

Takaoka Toko Group
FY2022 (Fiscal year ended on March 31, 2023)
Supplementary Briefing Material on
Financial Results

May 19, 2023

TSE Prime Market (6617)
Takashi Ichinose, President and Representative Director



株式会社 東光高岳
TAKAOKA TOKO CO., LTD.

We deeply apologize once again for great inconveniencies and concerns caused to our customers, shareholders, and all other stakeholders regarding the "Incidents of Impropriety Regarding Certain Instrument Transformer Products" announced on May 16, 2023. We ask for your understanding and continued support as we will make company-wide efforts to prevent recurrence and restore trust from our customers.

Press release URL: https://www.tktk.co.jp/en/news/assets/pdf/news_e20230516.pdf

1. Summary of the case

The Company has identified the following improper handling of the case.

- (1) The following type testing procedures were taken for certain test items without customers' approval instead of conducting the test using verification devices (testing equipment produced specifically for the type testing):
 - (i) Reusing the previous test results conducted on the similar products
 - (ii) Using calculation and analytical values and others provided by our design department, and
 - (iii) Using test results conducted under test conditions different from those defined per standards and customers' specifications, and
- (2) Improper type test certificates were prepared, stating different information from the facts on the test certificates, such as the number of verification devices used, manufacturing number of those devices, test dates, test conditions, and others.

The Company has confirmed that any improper preparation of type test certification hadn't been carried out after the case's discovery.

Related to this case, the Company has subsequently identified the "improper presentation of a place of origin" and "improper preparation of shipping test certificate" for certain products of voltage transformers.

Since the discovery of these cases, the Company has taken measures against the "improper presentation of a place of origin" by shifting the major manufacturing process of the voltage transformers swiftly to Japan to ensure it is lawful to be presented as made in Japan, and against the "improper preparation of shipping test certificates" by immediately ceasing to issue improper shipping test certificates.

2. Our view on soundness of our products

Though having failed to conduct type tests for certain items of the products shipped so far, we believe that we ensured sufficient quality and safety of those products for the following grounds:

- (1) The products are a variation of the products for which we conducted type test,
- (2) Type test certificates were issued based on a technical judgment that no quality problems will arise, and
- (3) Shipping tests were conducted when individual products are shipped.

Moreover, we have not experienced any quality or safety problems arising from this case.

We do not consider that the case may cast doubts about quality or safety of the product per se. Nevertheless, we continue to investigate and study technical grounds to ensure the product's quality and safety.

3. Investigation of root cause and measures to prevent recurrence

Since 2021, to improve our quality compliance system, we have been working on four reforms: "Rebuilding the QMS (Quality Management System)," "Strengthening human resource development," "Enhancing communication," and "Reforming awareness and culture."

As the related incidents that led to uncovering this case were whistle-blown by our employee during the period we worked on the above reforms, we regard it as an indication of a change in our employees' awareness. Nevertheless, we continue to thoroughly investigate the root cause together with the background, assessing the effectiveness of the reforms and taking additional measures if needed.

We sincerely apologize for not detecting the case during the period for comprehensive inspection and investigation, the results of which were posted on the Company's website on May 24, 2022. Accordingly, we will reconsider investigation methods after evaluating the causes of the oversight, and then exhaustively investigate matters of quality of all the products other than transformers.

4. Impact on business performance

At this moment, the case does not cause the Company to revise the FY2023 business forecast. Should there be any impact on the FY2023 business results because of the case, we will disclose it immediately.

1. FY2022 Business Results/Business Portfolio <YoY Analysis>
2. FY2022 Performance of Business Segments <YoY Analysis>
3. FY2022 Business Results <Comparison with Forecast>
4. FY2022 Investments Made
5. FY2022 Impacts of Prolonged Lead Time of Parts Procurement and Soaring Major Material Prices
6. FY2023 Business Forecast Assumptions
7. FY2023 Business Forecast
8. FY2023 Investment Plans
9. Dividend Payment
10. Action to Implement Management that is Conscious of Cost of Capital and Stock Price
11. FY2022 Initiatives

- Consolidated net sales were **97,752 million yen, up 6.3% YoY**, mainly due to increased sales related to the overall Metering Business, 3D inspection systems, disconnectors, and power distribution equipment, despite a decrease in the number of overseas construction projects, etc.
- In terms of profit, **operating income was 4,847 million yen, up 4.8% YoY, and ordinary income was 4,704 million yen, up 12.8% YoY** due to increased sales of above businesses, improved profitability in existing businesses through the improve profitability of existing DX businesses, reduced cost through the procurement reforms, and increased productivity through the refinement of KAIZEN activities. **Profit attributable to owners of parent declined to 2,919 million yen, down 11.0% YoY**, due to the extraordinary income recorded in the previous fiscal year. Both operating income and ordinary income achieved record highs since the foundation of the Company.

(In millions of yen)

	FY2022 Actual (A)	FY2021 Actual (B)	Increase (A)–(B)	YoY
Net sales*	97,752	91,936	5,816	6.3%
Operating income	4,847	4,625	222	4.8%
Ordinary income	4,704	4,172	532	12.8%
Profit attributable to owners of parent	2,919	3,279	(359)	(11.0%)
*Of which, net sales related to TEPCO Power Grid Inc.	38,820	37,763	1,057	2.8%
Net sales composition of TEPCO Power Grid Inc.	39.7%	41.1%	(1.4%)	—
Order received	109,359	97,483	11,875	12.2%



Applied Optics Inspection System Business Segment

Applied optic inspection system (3D inspection systems)

4% (2%)

Other Businesses

1% (1%)

Real estate leasing

GX Solution Business Segment

8% (7%)

EMS-related products (automated metering system for apartment houses/tenants, automatic environmental control system to save electricity and energy for lighting and air conditioning), charging infrastructure (quick charger for electronic vehicles, V2H), smart grid-& proposal-related business, etc.

[Consolidated subsidiary]
MintWave Co., Ltd.

Power plant equipment (high voltage transformer, switching equipment, control equipment), power distribution equipment (switches, pole-mounted transformers), power systems, disconnectors, construction for receiving substations, etc.

[Consolidated subsidiaries]
TAKAOKA ENGINEERING CO., LTD
TAKAOKA CHEMICAL CO., LTD.
Toko Kizai Corporation

Metering Business Segment

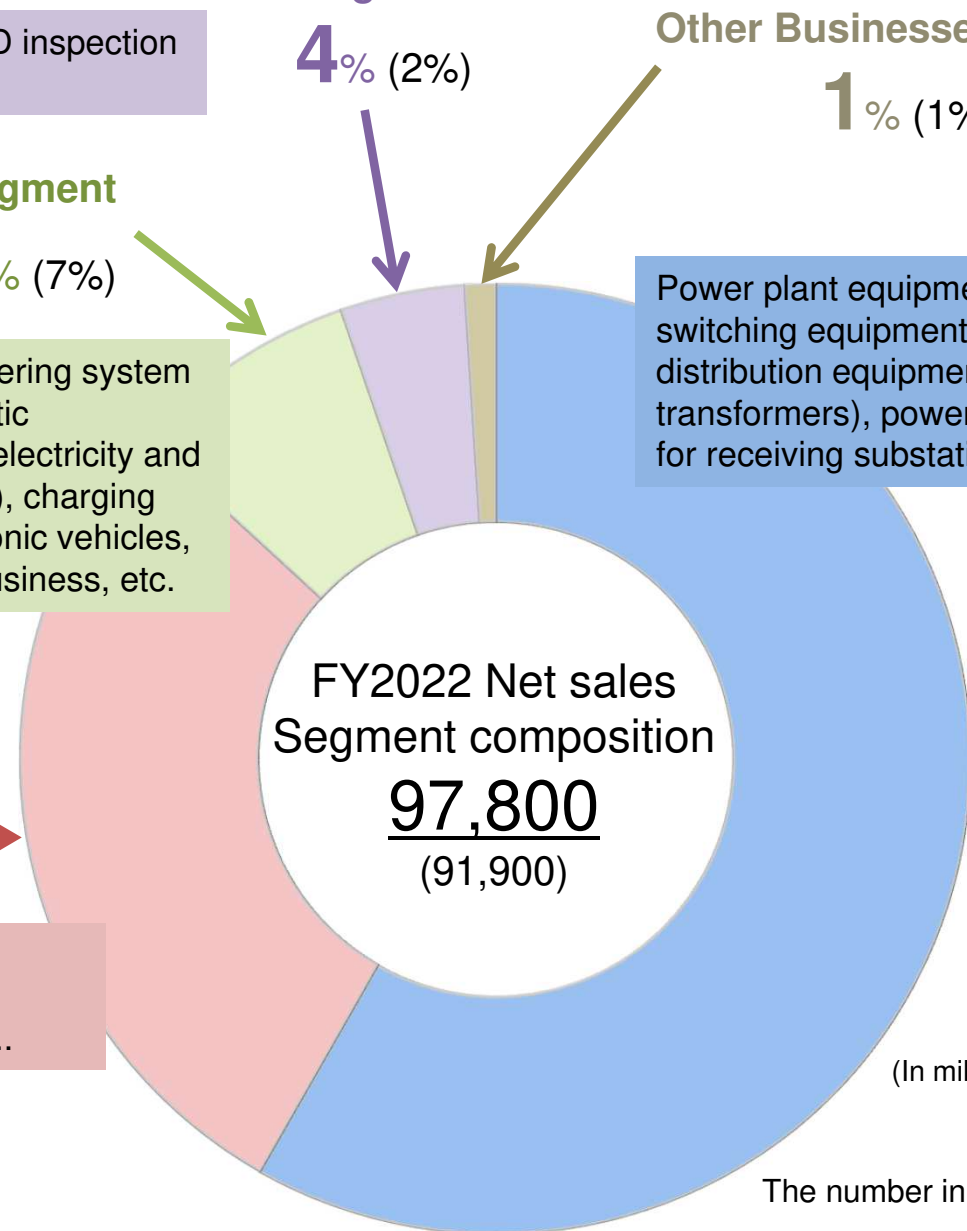
29% (26%)

Smart meters
Voltage transformers for metering
Electricity meter replacement work etc..

[Consolidated subsidiaries]
WATT LINE SERVICE Co., Ltd.
Toko Electric (Suzhou) Co., Ltd.
Toshiba Toko Meter Systems Co., Ltd.

Electric Equipment Business Segment

58% (63%)



(In millions of yen)

The number in () is FY2021 sales and composition ratio.

1. FY2022 Business Results: Net sales

<YoY Analysis>

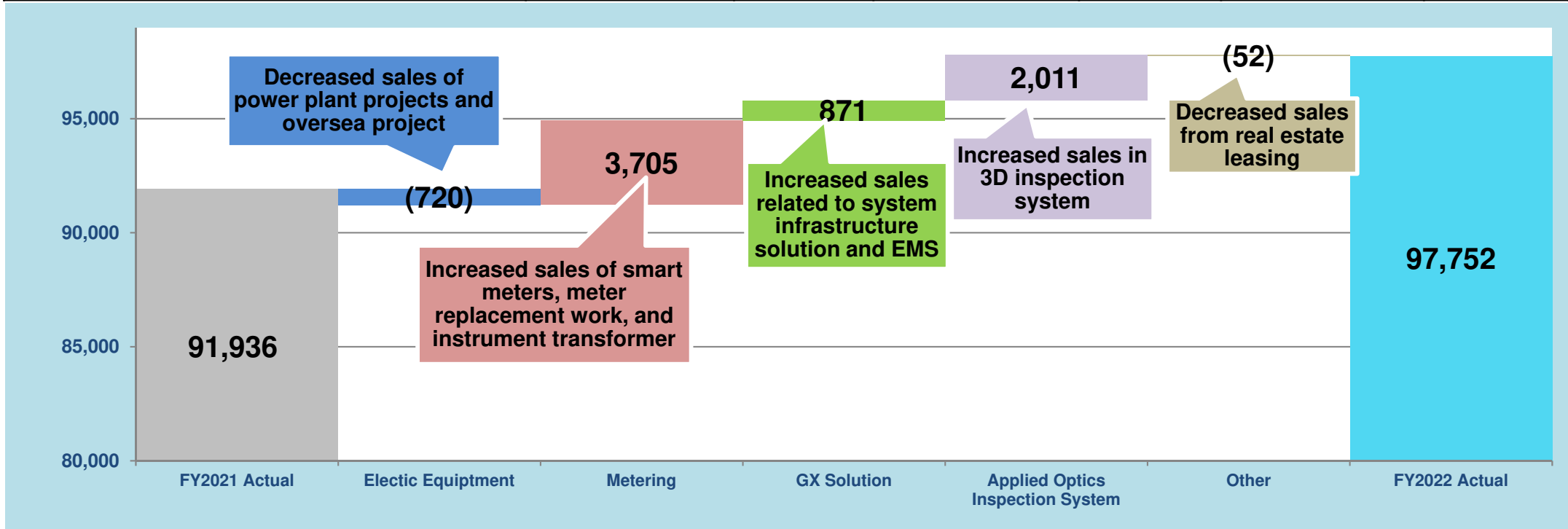


TAKAOKA TOKO CO., LTD.

[Net sales by segment]

(In millions of yen)

Segment	FY2022 Actual		FY2021 Actual		YoY	
	Amount (A)	Ratio	Amount (B)	Ratio	Change (A)–(B)	Percent change
Electric Equipment Business	56,944	58.3%	57,644	62.7%	(720)	(1.2%)
Metering Business	27,953	28.6%	24,247	26.4%	3,705	15.3%
GX Solution Business	7,711	7.9%	6,840	7.4%	871	12.7%
Applied Optics Inspection System Business	4,150	4.3%	2,139	2.3%	2,011	94.0%
Other (real estate leasing)	992	1.0%	1,044	1.1%	(52)	(5.0%)
Net sales by segment: Total	97,752	—	91,936	—	5,816	6.3%



1. FY2022 Business Results: Income

<YoY Analysis>

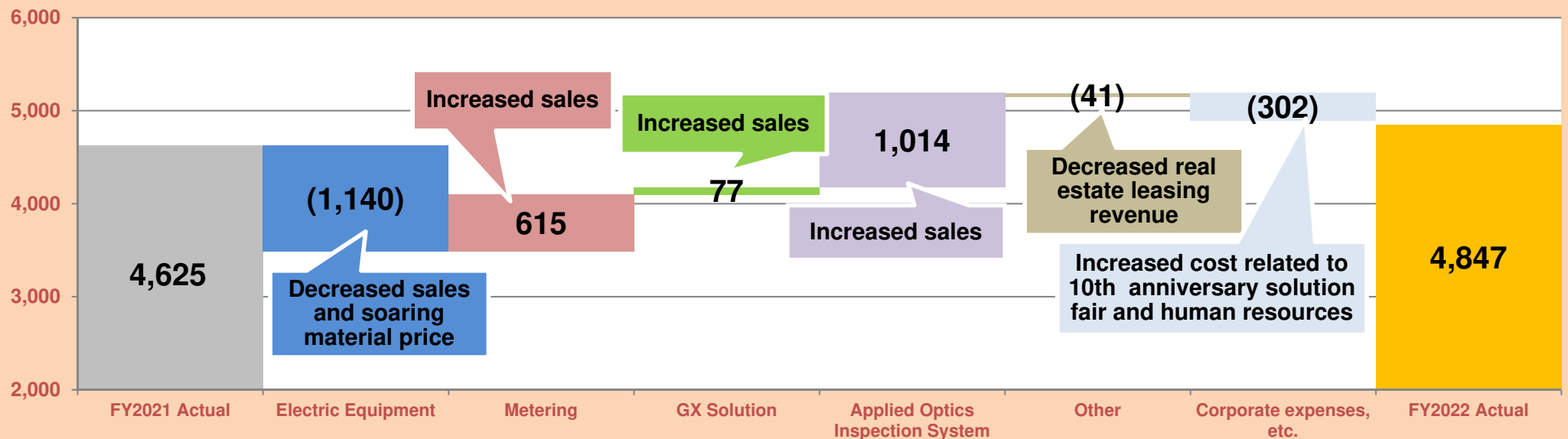


TAKAOKA TOKO CO., LTD.

[Income by segment]

(In millions of yen)

Segment	FY2022 Actual		FY2022 Actual		YoY	
	Amount (A)	Profit margin	Amount (B)	Profit margin	Change (A)–(B)	Percent change
Electric Equipment Business	5,214	9.2%	6,355	11.0%	(1,140)	(17.9%)
Metering Business	2,337	8.4%	1,721	7.1%	615	35.8%
GX Solution Business	(207)	(2.7%)	(284)	(4.2%)	77	—
Applied Optics Inspection System Business	1,496	36.1%	482	22.5%	1,014	210.4%
Other (real estate leasing)	667	67.3%	708	67.9%	(41)	(5.8%)
Income by segment: Total	9,508	9.7%	8,983	9.8%	525	5.8%
Corporate expenses, etc. (incl. consolidated adjustments)	(4,661)	—	(4,358)	—	(303)	—
Operating income	4,847	5.0%	4,625	5.0%	222	4.8%



2. Performance of Business Segments

<YoY Analysis>



TAKAOKA TOKO CO., LTD.

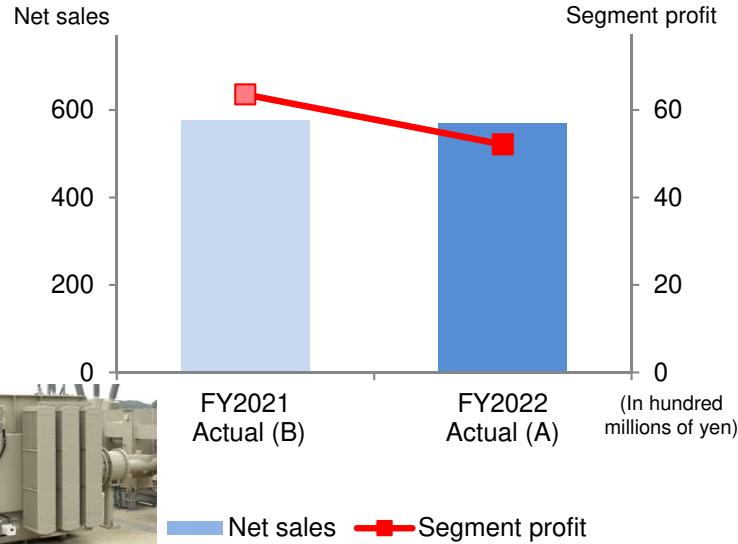
Electric Equipment Business Segment

(In millions of yen)

	FY2022 Actual (A)	FY2021 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	56,944	57,664	(720)	(1.2%)
Segment profit	5,214	6,355	(1,140)	(17.9%)

Net sales	[Reason behind increase] disconnectors, pole-mounted transformers, switches [Reason behind decrease] Plant projects for electric power companies, overseas construction
Profit	[Reason behind increase] Increased sales of switches [Reason behind decrease] Decreased sales for plant projects for electric power companies and controllers for distribution automation, soaring material prices,

FY2022 initiatives: Model change (middle voltage transformers, manual switches), automation of production line



Eco-friendly palm fatty acid ester-immersed transformer

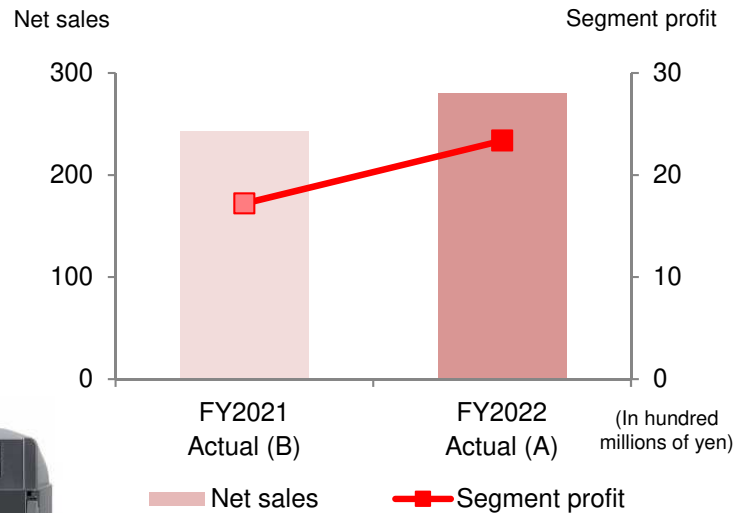
Metering Business Segment

(In millions of yen)

	FY2022 Actual (A)	FY2021 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	27,953	24,247	3,705	15.3%
Segment profit	2,337	1,721	615	35.8%

Net sales	[Reason behind increase] Smart meters, electric meter replacement work, instrument transformers
Profit	[Reason behind increase] Increased sales of smart meters and electric meter replacement work

FY2022 initiatives: Model change of high capacity VCT



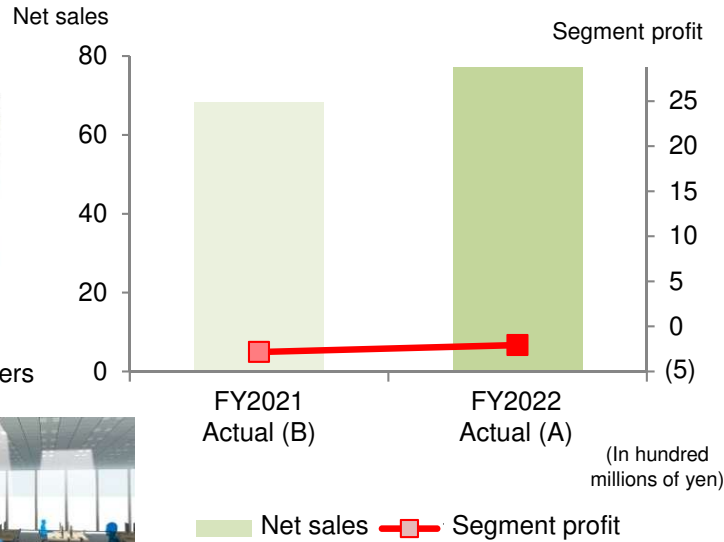
Smart meter

2. Performance of Business Segments

<YoY Analysis>



TAKAOKA TOKO CO., LTD.



GX Solution Business Segment

(In millions of yen)

	FY2022 Actual (A)	FY2021 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	7,711	6,840	871	12.7%
Segment profit	(207)	(284)	77	–

Net sales	[Reason behind increase] System infrastructure solution business, EMS related products [Reason behind decrease] NEDO related business
Profit	[Reason behind increase] Increased sales related to system infrastructure solution business and EMS-related products [Reason behind decrease] Decreased sales of NEDO related business as well as souring material price

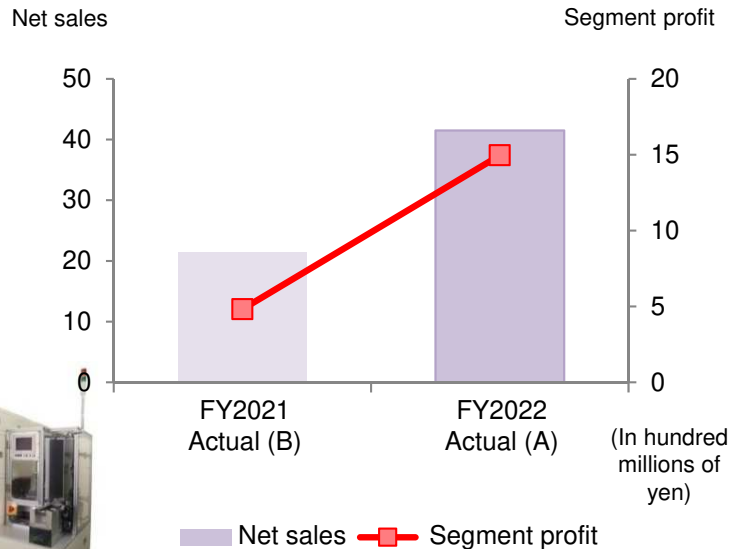
FY2022 Initiatives: Establishment of new business headquarter and introduction of medium capacity quick chargers



Quick chargers



Energy-saving control system for lighting and air conditioning



Applied Optics Inspection System Business Segment

(In millions of yen)

	FY2022 Actual (A)	FY2021 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	4,150	2,139	2,011	94.0%
Segment profit	1,496	482	1,014	210.4%

Net sales	[Reason behind increase] 3D inspection systems
Profit	[Reason behind increase] Increased sales of 3D inspection systems

FY2022 Initiatives: Increased orders of applied optics inspection system and development of new key customers



Applied Optic Inspection System

3. FY2022 Business Results

<Comparison with Forecast (Disclosed on April 27, 2022)>



TAKAOKA TOKO CO., LTD.

Both net sales and profit increased, driven by smart meters in the Metering Business and 3D inspection systems in the Applied Optics Inspection Business. Although the Company missed sales opportunities due to the prolonged lead time of parts procurements such as semiconductors and suffered from soaring material prices, we worked to limit the impacts by ordering parts in advance, adjusting selling prices, and negotiating price increases.

(In millions of yen)

		FY2022 Actual (A)	FY2022 Business forecast (B)	Increase (A)–(B)	Compared to budget
Net sales*		97,752	93,000	4,752	5.1%
Breakdown	Electric Equipment Business	56,944	55,992	952	1.7%
	Metering Business	27,953	24,391	3,562	14.6%
	GX Solution Business	7,711	7,782	(71)	(0.9%)
	Applied Optics Inspection System Business	4,150	3,838	312	8.1%
	Other (Real estate leasing)	992	994	(2)	(0.2%)
Operating income		4,847	4,400	447	10.2%
Breakdown	Electric Equipment Business	5,214	6,465	(1,251)	(19.4%)
	Metering Business	2,337	1,329	1,008	75.8%
	GX Solution Business	(207)	(455)	248	—
	Applied Optics Inspection System Business	1,496	972	524	53.9%
	Other (Real estate leasing)	667	646	21	3.3%
	Corporate expenses, etc.	(4,661)	(4,559)	(102)	—
Ordinary income		4,704	4,500	204	4.5%
Profit attributable to owners of parent		2,919	3,000	(81)	(2.7%)
* Of which, net sales related to TEPCO Power Grid Inc.		38,820	37,095	1,725	4.7%
Net sales composition of TEPCO Power Grid Inc.		39.7%	39.9%	(0.2%)	—
Orders received		109,359	90,214	19,145	21.2%

4. FY2022 Investments Made

Capital investments

(In hundred millions yen)

	FY2022 Actual (A)	FY2021 Actual (B)	Increase (A-B)
Revenue growth and new domains	11	10	1
Maintenance and replacement	11	7	4
Total	21	16	5

Type

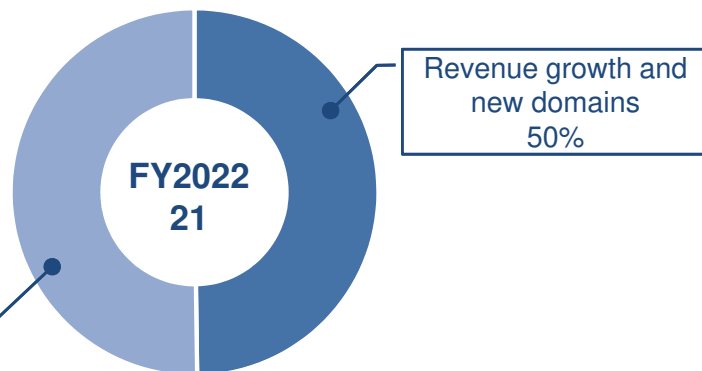
Details

Revenue growth and new domains

- Development facilities for local 5G communication system
- Digitalization

Maintenance and replacement

- Replacement of core systems
- Replacement of PCB test equipment



(In hundred millions of yen)

Research & Development

(In hundred millions yen)

	FY2022 Actual (A)	FY2021 Actual (B)	Increase (A-B)
New domains	9	8	1
Core businesses	21	22	(1)
Total	30	30	1

Type

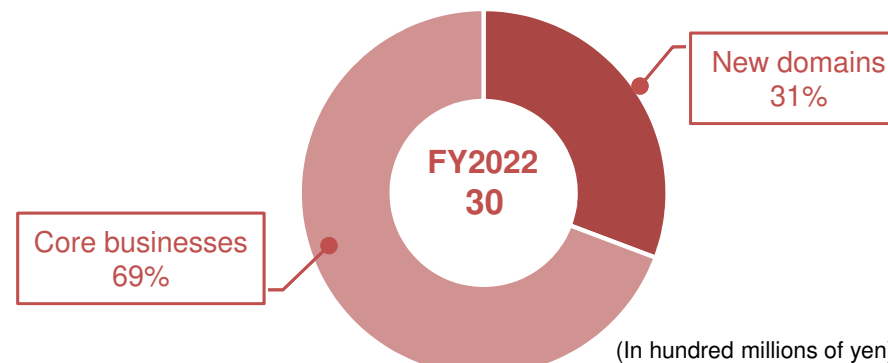
Details

New domains

- Development of system and equipment related to digital substations
- Development of charging operation system for EVs

Core businesses

- Model change for switches
- Model change for switching equipment



(In hundred millions of yen)

5. FY2022 Impact of Prolonged Lead Time of Parts Procurement and Soaring Major Material Prices



TAKAOKA TOKO CO., LTD.

Prolonged lead time of parts procurements

With the **prolonged lead time of procurement of various parts** including semiconductors, we are also experiencing difficulties in procuring parts related to our product items **on a regular delivery schedule**, causing a delivery delay for some products.

As measures against this situation, we focus on securing parts by **sharing parts procurement routes among the entire Group** and collecting information directly from parts manufacturers. Furthermore, we are taking measures such as interchanging stored parts among the Group, proposing alternative parts, searching for parts on the market, and examining foreign-made parts.

FY2022 cumulative impact (vs. plan)
Net sales: approx. 2,900 million yen
Profit: approx. 900 million yen

Reference: FY2021 cumulative impact
Net sales: approx. 1,500 million yen
Profit: approx. 400 million yen

Soaring major material prices

Soaring prices of major materials, including coppers and steel plates, and increased prices in components, continued throughout the year.

In response to this situation, we are continuing efforts to minimize the impact by taking measures such as **a revision in sales prices, supplier change, specification change, and use of stored goods**.

FY2022 cumulative impact (vs. plan)
Profit: approx. 800 million yen

Reference: FY2021 cumulative impact
Profit: approx. 300 million yen

6. FY2023 Business Forecast Assumptions

Followings are possible risks that may impact FY2023 business forecast as of today.

1. Impact of prolonged lead time of parts procurement and soaring major material prices

Assume those risks remain high for FY2023.

Prolonged lead time of parts procurement

- For accepted orders: factored in by considering the latest shipping schedule after adjustments of delayed lead time
- For future accepting orders: factored in on the condition that the prolonged lead time of parts procurement continues

Soaring major material prices

- Assume profit will decrease by **1,400 million yen** compared to actual FY2022 business results due to soaring material prices such as insulation oil, copper wires, and magnetic steel sheets, as well as rising costs such as electricity and transportation.
- Factored into forecasts by minimizing impact through cost reduction and revision of selling prices.

2. Impact of currency exchange rate

- Net sales: Assume minimal impact with yen-dominated contracts dominating.
- Profit: Assumed \$/¥ rate, a major currency rate used for procurement, is ¥131/\$. Profit change **approx. 26 million yen** if 1 yen moves against the dollar.



7. FY2023 Business Forecast

In FY2023, we expect net sales of 100,000 million yen, operating income of 4,500 million yen, ordinary income of 4,600 million yen, and profit attributable to owners of parent of 3,400 million yen.

As for the future outlook, we expect the impact of soaring resource prices and the procurement risks of related parts affected by the shortage of semiconductors to remain uncertain, and the overall situation for the Group continues to be challenging. However, with a positive sign of the expected normalization of socioeconomic activities following the downgrade of COVID-19 classification. We will continue to accelerate our efforts in the three pillar policies, deepening and transforming our core businesses, transforming the structure of our business foundation, and taking on challenges to cultivate the future vision for 2030, and strive to enhance our corporate value, and focus on our efforts to accomplish the Business Plan 2023, which marks the final year of the Medium-term Management Plan 2023.

(In millions of yen)

	FY2023 Forecast (A)	FY2022 Actual (B)	Increase (A)–(B)	YoY
Net sales*	100,000	97,752	2,248	2.3%
Operating income	4,500	4,847	(347)	(7.7%)
Ordinary income	4,600	4,704	(104)	(2.3%)
Profit attributable to owners of parent	3,400	2,919	481	16.5%
*Of which, net sales related to TEPCO Power Grid	40,063	38,820	1,243	3.2%
Net sales composition of TEPCO Power Grid	40.1%	39.7%	0.4%	—
Orders received	96,183	109,359	(13,176)	(13.7%)

7. FY2023 Business Forecast:

Difference from Last Revised Forecast Announced on Apr. 27, 2022



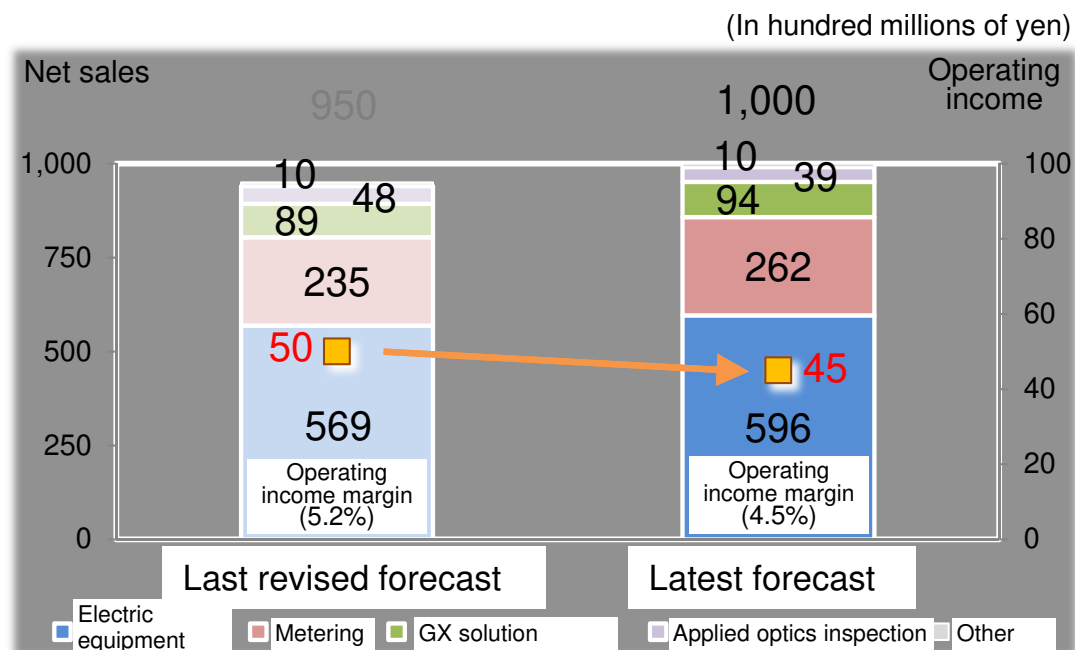
TAKAOKA TOKO CO., LTD.

While we revised upward the target for FY2023 in our Medium-term Management Plan 2023 on April 27, 2022, we now have further updated the target, or forecast, for FY2023 by incorporating various risks such as prolonged parts procurement lead time and soaring material prices, as well as measures to optimize selling prices. As a result, we have developed the latest forecast with net sales increased by 5,000 million yen and operating income decreased by 500 million yen, compared to the last revised forecast.

Factor	Segment	Details
Upswings	Electric Equipment Business	Electric power: Increase in sales due to price revision of products for electric power companies
	Metering Business	Metering: Increase in sales of voltage transformers for metering and metering works due in part to price revision
Downswings	All Businesses	Increase in costs resulting from soaring material prices
	Applied Optics Inspection System Business	Decrease in sales and profits resulting from delay in delivery plans of cutting-edge semiconductor package substrates manufacturers, etc.

(In millions of yen)

	Last revised forecast	Latest forecast
Net sales	95,000	100,000
Operating income	5,000	4,500
Operating income margin	5.3%	4.5%
Profit attributed to shareholders of the parent company	3,500	3,400
Return on Equity (ROE)	6.4%	6.2%
Return on Assets (ROA)	3.4%	3.2%



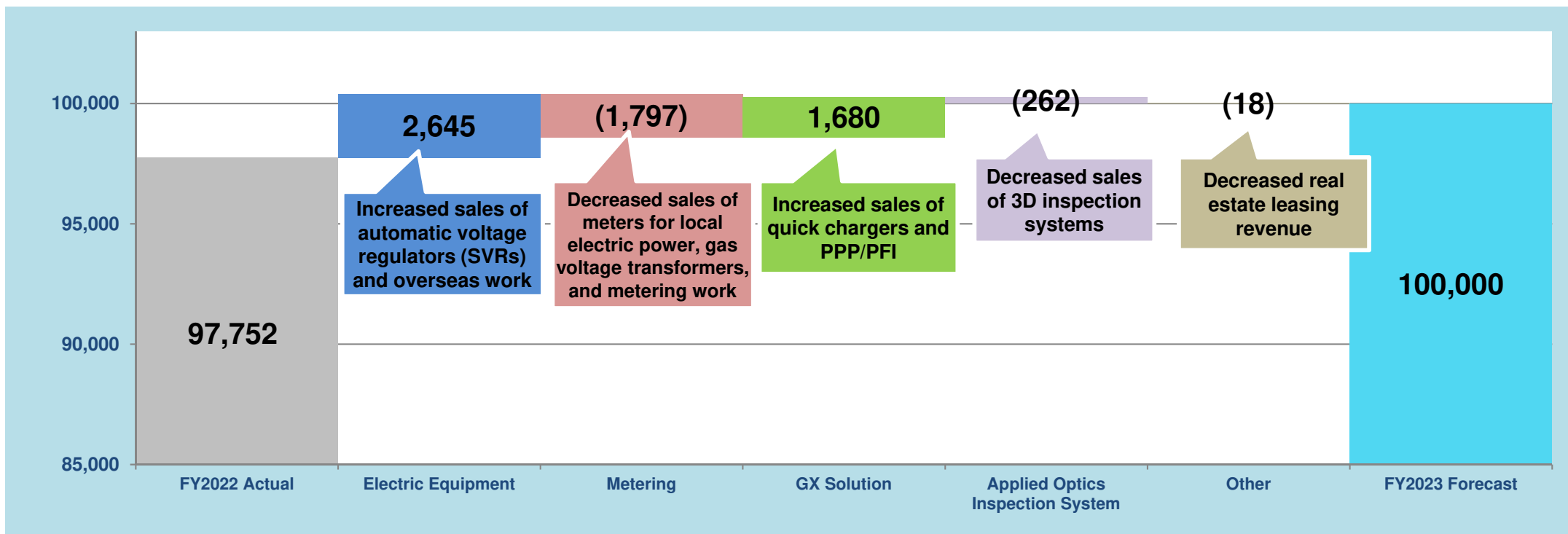


7. FY2023 Business Forecast: Net Sales

[Net sales by segment]

(In millions of yen)

Segment	FY2023 Forecast		FY2022 Actual		YoY	
	Amount (A)	Ratio	Amount (B)	Ratio	Increase (A)–(B)	Percent change
Electric Equipment Business	59,589	59.6%	56,944	58.3%	2,645	4.6%
Metering Business	26,156	26.2%	27,953	28.6%	(1,797)	(6.9%)
GX Solution Business	9,391	9.4%	7,711	7.9%	1,680	21.8%
Applied Optics Inspection System Business	3,888	3.9%	4,150	4.3%	(262)	(6.7%)
Other (real estate leasing)	974	1.0%	992	1.0%	(18)	(1.8%)
Income by segment: Total	100,000	—	97,752	—	2,248	2.3%



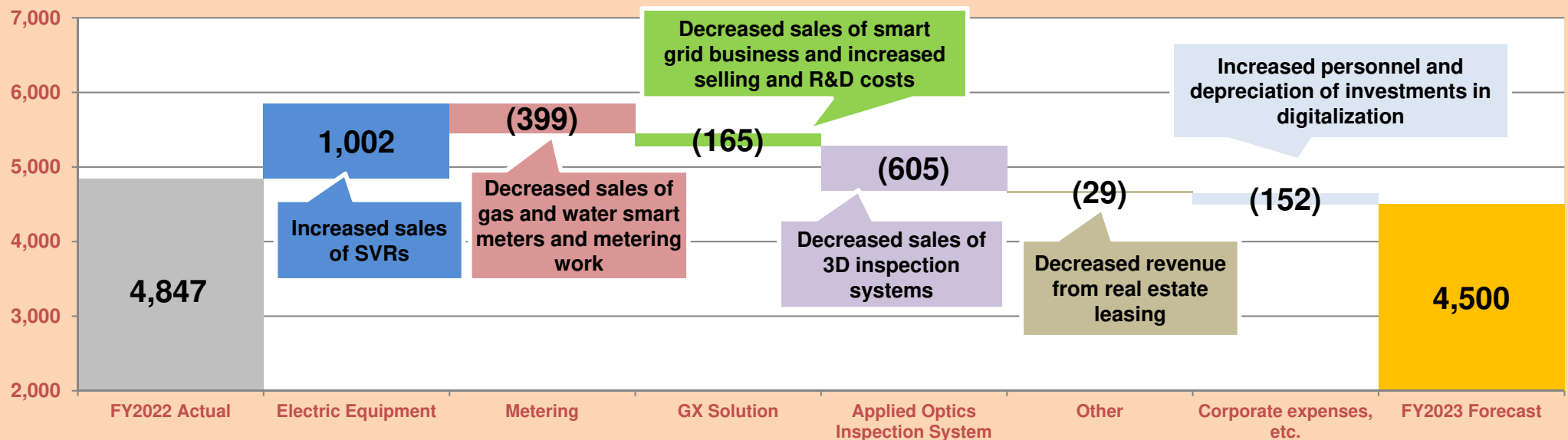


7. FY2023 Business Forecast: Income

[Income by segment]

(In millions of yen)

Segment	FY2023 Forecast		FY2022 Actual		YoY	
	Amount (A)	Ratio	Amount (B)	Ratio	Increase (A)–(B)	Percent change
Electric Equipment Business	6,216	10.4%	5,214	9.2%	1,002	19.2%
Metering Business	1,938	7.4%	2,337	8.4%	(399)	(20.6%)
GX Solution Business	(372)	(4.0%)	(207)	(2.7%)	(165)	–
Applied Optics Inspection System Business	891	22.9%	1,496	36.1%	(605)	67.9%
Other (real estate leasing)	638	65.5%	667	67.3%	(29)	(4.5%)
Income by segment: Total	9,312	9.3%	9,508	9.7%	(196)	(2.1%)
Corporate expenses, etc. (incl. consolidated adjustments)	(4,812)	–	(4,661)	–	152	–
Operating income	4,500	4.5%	4,847	5.0%	(347)	(7.7%)



8. FY2023 Investment Plans

Capital Investments

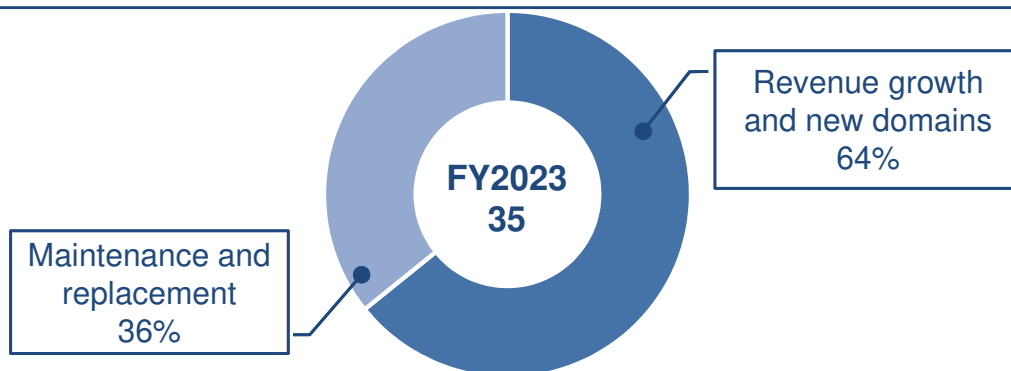
(In hundred millions yen)

	FY2023 Plan (A)	FY2022 Actual (B)	Change (A-B)
Revenue growth and new domains	22	11	12
Maintenance and replacement	12	11	2
Total	35	21	14

Type

Details

- | | |
|--------------------------------|---|
| Revenue growth and new domains | <ul style="list-style-type: none"> Automated manufacturing lines for pole-mounted transformers Facilities for next-generation smart meters |
| Maintenance and replacement | <ul style="list-style-type: none"> Maintenance of leased office buildings Replacement of manufacturing facilities for pole-mounted transformers and switchgears |



(In hundred millions of yen)

Research & Development

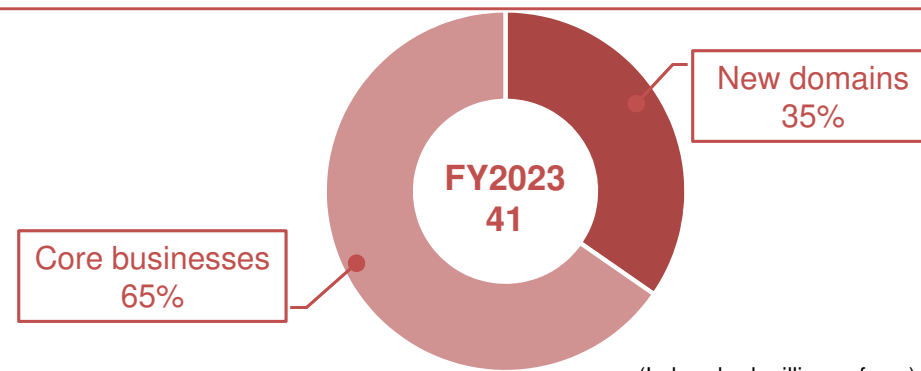
(In hundred millions yen)

	FY2023 Plan (A)	FY2022 Actual (B)	Change (A-B)
New domains	14	9	5
Core businesses	27	21	6
Total	41	30	11

Type

Details

- | | |
|-----------------|---|
| New domains | <ul style="list-style-type: none"> Development of next-generation smart meters Development of power distribution systems for overseas |
| Core businesses | <ul style="list-style-type: none"> Model change for switches Model change for switching equipment |



(In hundred millions of yen)

9. Dividend Payment



TAKAOKA TOKO CO., LTD.

We believe that stable dividends are the basis for meeting shareholders' expectations; therefore, we will continue to pay dividends twice a year, an interim dividend of 25 yen and a year-end dividend of 25 yen, while striving to ensure a stable management base by strengthening our financial position.

On October 1, 2022, we celebrated the 10th anniversary of the establishment of TAKAOKA TOKO HOLDINGS CO., LTD., the predecessor of our company, and to commemorate this occasion and to express our gratitude to our shareholders, we have paid a commemorative dividend of additional 5 yen per share as an interim dividend for FY2022.

(in Yen)

		FY2021	FY2022	FY2023 (Forecast)
Net income per share (consolidated)		203.17	180.78	210.51
Dividend per share	Interim/Year-end	25/25	30/25	25/25
	Annual	50	55	50
Dividend pay out ratio		24.6%	30.4%	23.8%

10. FY2022 Action to Implement Management that is Conscious of Cost of Capital and Stock Price

[Our P/B ratio, or PBR, currently falls below 1.0x.]

On March 31, 2023, the Listing Department of the Tokyo Stock Exchange released the “Action to Implement Management that is Conscious of Cost of Capital and Stock Price.”

The Background and Purpose section of the document states that “approximately half of the listed companies on the Prime Market and 60% in the Standard Market have ROE below 8% and P/B ratios below 1.0x, indicating that there are issues in terms of profitability and growth potential.” Under such circumstances, the Company’s ROE for the fiscal year ended March 31, 2023 was 5.5% and its PBR was 0.7x.

Although such conditions have improved compared to the fiscal year ended March 31, 2019, we take seriously that there are challenges ahead to implement management that is conscious of cost of capital and stock price.

Going forward, in accordance with the request of the Tokyo Stock Exchange, we will start with analyzing the current situation (by gaining a proper understanding of the Company’s cost of capital and return on capital; and analyzing and evaluating the current situation around these and the market valuation at the Board of Directors) to work toward planning and disclosure.

Stock Price Factor Analysis (Upper: FY3/2023, Lower: FY3/2019)

Stock Price (FY-End) ¥2,351 ¥1,317	PBR 0.706 x 0.445 x	ROE 5.5% 2.2%

- ✓ Although the ROE is on an improving path, the PER is on an opposite path, implying that expectations for the Company’s future profitability are low.
- ✓ We have already started the management analysis with a focus on ROIC. We will further work on the ratio analysis and identify issues by segment and by product model to improve ROE and ROIC going forward.

11. FY2022 Initiatives



TAKAOKA TOKO CO., LTD.

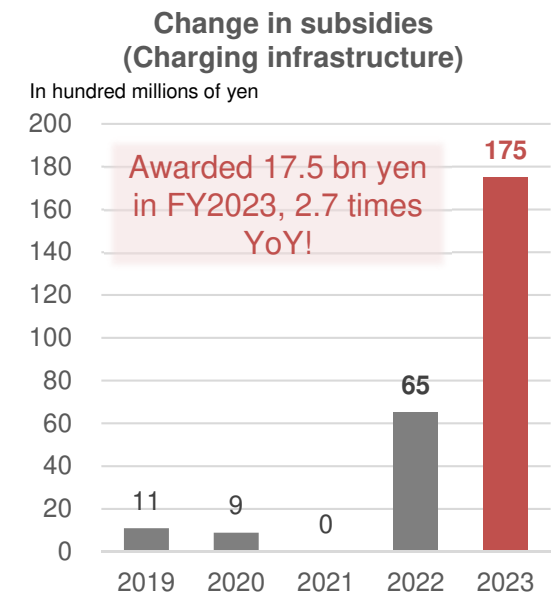
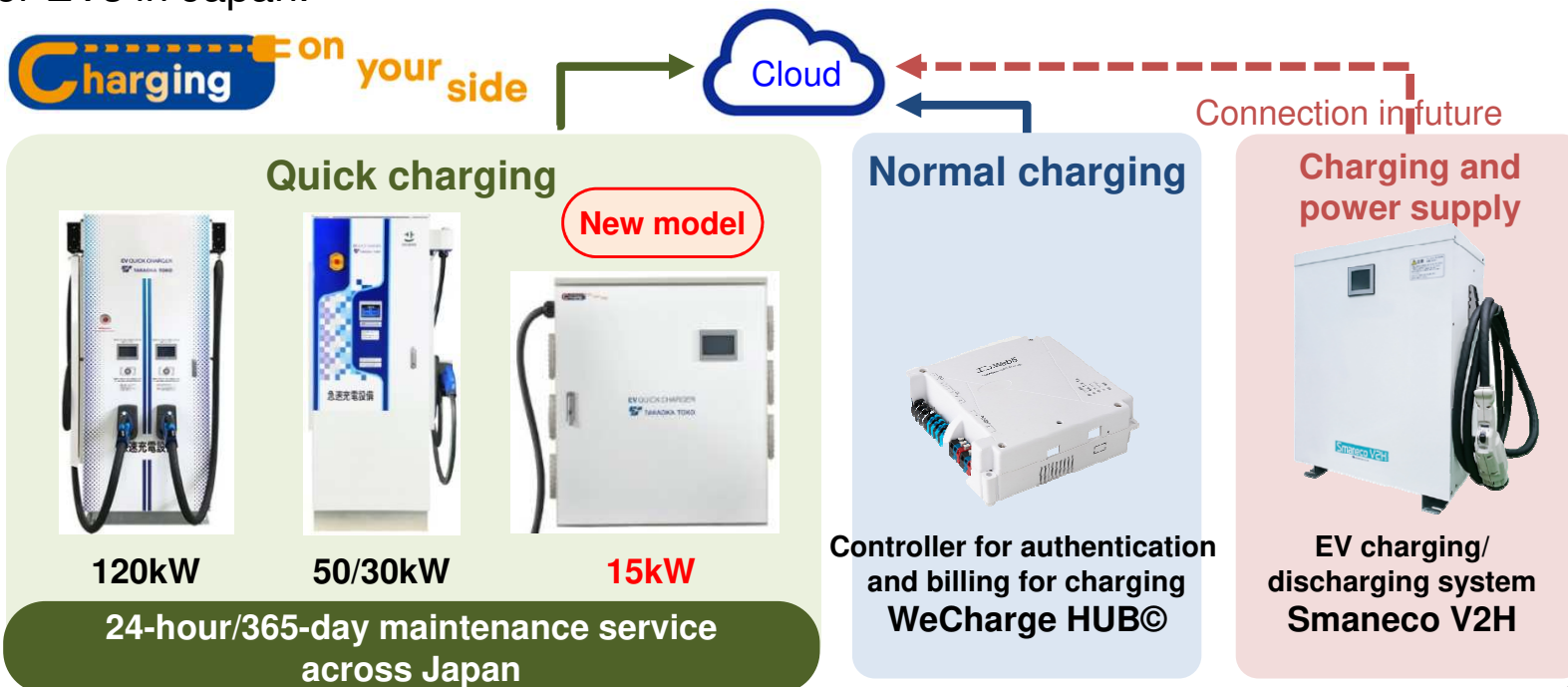


Enhance EV infrastructure solution to help create a low-carbon society

Aiming for carbon neutrality by 2050, we are continuously working to reduce environmental impact throughout our corporate activities and offer products and services which help reduce environmental impact.

In FY2022, we **released a new model of intermediate capacity quick chargers** for EVs that meets the private charging needs of various companies such as offices, factories, and buildings, and we were **selected as a partner company of “EVision” of ISUZU MOTORS LIMITED**. Furthermore, for better convenience, the FY2023 model will support remote condition monitoring and billing authentication.

Amid the acceleration of policies to support the spread of EV infrastructure such as the Japanese government’s Green Growth Strategy and expansion of subsidies, we will contribute to realizing an EV society by providing new products and services that meet diversifying charging needs as a leading manufacturer of quick chargers for EVs in Japan.





PPP/PFI Business Initiatives

To date, we have received orders from local governments for projects to replace 77 public facilities with LEDs at once. Through this experience, we have honed our project management know-how by accumulating a track record of receiving publicly solicited proposals for the renewal of stadium and arena lighting equipment, electronic bulletin boards, and other facilities.

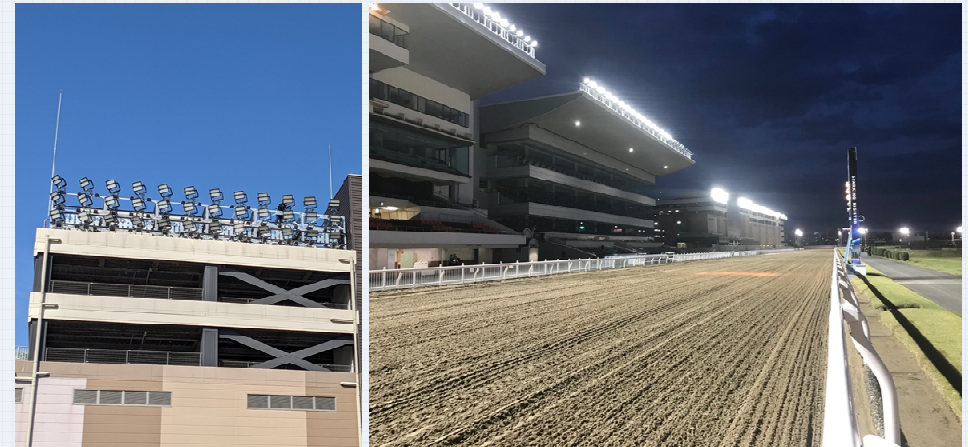
In FY2022, we completed a **project to install new lighting facilities at Unilever Stadium Shintomi (Miyazaki Prefecture)**, which was the second order for a J.LEAGUE stadium. In addition, we completed the **LED lighting project (Phase I) for Kawasaki Racecourse**, and also received an order for **UPS installation and other projects at Kawasaki Racecourse**.

Going forward, we will further expand our product lineup and expand business domains by entering into large-scale complex projects as a representative company in both the public and industrial sectors.



LED lighting at Unilever Stadium Shintomi

This lighting system provides an advanced light environment only achieved in a few J1 stadiums. It also has a light production function.



LED lighting at Kawasaki Racecourse

Considering that this is an urban racetrack adjacent to condominiums and residences, light leakage is significantly reduced while improving illumination.



Overseas Business Initiatives

To achieve **10% or more of net sales from overseas business by 2030**, we promote “out-in” and “out-out” sales development by establishing new overseas production bases and expanding existing ones, as well as deepening and expanding our EPC business.

Our group company, Takaoka Engineering Co., Ltd., is **developing its business in three domains and received orders for projects in a total of nine countries in FY2022**. In addition, **the number of countries having contracted with us has increased by six to a total of 56 countries**, and we are steadily building up our track record as an EPC constructor.

Business domains	Major projects won in FY2022	Orders received in FY2022
<p>Expanding core businesses</p> <p>Transmission, distribution, and power generation fields</p>	<ul style="list-style-type: none"> Federal Republic of Nigeria: Emergency Rehabilitation and Reinforcement plan of Lagos Transmission Substations Tuvalu/Kiribati: Diesel Power Plant Upgrade 	<p>10 projects in 9 countries</p>
<p>Developing peripheral businesses</p> <p>Fields related to water, sewage, etc.</p>	<ul style="list-style-type: none"> Lao People’s Democratic Republic: Luang Prabang Waterworks Expansion Project 	
<p>Capturing growing fields</p> <p>Renewable energy fields</p>	<ul style="list-style-type: none"> Republic of Cuba: The Project for the Improvement of Power Supply in the Isle of Youth Kingdom of Lesotho: Small Hydropower Development Plan 	

3D Inspection Systems

We provide the market with **3D inspection systems** that can inspect the height of microelectrodes (bumps) on semiconductor package substrates with micrometer-level accuracy and at high speed. In particular, the system is **unrivaled and unique** in the inspection of cutting-edge semiconductor package substrates with bumps with a pitch of 55 μm or less.

◆ Demand trends in the semiconductor market

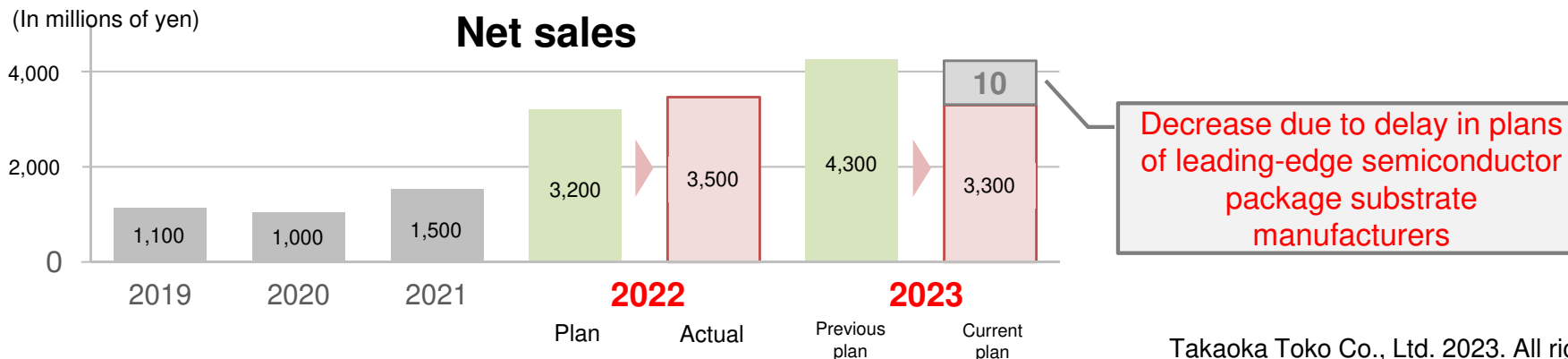
* Growth rates and demand forecasts are cited from the World Semiconductor Market Statistics (WSTS) data.

In 2022, the global semiconductor market continued the strong performance of the previous year at the beginning of the year, but in the second half of the year, the overall growth slowed down significantly to growth of several percent from the previous year. This was attributable to the impact of global inflation and geopolitical risks, in addition to a lapse in special demand at home.

◆ Our situation

Orders in the 3D inspection systems business for FY2022 amounted to **2.7 billion yen (5.4 billion yen in FY2021) as planned**, driven by measures such as **enhanced deployment to high-end package substrate manufacturers**, despite a review of capital investment by semiconductor package substrate manufacturers both in Japan and overseas. In addition, orders for FY2023 are expected to be **nearly at the same level as in FY2022**.

We will continue to **establish a firm position** in the inspection equipment industry for package substrates by **strengthening our product development capabilities, improving productivity, and expanding production capacity**, and we will further expand businesses with semiconductor manufactures as well as semiconductor package substrate manufacturers.



Smart Meter Business

FY2022 results of Toshiba Toko Meter Systems

- Despite the impact on production of some electric smart meters in the previous fiscal year due to difficulties in the procurement of parts including semiconductors and prolonged lead time, the impact was limited this fiscal year. As a result, net sales increased year-on-year (an increase of 14%) due to sales expansion in the electric smart meter and gas fields.
- The soaring material prices due to a weaker yen from the beginning of last year had a significant impact particularly in the second half of the fiscal year. However, we managed to mitigate the impact on revenue to a minor level by switching to alternative parts and having secured a relatively large volume of stored parts, in addition to partly revising sales prices. As a result, operating income increased year-on-year (an increase of 14%).

Increased adoption of smart meters in the industrial sector

- Due to the recent labor shortage and soaring electricity rates, the adoption of automated metering systems and metering services is expanding to improve the efficiency of metering operations and to optimize rate transactions.
- In addition, orders for smart meters in the industrial sector are increasing due to our efforts to capture new metering needs by expanding solar power generation facilities (PPA business) and EV charging infrastructure for decarbonization. As a result, we expect sales of smart meters in the industrial sector in FY2023 to increase by more than 30% year-on-year.



Mainly for building metering and EV chargers



Mainly for solar power generation

Space-saving type



Mainly for high-voltage bulk power receiving and condominiums



Mainly for metering for buildings

Surface mount type

Held 2022 TAKAOKA TOKO 10th Anniversary Solution Fair

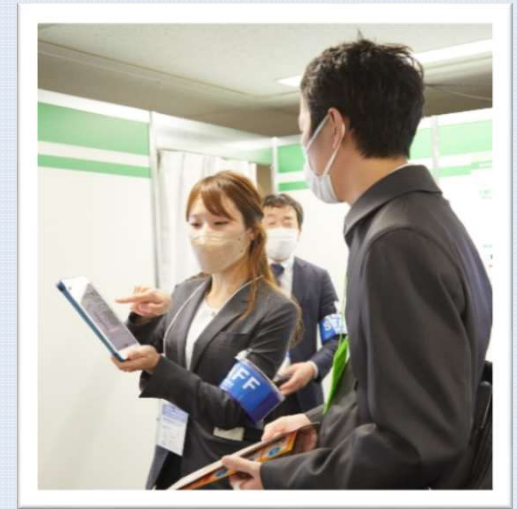
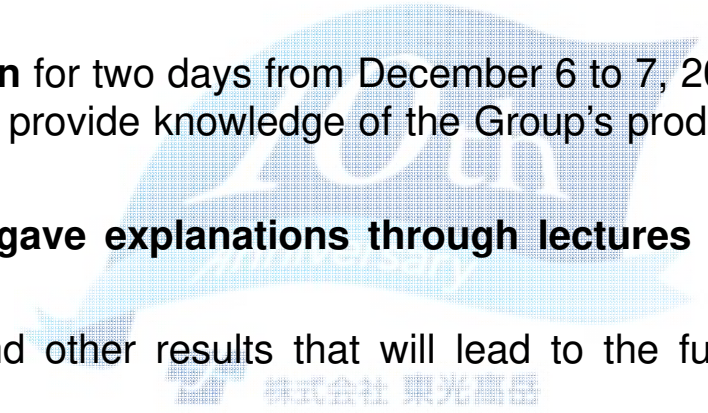
October 1, 2022 marked **the 10th anniversary** of the business integration of the Company's predecessor, Takaoka Electric Mfg. Co., Ltd., with Toko Electric Corporation, through the establishment of a joint holding company (the former TAKAOKA TOKO HOLDINGS CO., LTD.).

For commemorating this landmark year, our Group **held a private exhibition** for two days from December 6 to 7, 2022, with a total of 1,439 visitors, to extend our thanks to all stakeholders and to provide knowledge of the Group's products and services more deeply and extensively.

During the exhibition, **we exhibited panels and actual equipment and gave explanations through lectures and panel discussions, which were well received by many visitors.**

The exhibition also led to the decision to conduct joint research and other results that will lead to the future development of the Company in the future.

We will make use of the opinions, requests, and advice we have received from our customers for our future products and services and will work together with them to realize a sustainable society.





Efforts for Human Resource Vitalization

We consider the knowledge and abilities of people as capital (i.e., human assets) rather than resources (i.e., human resources). We believe that increasing and maximizing the value of these human assets through investment in human resource development is the driving force behind the Company's growth.

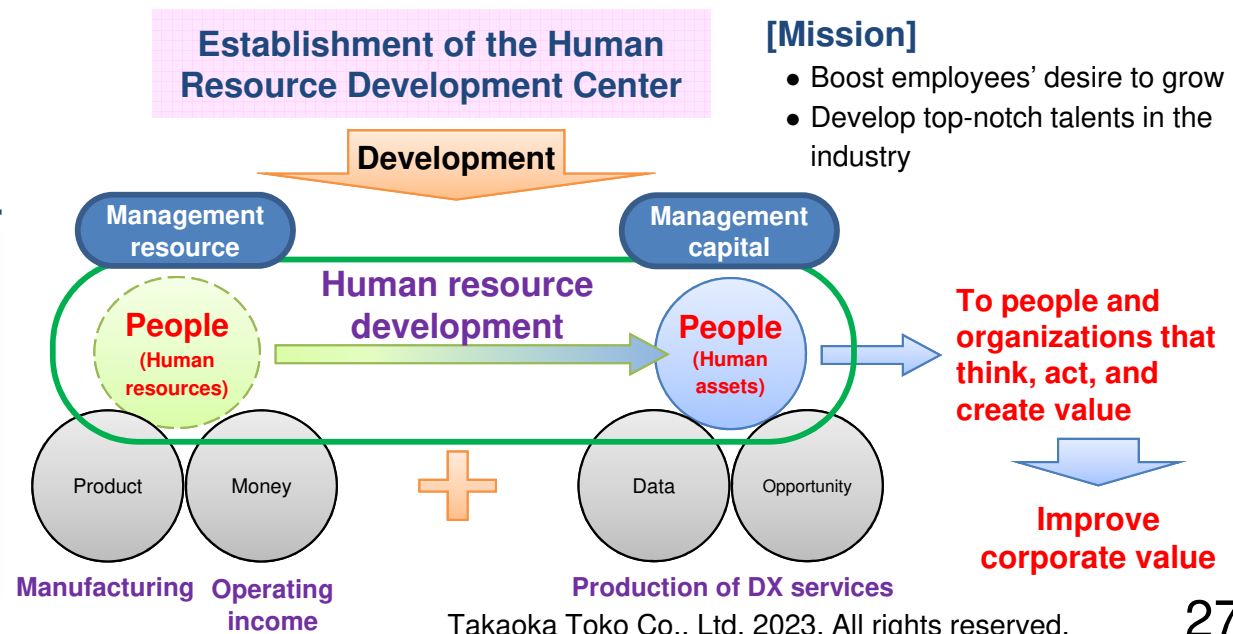
Major Initiatives in FY2022

Activities	Details
Facilitation training for executives	<ul style="list-style-type: none"> Workshop-type discussion of solutions using our challenge as case studies
Women's empowerment promotion training	<ul style="list-style-type: none"> Discussion and mindset on women's empowerment in light of work-life balance
Management leader development training	<ul style="list-style-type: none"> Authentic leadership acquisition and peer coaching for the purpose of developing future managers
LGBT lectures	<ul style="list-style-type: none"> Promoting understanding of diverse values by knowing that LGBT people are around in the Company

To further accelerate these initiatives, we will establish the Human Resource Development Center at the end of June 2023.

Mission of the Human Resource Development Center

- Lead the company-wide human resource development and increase the value of human resources by promoting "boosting employees' desire to grow" and "developing top-notch talents in the industry."



Cautionary statement regarding the performance forecast

Performance forecasts in this document have been made based on information available as of its publication date, and actual operating results may differ from such forecasts due to various factors.

