yen (up 60.7% year on year) and segment profit increased significantly to 402 million yen (up 717.5% year on year).

In other businesses segment, a decline in PPP/PFI and smart grid business resulted in a decline in net sales for the segment as a whole to 279 million yen (down 64.3% year on year) and a contraction in segment profit to 69 million yen (down 73.7% year on year).

(2) Explanation of Financial Position

Total assets at the end of the first quarter under review decreased by 2,797 million yen compared to the end of the previous fiscal year to 97,445 million yen. This was due to a decrease in notes and accounts receivable - trade, and contract assets despite an increase in inventories.

Liabilities decreased by 3,577 million yen from the end of the previous fiscal year to 41,106 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 779 million yen from the end of the previous fiscal year to 56,338 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 first quarter under review compared to the same period of the previous fiscal year, the outlook for the second 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 June 30, 2022
Assets		
Current assets		
Cash and deposits	12,448	12,322
Notes and accounts receivable - trade, and contract assets	22,278	16,107
Electronically recorded monetary claims - operating	1,705	2,411
Merchandise and finished goods	2,092	2,391
Work in process	13,288	15,150
Raw materials and supplies	5,718	6,619
Other	1,473	1,578
Allowance for doubtful accounts	(4)	(4)
Total current assets	59,001	56,577
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,750	32,769
Accumulated depreciation	(21,296)	(21,479)
Buildings and structures, net	11,453	11,289
Machinery, equipment and vehicles	21,709	21,859
Accumulated depreciation	(19,446)	(19,627)
Machinery, equipment and vehicles, net	2,263	2,231
Tools, furniture and fixtures	11,373	11,477
Accumulated depreciation	(10,725)	(10,818)
Tools, furniture and fixtures, net	647	659
Land	20,490	20,490
Construction in progress	227	132
Total property, plant and equipment	35,082	34,802
Intangible assets		
Other	1,877	1,829
Total intangible assets	1,877	1,829
Investments and other assets		
Investment securities	1,983	1,935
Long-term loans receivable	135	140
Retirement benefit asset	942	992
Deferred tax assets	372	362
Other	859	817
Allowance for doubtful accounts	(13)	(13)
Total investments and other assets	4,281	4,235
Total non-current assets	41,241	40,868
Total assets	100,242	97,445

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,698	12,492
Electronically recorded obligations - operating	68	53
Short-term borrowings	2,400	1,890
Income taxes payable	333	97
Contract liabilities	2,704	2,746
Provision for bonuses	2,246	1,000
Other	3,678	3,271
Total current liabilities	<u>25,129</u>	<u>21,551</u>
Non-current liabilities		
Long-term borrowings	2,200	1,750
Deferred tax liabilities	1,330	1,711
Provision for repairs	1,291	1,301
Provision for environmental measures	198	198
Provision for product warranties	749	804
Provision for share awards for directors (and other officers)	111	127
Retirement benefit liability	12,861	12,849
Other	810	812
Total non-current liabilities	<u>19,554</u>	<u>19,555</u>
Total liabilities	<u>44,683</u>	<u>41,106</u>
Net assets		
Shareholders' equity		
Share capital	8,000	8,000
Capital surplus	7,408	7,408
Retained earnings	36,035	36,626
Treasury shares	(216)	(216)
Total shareholders' equity	<u>51,226</u>	<u>51,817</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	183
Deferred gains or losses on hedges	42	47
Foreign currency translation adjustment	168	214
Remeasurements of defined benefit plans	(146)	(132)
Total accumulated other comprehensive income	<u>226</u>	<u>313</u>
Non-controlling interests	4,105	4,206
Total net assets	<u>55,558</u>	<u>56,338</u>
Total liabilities and net assets	<u>100,242</u>	<u>97,445</u>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	20,409	20,042
Cost of sales	15,672	14,721
Gross profit	4,737	5,320
Selling, general and administrative expenses	3,851	3,932
Operating profit	885	1,388
Non-operating income		
Interest income	0	0
Dividend income	18	21
Foreign exchange gains	18	78
Rental income from facilities	19	18
Sold power	21	20
Other	17	33
Total non-operating income	95	172
Non-operating expenses		
Interest expenses	16	8
Sold power	5	5
Share of loss of entities accounted for using equity method	10	24
Other	10	6
Total non-operating expenses	42	45
Ordinary profit	938	1,515
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on extinguishment of tie-in shares	227	—
Total extraordinary income	227	0
Extraordinary losses		
Loss on abandonment of non-current assets	14	0
Office relocation expenses	—	0
Total extraordinary losses	14	0
Profit before income taxes	1,151	1,515
Income taxes - current	24	50
Income taxes - deferred	303	373
Total income taxes	328	424
Profit	822	1,090
Profit attributable to non-controlling interests	172	94
Profit attributable to owners of parent	649	996

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	822	1,090
Other comprehensive income		
Valuation difference on available-for-sale securities	(33)	21
Deferred gains or losses on hedges	(4)	5
Foreign currency translation adjustment	20	27
Remeasurements of defined benefit plans, net of tax	10	14
Share of other comprehensive income of entities accounted for using equity method	16	26
Total other comprehensive income	10	94
Comprehensive income	833	1,185
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	654	1,084
Comprehensive income attributable to non-controlling interests	178	101

(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.